

Budgeting and Invoicing Manual  
SHP Contracts



The Community Partnership  
For The Prevention  
of Homelessness

Revised October 2007

## **PURPOSE**

The purpose of the manual is to provide budgeting guidelines for organizations contracted by The Community Partnership for the Prevention of Homelessness to provide services funded by the US Department of Housing and Urban Development's Supportive Housing Program. The manual is presented to provide general guidelines and does not supplant any requirements set forth in the contract.

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## **BUDGETING**

Contracts issued by The Community Partnership (TCP) indicate the total contract amount and the funding type breakdown as supplied by HUD. At the time of contract execution, the contractor is required to submit, along with other deliverables, an initial budget and a narrative. The following guidelines outline the expectations of TCP regarding the budget and narrative.

### **I. SHP Initial Budget**

Budgets are to be submitted on the TCP Form 315 - SHP Initial Budget. (See Appendix A) The initial budget form requires the contractor to use the budget from the technical submission and assign the funds to the appropriate expense line on TCP Form 315. Because the expense lines on the technical submission are different from the billing requirements of TCP, the contractor must use their best judgment when assigning costs from the technical submission lines to this form. However, the types of expenses (ie. operating, supportive, administration) and amounts of each, on the Initial Budget form must match those on the technical submission. If the contractor wishes to make budget changes, the contractor must submit the initial budget as detailed above, and subsequently submit a budget modification request (see below).

NOTE: Beginning with SHP grants applied for in 2006, the application and technical submission form only require the contractor to show the detailed budget for the HUD-funded portion of the budget. In response to this change, TCP will only require detailed presentation of the HUD-funded portion of the budget beginning in 2007.

### **II. Expense Categories**

#### **A. Supportive Services**

The HUD SHP desk guide defines Supportive Services as:

Almost any services aimed at moving homeless participants to independence are eligible for SHP support. The following examples of services which may be paid for with supportive services grant funds:

Outreach, Child care, Job training/placement, Case management, Health care, Transportation, Employment Assistance, Education, Vocational opportunities, Life skills, Counseling, Housing search assistance, Substance abuse treatment, Parenting skills, Psychiatric care, Mental health care, Home furnishings, Budgeting.

Examples of eligible/ineligible supportive services costs are:

#### **Eligible supportive services costs**

- Salary of case manager, counselor, therapist, etc.
- Salary of case management supervisor when he/she is working with clients or working with a case manager on issues regarding clients
- Desks, computers used by clients and their trainer in employment training programs
- Food, clothing, transportation for use by clients
- Medical/dental care for clients
- First and last month's rent, security deposits, credit checks for participants moving from transitional housing to permanent housing
- Clothing, tools, and similar items needed by participants for jobs or job training

- Beepers for outreach workers
- Mileage allowance for service workers to visit participants at home, if participants reside in scattered site housing
- Vehicle purchase and operation (gas, insurance, maintenance) when used for transporting clients.

Ineligible supportive services costs for transitional, permanent and safe haven projects

- Salary of case management supervisor when s/he is not working directly on participant issues
- Desk/computers used by staff for intake, or other daily activities
- Office telephones, fax, postage, utilities and insurance
- Office for meeting space
- Staff recruitment/training

NOTE that certain costs for Supportive Services Only projects are eligible, but only to the extent that these costs are part of the project, and the project is classified at SSO. The scope of direct costs of providing supportive services is expanded to include: Staffing, utilities, equipment and supplies, furnishings, repairs and maintenance, transportation, insurance and security. *TCP NOTE: No new SSO projects are accepted into the DC Continuum of Care under SHP funding. Existing SSO projects set to expire beginning in 2008 and will change funding sources upon expiration.*

- From the SHP Desk Guide, April 2005

## B. Operating Costs

The HUD SHP desk guide defines Operating Costs as:

Operating costs are those costs associated with the physical day-to-day operation of supportive housing facility and for which cash payment is needed. Operating costs differ from Supportive Services costs in that operating costs support the function and the operation of a housing project.

Examples of eligible/ineligible supportive services costs are:

Eligible operating costs

The expense incurred by the grantee to operate supportive housing is an eligible SHP activity. Some examples include:

- Salaries of staff not delivering services, such as project manager, security guard
- Utilities costs: gas, heat, electric, etc.
- Desks, computers, telephones used by staff
- Furnishings (beds, chairs, dressers, etc.) for participants
- Equipment (refrigerators, ranges, etc.)
- Food

Sometimes operations staff also carry out supportive services activities. To the extent a staff person does both, their expenses must be split between the two categories. The grantee will need documentation, such as timesheets, to show how the expenses were split.

Because SHP allows grantees to repay outstanding debt on a loan to purchase the structure under the acquisition activity, grantees may not consider mortgage payments as an operational cost. This means that when the operating budget is calculated, mortgage payments may not be included.

Ineligible operating costs

- Mortgage payments
- Recruitment or on-going training of staff

- Rent (may be eligible as real property leasing)
- Depreciation
- Costs associated with the organization rather than the supportive housing project
- Operating costs of a supportive services only facility

- From the SHP Desk Guide, April 2005

### C. Administrative Costs

The HUD SHP desk guide defines administrative costs as:

Up to 5% of any grant awarded under SHP may be used for the purpose of paying costs of administering the assistance. Applicants and project sponsors must work together to determine the plan for distributing administrative funds between applicant and project sponsor. [TCP keeps 3% of the grant total and the project sponsor receives 2% of the grant.]

Administrative costs include the costs associated with accounting for the use of grant funds, preparing reports for submission to HUD, obtaining program audits, similar costs related to administering the grant after the award and staff salaries associated with these administrative costs. They do not include the costs of carrying out any other allowable SHP program cost.

#### Eligible administrative costs

- Preparation of Annual Progress Report
- Audit of Supportive Housing Program
- Staff time spent reviewing/verifying invoices for grant funds, drawing money from Treasury, and maintaining records of the use of those funds
- Field office training on managing the grant

#### Ineligible administrative costs

- Preparation of application/technical submission
- Conferences, fund raising activities, and training in professional fields (such as social work or financial management)
- Salary of an organization's Executive Director (except to the extent that s/he is involved in carrying out eligible administrative functions as shown under eligible administrative costs lists.)

- From the SHP Desk Guide, April 2005

For a complete copy of the SHP Desk Guide, go to [www.hud.gov/offices/cpd/homeless/programs/shp/](http://www.hud.gov/offices/cpd/homeless/programs/shp/)

### **III. Budget Narrative**

If the contractor provided sufficient budget detail in the application budget or technical submission budget, that document may take the place of a budget narrative at the time of budget submission.

If the application budget or technical submission does not provide significant budget detail information, the contractor will be asked to provide a budget narrative. When preparing the budget narrative, please use the following as a guideline.

#### A. Personnel

Expenses on the personnel line should be gross salaries paid to employees (either under Supportive Services or Operating Costs.) All personnel allocations must be made on a reasonable basis. The

personnel list in the budget narrative must correspond with the staff list and job descriptions included with the deliverables. (Please note: the contract also requires that TCP be notified in advance of any significant changes in staffing patterns made during the course of the contract year.) The Personnel line item should not include payments to independent contractors and/or casual labor for which the employer pays no payroll taxes.

The contractor must submit the staff list on the TCP Form 905 – Staffing List. (Appendix B). The TCP Form 905 is a staff listing which allows TCP staff to tie the positions listed on the technical submission to the invoices submitted. The form requests the following information

Column A: Name

Please list the name of the employee performing the job function (as it will appear on the payroll submitted with monthly invoices). If this list is completed after the start date of your program, and there has been a staffing change since that start date, please indicate all employees performing this job function since the beginning of the grant period with their start date & end dates in parenthesis after their name. *If there is a staff change after this form has been approved, please follow standard TCP procedures regarding notification of staffing changes.*

Column B: Job Title

The title of the employee should match the title on the HUD-Approved Technical Submission. If the title is slightly different (but the same basic job description) list the correct title followed by the Technical Submission title in parentheses. If the title or position of employee performing this job function has changed significantly, please notify TCP and they will discuss your options regarding a modification to your budget.

Column C: # of Hours per week

List the number of hours per week the employee typically works (i.e. 40 hours would indicate a FT employee)

Column D: Eligible for benefits Y/N

If the employee is eligible for benefits indicate Yes. This will allow the employee to be included in the benefits calculations for billing under this grant.

Column E: Hourly Rate or Annual Salary

Indicate the current salary or hourly rate for the employee.

Column F: FTE charged to TCP Contract

Indicate the percentage of the employee's earnings that are budgeted to the TCP contract, there by indicating the Full Time Equivalent (FTE) rate for that employee. Please make sure that it corresponds with the FTE listed on the technical submission. You must show at least the correct number of employees as listed on the technical submission (i.e. if you list 2 staff members at .5 FTE each on the Tech – you can not combine that to 1 staff member at 1.0 FTE). However, if the FTE needs to be adjusted *slightly* to account for a salary increase, you may do so.

Column G: \$ Amount charged to TCP Contract

This amount should be a calculation of the Salary x FTE. This amount should represent the HUD-funded portion of your program and correspond the total amount of personnel for your program, as listed on your Technical Submission.

The total of Column G should add up to the total amount of personnel on your Initial Budget (SS + OP) in the HUD Approved Program Budget column (personnel only - not including Taxes & Fringe).

B. Payroll Taxes

Payroll taxes are limited to FICA and unemployment taxes paid by the contractor. This expense can be calculated based on a percentage of the personnel expense. The budget narrative should include the contractor's current unemployment rate and the logic for determining the percentage rate to be charged to the contract. In most cases, the percentage should not exceed 9%. If a contractor pays unemployment on a reimbursement basis rather than on a rate basis (as is allowed for non-profit organizations) the contractor may only charge actual expenses for employees who were charged to the contract during their employment.

C. Fringe Benefits

Fringe benefit expenses include health insurance premiums, life insurance premiums, disability premiums, vacation, holiday and sick pay (if they are not included in gross wages), and costs of any other fringe benefits provided to employees. The budget narrative should show an estimated cost of each type of fringe benefit.

D. Consultants

Consultants are all individuals hired by the organization as contracted labor for which the organization does not pay payroll taxes. This includes independent contractors as well as casual labor. All contractors must comply with IRS regulations in determining whether an individual is classified as an employee or an independent contractor. For more information go to <http://www.irs.gov/taxtopics/tc762.html>

E. Supplies

Supplies include costs for all incidental supplies directly attributable to the program, as well as travel expenses, postage and delivery, printing and communications expenses. When supply expenses are budgeted in the Supportive Service category, they must be supplies or services only used by clients. When the supplies or services are for use by any staff member, they should be budgeted and billed in the Operating Cost category.

The budget narrative must detail what expenses are going to be billed under this category, based on the following:

- Travel expenses consist of both public and private transportation costs. The budget narrative should include a distinction between public and private transportation expenses. Private transportation includes use of personal automobiles for program-related uses reimbursed by the organization at the federal standard mileage rate paid to employees for use of personal cars, as well as cost of gas for company-owned vehicles. For current mileage reimbursement rates go to [www.gsa.gov](http://www.gsa.gov) and click on "POV mileage reimbursement rates."

- Postage and delivery expenses include US Mail, Federal Express or other long distance overnight services and local couriers.
- Communications expenses include the cost of telephones, cellular phones, fax machines, and Internet-based communications, including email and website maintenance.
- Supplies expense must include a general description of the types of supplies to be purchased.

#### F. Furnishings/Equipment

The Furnishings/Equipment line serves different purposes under Supportive and Operating:

- Expenses budgeted under Supportive Services are intended for use by clients as part of the program (i.e. computers for a job training program) or furnishings that will be kept by the clients (i.e. furnishings in a scattered site apartment.)
- Expenses budgeted under Operating include furniture and equipment to be used by staff or to be owned by the program (i.e. furnishings in a group home owned by the program).

The budget narrative must include a detailed description of what furnishings/equipment are expected to be purchased.

#### G. Client Costs

Client Costs consist of any funds used to purchase items for direct benefit of or use by the client.

Examples include: food for clients, toiletries and other personal items purchased for client, cost of lab work for client drug testing, etc. The budget narrative should include a list of the types of client costs that are budgeted.

#### H. Other Costs

Other costs should be used for all costs associated with running the program, which cannot be put into another category. The budget narrative must specifically identify these costs.

#### I. Occupancy (Operating costs only)

Occupancy includes rent for the staff operations of the program. Any costs for occupancy of units for clients should be billed under Leasing. If an allocation is made for the occupancy budget, the basis of the allocation (which should be measured in square footage) must be included in the budget narrative.

#### J Utilities (Operating costs only)

Utilities include electricity, natural gas, water and sewer costs for program locations. Any utility costs for occupancy of units for clients should be billed under Leasing. However, utilities expenses for programs that have congregate living arrangements (where the program does not receive separate utility bills for each client and/or unit), should be charged to this line item. If any allocation is made, the basis of the allocation must be included in the budget narrative.

This line does not include telephone costs, which should be budgeted under Communications.

#### K. Repair/Maintenance (Operating Costs only)

Repair and maintenance covers routine repair and maintenance of property and equipment, pest control and trash removal services.

L. Insurance (Operating Costs only)

Insurance should include the costs of maintaining coverage as required in *Article XII* of the contract. This includes worker's compensation insurance. The budget narrative must include a list of each type of insurance to be billed to the contract. All allocations must be justified.

**IV. Budget Modification**

A. Initial Budget Submission

Program Budgets must be submitted to TCP using the TCP Form 315 Initial Budget form with all other contract deliverables at the time of execution of the contract. All budgets will be reviewed by TCP. TCP will indicate its approval of the initial budget submission with payment of the first month's invoice. No invoices will be paid until a budget is received and approved.

The contractor must use the approved budget to invoice TCP each month. TCP will not issue payment for any line item that exceeds its budget by more than 10%.

B. Budget Modification Process

If the contractor wants to reallocate funds, a budget modification must be submitted. A maximum of two budget modifications can be submitted for each program in a grant year. The final budget modification of the contract year must be submitted 30 days before the end of the contract. HUD does not approve retroactive budget modifications.

Budget modifications must be submitted using the TCP Form 337 Budget Modification Form (Appendix C), which shows the budget changes by line item and the TCP Budget Modification Request Coversheet (Appendix D), which provides a place for a budget narrative. If a budget modification is moving funds to a new type of expense or moving funds between Supportive and Operating, the contractor must also submit a new technical submission.

C. TCP Form 337

The TCP Form 337 has the same line items as the TCP Forms 315 and 326. The form asks for the TCP contract number, the project name and the requested effective date of the modification. The effective date of the modification must be later than the last period for which the contractor has already been reimbursed.

Column A should be the most recent approved budget. If the submission is the first modification of the year, the figures in Column A should equal the Initial Budget submission. If a previous budget modification has been submitted and approved, the figures in Column A should be those from the modified budget. The total in Column A should equal the total contract amount.

Column B should show the changes the contractor is requesting for each line item. The total in Column B should equal zero.

Column C should equal Column A + Column B and represent the new budget totals requested by the contractor.

D. TCP Budget Modification Form

The TCP Budget Modification Request Coversheet asks for basic contract information to accompany TCP Form 337. All budget modification requests must include a narrative to support the requested change. All requests involving the reallocation of funds to or from personnel or client costs require sufficient detail listing of the changes to these areas and their direct impact on the scope of work. TCP will conduct a review of the modification to try to ensure that the program will benefit from the reallocation of funds, not be harmed by it.

E. Budget Modification Approval

The Director of Federal Programs and the Controller are responsible for approving budget modification requests. Any budget modification request that reallocates funds between contracted categories (Supportive, Operating, Leasing, and Administration) also requires approval from the HUD field office. Please note that in these cases, it will take longer to receive approval of the modification .

When a budget modification request has been approved, the form will be stamped “APPROVED” and faxed to the contractor. If the budget modification is not approved or requires further information, the contractor will be notified. TCP cannot pay a contractor for an invoice based on the modified budget until the modification is approved.

## **INVOICING**

### **V. Invoice and Payment Schedule**

All invoices submitted under the SHP program are paid by wire transfer. Wire transfers are issued by TCP on the 15<sup>th</sup> & last day of the month after 1pm. Invoices received by close of business on the 15<sup>th</sup> of the month will be paid on the last day of the month. Invoices received by close of business on the last day of the month will be paid on the 15<sup>th</sup> of the following month.

**If any of these dates fall on a weekend or holiday, the last business day before that date will be substituted. Therefore, if the 15<sup>th</sup> of the month falls on a weekend, payments will be made on the Friday before and invoices are due on the Friday before.** See Appendix E for the submission and payment schedule for FY2007&8. All invoices are due within 60 days of the end of a billing period.

### **VI. Invoice Review Process**

The accounting department at TCP consists of the Controller, Senior Accountant, and Accountant. These staff members are responsible for reviewing and approving invoices and issuing payments. All invoices are reviewed initially to ensure that they have been submitted in the correct format (see Section IX). All invoices must be submitted on a TCP Form 326 – Invoicing Form. (See Appendix F) The invoice must be submitted with a calculator tape verifying the total and must include the correct contract number, the correct initial budget, appropriate signatures, a summary sheet and invoice documentation as described below. Invoices are then reviewed for content ensuring that all required supporting documentation is orderly and complete, all expenses charged are allowable costs and that the contractor is not over-budget on any line item by more than 10%, though HUD will not fund any amounts over the contracted amount for a category (ie. Supportive, Operating, Leasing, Administration). If problems are found with the invoice, the Senior Accountant will inform the contractor of her concerns.

The most common reasons that TCP notifies contractors are the following:

- Use of wrong invoicing form/wrong budget on form/incomplete or missing summary sheet
- Insufficient documentation
- Disallowed cost
- Expenses exceed category contract total
- Line item over-budget by more than 10%
- Calculation error
- 

TCP attempts to inform the contractor of invoicing problems as early as possible in the review process, and appreciates all efforts to respond quickly to these requests.

In the event that the contractor cannot provide sufficient documentation or a line item cannot be reimbursed in full because of a disallowed cost, TCP will reduce the amount of the payment made to the contractor. To make reductions, the Accountant completes an SHP invoice review form indicating the amount of the reduction and the reason (See Appendix G). A copy of this form will be sent to the contractor. TCP requests that contractors use this form to update the year-to-date column appropriately before billing for the following month. This ensures that TCP's records and the contractor's records will match. TCP faxes copies of adjusted invoices upon request. Approximately 1 month before the end of

their contract year, the Senior Accountant will send each contractor a grant reconciliation showing the spending to date with match and close out instructions. (See below)

### **VII. Holding Payments**

TCP will hold any payments for contractors that are delinquent in any of the following: Quarterly Reports, Match Spending Reports, Client Satisfaction Surveys, Annual Progress Reports, a requested response to a monitoring visit, submission of audited financial statements and insufficient documentation for reimbursement of payment. Once TCP has received and approved all documents and/or reports, any and all payments will be released.

### **VIII. Budget Modifications**

Contractors are required to submit requests for budget modifications when contractors anticipate changes in the actual spending will deviate by more than 10% on any given line item. For full procedures about requesting budget modifications see the Budgeting section above.

### **IX. Invoicing Format**

Invoices must be submitted on a monthly basis on TCP Form 326. Contractors may not add line items to this format. The invoice must include all requested information including: Contract #, Billing Period, Program Name, Program Address, Contractor Name and Headquarters address. The Form 326 should summarize all spending by line item in the four columns: Budget, Current Period Spending, Year to Date Spending and Balance. Contractors may submit invoices with actual amounts or amounts rounded to the nearest dollar. All invoices must have an adding machine tape attached to the upper right hand corner, verifying the arithmetic of the invoice. Form 326 must also be followed by a summary sheet, which provides an itemized list of the supporting documents. The Summary Sheet (see Appendix H) must include detail about the supporting documents within each billed line item to clarify what the documentation is supporting. The documentation should be submitted in the same order as it appears on the itemized list. TCP is not enforcing a standard format for the Summary Sheet to allow contractors to develop a format that is most useful to them. However, this Summary Sheet must be clear enough to allow anyone reviewing the invoice to understand what the documentation is supporting.

### **X. Authorized Signatures**

All invoices must be signed both by the individual who prepares the report and a second person of higher authority, such as the Executive or Deputy Director or the CFO. In the event that the Executive Director prepares the invoice, that single signature will suffice.

### **XI. Allowable Expenses**

HUD requires that all expenses be allowable under the OMB A-122 circular Standards for Allowable Costs. The complete circular is available at <http://www.whitehouse.gov/omb/circulars/a122/a122.html>.

Some of the more common types of disallowed costs are:

- Late fees and finance charges.
- Fines.
- Alcoholic beverages.
- Entertainment expenses. (Any expenses that may appear to be entertainment expenses must be justified by a program-related purpose.)

In addition, all costs must be allowable under the SHP desk guide. See Appendix I for a summary of eligible costs taken from the desk guide.

## **XII. Documentation Guidelines**

TCP is required by HUD to collect documentation sufficient to substantiate the expenses that have been incurred and are eligible for reimbursement.

### **A. Personnel**

To support personnel expenses, the invoice must include a payroll register from a third party payroll provider or itemized list from the in-house payroll, if no third party vendor is used. The payroll register may be a complete register with the relevant personnel circled (or irrelevant personnel blacked out) or it may be a labor distribution report only showing the relevant personnel. In the event that an employee's time is allocated among multiple programs the summary sheet must include an indication of the allocation rate for payroll. The personnel list and any allocations must be consistent with the budgeted allocation.

HUD requires that contractors track staff time based on activities of staff rather than pre-defined allocations. All employees funded by a HUD program should complete timesheets that allow them to report on how their time was spent and ensure that time charged to the SHP program is actually spent working for the benefit of SHP clients. The OMB A-122 guidelines for nonprofit organizations receiving federal funding state, in part: Reports reflecting the distribution activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must be maintained for other employees whose work involves two or more functions or activities if a distributions of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:

- (a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e. estimates determined before the services were performed) do not qualify as support for charges to awards.
- (b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.
- (c) The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.
- (d) The reports must be prepared at least monthly and must coincide with one or more payperiods.

- OMB A-122 Cost Principals for nonprofits

TCP cannot pay for monthly or quarterly payroll accruals except for the final invoice for the year. If an accrual is charged for the final payroll of the year, the payroll register from the period in which the accrual is actually paid must be included.

### **B. Payroll Taxes**

Payroll registers can be used to document payroll taxes, as they usually indicate employer contributions towards FICA (Social Security and Medicare) and unemployment. Contractors who pay unemployment on a reimbursement basis must submit copies of actual invoices, as TCP will only reimburse for

employees who were charged to the contract when employed by the contractor. As with payroll, TCP cannot reimburse for payroll tax accruals except for the final payroll of the contract year.

### C. Fringe Benefits

There are two options for documenting fringe benefit expenses:

*Option 1:* The contractor may be directly reimbursed for expenses. If this option is selected, the contractor should submit copies of invoices for fringe benefit expenses showing payments made on behalf of covered employees.

*Option 2:* The contractor may bill based on a percentage allocation of fringe expenses. If this option is selected, the contractor must submit allocation worksheets showing the basis for allocating fringe benefit expenses. The worksheet must show the type of benefit, the allocation method and the resulting cost being charged to the contract. At the end of the contract, TCP will calculate the fringe rate and compare the rate to the Financial Statement or IRS form 990 for the same period. If the fringe rate charged to the contract is higher than that reported, the excess cost would be disallowed unless complete documentation of the actual expenditures is submitted for the year in question.

### D. Non-Personnel Costs

Documentation for other costs must be an original receipt or invoice from a bona fide company or individual providing goods and/or services to the contractor. The invoice should be billed to the contractor with the correct service address, when applicable, and dated for the period being billed. If the invoice is more than 60 days old, an explanation of the late payment of the invoice must be included on the Summary Sheet. TCP cannot, under any circumstances, reimburse a contractor for an invoice for goods or services received outside the contract period. TCP will not reimburse based on vendor statements or on prior balances on invoices.

TCP will reimburse based on receipts from stores but not based solely on a credit card receipt or credit card statement.

### F. Leasing

If the contractor receives an invoice from their landlord(s) to be reimbursed under leasing, then a copy of that invoice is sufficient to document that expense. If no invoice is received, TCP requires a list of the properties being paid for and a copy of the check. The properties must match those for which a current lease is on file. (Copies of leases are a contract deliverable.)

NOTE: For scattered site programs that pay for client's utilities for each individual unit, utilities must be charged under the Leasing category and copies of the utilities bills showing the client's address must be submitted.

### G. Indirect Costs

TCP does not require documentation of indirect costs. These expenses are capped at 2% of direct expenses as identified in the contract agreement.

## **XIII. Match Documentation**

In addition to the leveraging information required with an SHP application, TCP is also required by HUD to verify that the program is spending at least the minimum match committed to in the application. HUD requires all grantees to fund a minimum of 20% of Supportive and 25% of Operating costs with

sources other than HUD funding. While contractors may provide more funding than the matching requirement, the McKinney-Vento legislation only allows HUD to verify that the minimum match requirements were met.

In addition, HUD only requests a detailed budget for HUD-funded costs, no detailed budget for match expenses is required. Match expenses, therefore, may be made for any eligible cost incurred for the program that is not billed to HUD.

There are 3 ways in which TCP verifies match spending for HUD grantees.

*Option 1: MULTIPLE CONTRACT VERIFICATION* (for programs with DHS contracts only)

For programs that receive the entire minimum match funding through a DHS contract through TCP, the minimum match-spending requirement can be met through verification of payments made on the DHS contract - as long as the distribution between Supportive and Operating expenses meets the required minimums. Please see the Senior Accountant if you have any questions about your DHS match funding.

*Option 2: DIRECT OPTION*

The preferred method of submitting match documentation is the direct option. Under the direct option, contractors report match spending each month with the monthly invoice. Documentation of HUD and match spending is submitted simultaneously each month. On the Summary Sheet, contractors are required to show both the total expenses and the breakout between which expenses are being billed to HUD (as shown on Form 326) and which expenses are being submitted to document match spending. Once a contractor has documented the minimum required match spending for the contract, the contractor may stop providing the additional match spending information.

**All contractors who do not receive 100% of their match funding with a DHS contract (Option 1) will be required to document match using this method.** Waivers from this requirement will only be granted to an organization with a compelling operational reason for requesting the ability to use the indirect option. Agencies will not be awarded waivers if they have caused significant delays in providing match information on an annual basis under previous grants.

*Option 3: INDIRECT OPTION* (must have waiver from TCP to use this method)

The indirect option for verifying match is submission of an annual match report to TCP. The match report must show the contractor's match spending for each month of the contract assigned to the expense categories found on the TCP Form 326. Once the report is reviewed, the Senior Accountant will request documentation for a sample of months to verify the accuracy of the report. If the review finds that the contractor is at risk to not meet their match for the grant year or that the contractor is unable to document match spending properly, TCP will require that contractor to submit monthly reports with the monthly invoice to verify match spending. All final payments for grants using this method will be held until all review of match documentation is completed. This can be a time-consuming process delaying final payments by up to three additional months.

NOTE: Because HUD can no longer require contractors to provide match information beyond the minimum legal requirement, the match spending reported on the APR may exceed the match spending reported and verified by TCP.

## **XV. Annual Reconciliation**

Approximately 1 month before the end of a grant year, TCP will send the contractor a notice of the upcoming end of the grant and a reconciliation to ensure the contractor's records match TCP's.

## **XVI. Financial Sanctions Policy for services provided to ineligible clients**

### Purpose of Sanctions Policy

This policy is to create a method for sanctioning contractors who are found to have any ineligible clients or unsubstantiated clients (clients lacking proper homeless documentation) in their program. The procedures to implement the policy are outlined below.

### Sanctions Policy

If TCP becomes aware, through monitoring, site visit, desk review or other method, that a contractor is serving ineligible or unsubstantiated clients, TCP will give the contractor an opportunity to correct the problem. For the purpose of this policy, ineligible clients (i.e. clients who were not homeless when they entered the program) are treated interchangeably with unsubstantiated clients (i.e. clients for whom the documentation of homelessness does not meet the HUD standard.) To correct the problem, contractors will be expected to discharge ineligible clients from the SHP program. For unsubstantiated clients the contractor will either obtain appropriate documentation of homelessness or discharge the client from the SHP program.

The sanctions will be a reduction in funding beginning the first of the month following a 30-day deadline imposed by TCP from the time of notice. The contractor's budget will be reduced. The total amount of the reduction will be calculated by determining the percentage of clients that are not eligible and/or substantiated and applying that percentage to 1/12<sup>th</sup> of the contractor's annual budget. The budget will be reduced in the funding categories proportionally to the original budget.

### Sanctions Procedures

If TCP becomes aware that a contractor is serving ineligible and/or unsubstantiated clients, TCP will issue a notice to the contractor establishing a deadline of no more than 30 days to either correct the documentation for the clients or remove them from the program.

At the 30-day deadline, TCP staff will make a determination of the extent to which the problem has been corrected. If the required client information is submitted by the deadline, TCP will review the information to determine if the contractor has removed all ineligible clients from the program and/or provided Homeless Eligibility documentation for all previously unsubstantiated clients. If no information is received from the contractor by the deadline the sanction will be imposed based on the initial determination of the number of ineligible or unsubstantiated clients. If the contractor has satisfied the requirements set forth by TCP in the initial letter, TCP will send a notice closing the issue with the contractor. If the contractor does not satisfy TCP requirements and still has ineligible and/or unsubstantiated clients in the program, TCP will notify the contractor and HUD in writing of the unresolved issues and any sanctions imposed.

Sanctions will be lifted when the staff of TCP is satisfied that all clients participating in a contractor's program are eligible and properly documented.

Additional issues regarding sanctions

- All clients who are ultimately determined to be ineligible must be removed from the HMIS system as if they had never been entered. They are not to be included in the performance reports of the program.
- Any funds reduced in the administration category will be collected by TCP as partial reimbursement for the additional staff time spent monitoring client files to determine eligibility.
- Contractors will be notified in writing of any budget reductions for each month that a sanction is in place.

**XVI. Audits**

With contract deliverables, contractors must submit TCP's Audit Information Request Form (see Appendix J.)

All contractors are required to submit audited financial statements within 10 days of receipt of the final report from the auditors.

Contractors who are subject to A-133 audit guidelines must submit the A-133 audit report within 10 days of receipt of the audit report from the auditors.

Any nonprofit organization that receives \$500,000 or more in federal funds in a fiscal year must have an A-133 audit performed. For more information regarding A-133 audits, go to the OMB website at <http://www.whitehouse.gov/omb/circulars/a133/a133.pdf> for the complete A-133 guidelines, or to the Federal Audit Clearinghouse website at <http://harvester.census.gov/sac/> for more information. The CFDA number required for A-133 audits for the SHP program is 14.235.

If the financial statements and/or A-133 audit report are not received within 90 days of the end of the contractor's fiscal year, the contractor must submit to TCP in writing notice of the status of the audit and an estimated date of receipt of the audit report. If the audit is not received by the date estimated in the letter, TCP will require a subsequent letter with a revised due date for the audit. Invoice payments will be held if TCP does not receive either an audit or a letter of explanation by the dates required.

If nine months elapse from the end of a contractor's fiscal year and TCP has not received a completed audit, TCP will notify HUD. At that time, TCP and HUD will conduct a thorough review of the circumstances.

## **Appendices**

- Appendix A – TCP Form 315 - SHP Initial Budget
- Appendix B – TCP Form 905 – Staffing form
- Appendix C – TCP Form 337 – Budget Modification form
- Appendix D – TCP Budget Modification Request Coversheet
- Appendix E – FY08 Payment Schedule
- Appendix F – TCP Form 326 - Invoicing Form
- Appendix G – TCP Invoice Review Form
- Appendix H – Sample Summary Sheet
- Appendix I – HUD Desk Guide summary of allowable costs
- Appendix J – TCP Form 297 - Audit Information Request Form