

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**  
**DIVISION OF FINANCIAL ASSISTANCE**

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## HCD HPRP Notice

Subject: <b>Change in Method of Payment effective July 1, 2011. (2 pages)</b>	Notice #: 18-11
	Date Issued: 5-23-11
References: <b>Homelessness Prevention and Rapid Re-Housing Program (HPRP)</b>	Supersedes:N/A

To: All Sub-grantees:

As you all know, HPRP payments have been made on a quarterly advance basis as a way to provide the cash needs for the program to successfully deliver services and meet the spending requirements set forth in the HUD Notice.

To that end, with the exception of three sub-grantees, we are well on the way to meeting our goal of spending 60% of our HUD HPRP allocation of \$44,466,877 by September 10, 2012.

Although the advance payment method has worked, an outcome of a recent HUD audit identified concern of our method of payment and resulted in an "audit finding". This has resulted in our need to review this process in light of federal regulations limiting and controlling cash advances.

To correct our audit finding we will be changing the advance method by moving into a "cost reimbursement method" starting with the quarter beginning July 1, 2011, subject to HUD's approval.

This means that any advances you receive prior to July 1, 2011 will need to be accounted for via our Detailed Expenditure Report (DER). The HCD Representative will review each DER for allowable costs and reconcile all advances through June 30, 2011. Draw Down Requests will not be issued until all prior advanced funds are accounted for.

Starting July 1, 2011, all expenses will be based on the cost reimbursement method, as the Department will no longer be processing advances. This process is currently pending review and approval from HUD, and is subject to change.

Consequently, all sub-grantees will need to have sufficient cash to cover expenses during the balance of their contract. If this is a concern, please make plans now to identify working capital or establish lines of credit.

In an effort to minimize cash-flow and impact on staff resources:

- Sub-grantees will be allowed to submit DER's monthly or quarterly; and
- Draw Down Requests will match expenses (upon reconciliation of advances).
- Since DER's will be submitted more often, fewer cost verifications will be requested; and
- HCD staff will work on achieving a 15-day turnaround review from date a complete DER and Draw Down Request is received.

HCD staff, plans on devising a Detailed Expense Report formatted to accommodate a monthly submission. The same elements currently in the DER will be present in this form. The form will be provided to all sub-grantees by early July 2011, as it is anticipated that form will be used for reporting expenses from July 1, 2011 through the end of the contract.

I want to thank each sub-grantee and their partner agencies for the tremendous job you have done in meeting the challenges inherent in the HPRP program. I am confident you will succeed in meeting all your goals. Your leadership and professional resolve to make HPRP work for your area is to be commended.

I look forward to a successful completion of the HPRP Program. Thanks, and job well done!

Sincerely,

*Dan Apodaca*

Dan Apodaca, Manager  
Homeless Operations Programs