



DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Division of Federal Financial Assistance

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Program Income Procedural Guidance for Grantees

Purpose

In 2023, HCD developed a Program Income Policy and Procedures designed to:

- Accurately document grantee Program Income amounts,
- Establish a procedure for Grantees to report their receipts and balances, and
- Document methods for establishing PI budgets in the system of record, in which Grantees can report their expenditure of PI.

All PI must be receipted by HCD into the system of record and can only be expended by a grantee when PI is included in a Standard Agreement Budget.

Terms

PI Account: The local bank account that only holds Cash on Hand PI

PI Receipting Account: The eCivis Grant Management System (GMS) account for all PI that has been reported to HCD

Cash on Hand: PI currently held in a grantee's PI Account

Future Anticipated PI: PI not held in an account but is anticipated to be added to a future CDBG project/program budget.

Trial Balance: A report that lists the balances of all general ledger accounts at a certain point in time. The accounts reflected on a trial balance are related to all major accounting items, including assets, liabilities, equity, revenues, expenses, gains, and losses.

Background

Per 24 CFR Part 570.489(e) and Section 6.6 of Chapter 6: Financial Management of the GMM, Program Income (PI) is the gross revenue received by the Grantee and its subrecipients directly generated from the use of CDBG funds, including revenues generated using PI.



In 2022 HCD drafted a Program Income Policy (Appendix 6-6) and this Program Income Procedural guidance (Appendix 6-7) for the administration of locally held (Cash on Hand) Program Income. All PI receipts and beneficiaries from PI funded projects and programs must be reported by HCD to HUD on a regular basis. The Program Income Policy establishes what HCD will allow to comply with the federal regulations. This procedural guidance outlines the process for compliance with the Program Income Policy.

On July 15, 2022, Grantees were required to submit a form via the “CDBG Program Income Receipting and Reporting” solicitation in eCivis GMS in order to establish a PI Receipting Account that mirrors the Grantee’s Cash on Hand PI Account balance. HCD provided a step-by-step process which included:

Step 1: Complete the Program Income Reporting Form.

- Grantees “applied” for Program Income Receipting and Reporting by completing and submitting a form in eCivis GMS. This accounted for all locally held PI as of June 30, 2021.
- HCD staff reviewed submitted “applications” for the establishment of a Program Income receipting account. If acceptable, HCD staff updated both IDIS and eCivis GMS with the correct balance amounts and made “awards” based on the documentation provided by the Grantee.

Step 2: Accept your Program Income Receipting and Reporting “award.”

- Grantees then accepted the award in eCivis GMS to access their PI balance.

Step 3: Submit FIRST Financial Report.

- Grantees managed their PI “award” by submitting a financial report in eCivis GMS and reporting all PI receipts for the next program year 7/1/2021 to the 6/30/2022.

Grantees who never completed Steps 1-3, or who have received PI for the first time, should contact their HCD Representative for step-by-step instructions for completing these requirements.

Ongoing Compliance

Once Grantees have an established PI award by completing steps 1-3 above, they must keep PI in a separate bank account referred to as the PI Account and inform HCD of any changes to their PI balance.



Grantees will use the CDBG Program Income Receipting Report Form (Appendix 6-7) to document any increases to the PI Receipting Account as follows.

- Grantees **may** use this form to keep internal records on an on-going basis throughout a program year
- Once the balance reaches \$35,000, Grantees **must** submit this form in eCivis GMS , and,
- After the Grantee submits the form in eCivis GMS documenting PI of \$35,000 or more, they must submit additional forms for each receipt of PI thereafter for the program year. (Note: In months with multiple receipts of PI, Grantees can submit a single form for the month.)

Submit Financial Reports to receipt Program Income

1. Log into the eCivis Portal
2. Go to “My Awards”
3. Find the “Program Income Receipting and Reporting” award.
4. Click on the right-hand side where there are three horizontal parallel lines. Click on the option to “Manage Award.”
5. You will now be in the “Award Dashboard”
6. To report receipted Program Income, click on “Submit Financial Report”
7. Scroll down to Financial Report Details.
8. Enter the dates for which the Grantee is reporting receipted PI in the “Reporting Period” field
9. Identify the total sum of program income being receipted this reporting period.
 - *NOTE: If the amount of PI receipted in a single program year (July 1 – June 30 of any given year) is \$35,000 or less, it is not considered Program Income. See *Defederalizing receipts* below if applicable to your jurisdiction.
10. Enter the total in the “Received” field. Do not use the “Expended” field in this report to report spent PI. Instead, report spent PI in the Financial Report associated with the Standard Agreement in which the Grantee’s PI is encumbered in the budget.
11. Enter a short narrative explaining the period of receipts, what the receipts are for, and the total receipted amount . It should, at a minimum state this:

“This Financial Report reflects Program Income Receipts from XX/XX/XXXX through XX/XX/XXXX in the amount of \$XXX.XX for _____(for example loan payments, interest, etc.. Please see attached Program Income Receipt Form.”



12. Upload the CDBG Program Income Receipt Form (Appendix 6-7) and documentation of the receipted funds including:
 1. Updated and current Trial Balance reflecting the current balance of program income.
 2. General ledger showing receipt of the funds to the account.
 - a. Optional: Check or wire received. If not submitted, HCD will review at monitoring and these should be retained. **Be sure NOT to submit any Personal Identifying Information such as names, addresses or social security numbers with your supporting documentation.**

Defederalize receipts totaling \$35,000 or less at the end of HCD's fiscal year from your Program Income Account (if applicable).

Per 24 CFR Part 570.489(e)(2)(i), up to \$35,000 in funds received in a given fiscal year from CDBG funded activities is not considered program income.

Each Grantee will be required to track all income generated from CDBG funded activities locally in a PI Account until the account balance reaches \$35,000. If the balance does not reach \$35,000 during the fiscal year, the Grantee must notify the Department in writing that the funds have been "defederalized" and removed from the PI account.

The process for doing this is as follows:

1. Within 30 days of the end of HCD's fiscal year (June 30), submit a Financial Report.
2. Indicate that the reporting period is the entire fiscal year, from July 1 through June 30 of the preceding fiscal year.
3. Upload the following attachments:

A letter on jurisdiction letterhead notifying HCD that because Program Income receipts were \$35,000 or less during the given fiscal year, the funds have been "defederalized" and removed from the Program Income account.

A copy of the Trial Balance reflecting the current balance of PI Account, showing the following:

 1. That the total receipted balance was less than \$35,000 during the previous fiscal year
 2. That the receipted balance from the given fiscal year has been removed from the PI Account.



End of Year Trial Balance True-Up

Following HCD's fiscal year end, HCD will provide, via a Miscellaneous Task in eCivis GMS, a report to each Grantee showing all receipts and all draws from the Grantee's program income funds as of the end of the fiscal year. The resulting balance should match the trial balance from the Grantee's financial system. The Grantee has two different courses of action, depending on whether the two amounts reconcile.

1. If the Grantee's trial balance matches the eCivis GMS balance, Grantee must complete the Miscellaneous Task by uploading a copy of the end of Department's fiscal year trial balance.
2. If the trial balance does not match the eCivis GMS balance, Grantee must work with an HCD Fiscal Specialist to identify where there may be a difference and determine corrective actions. This may require the Grantee to submit a true-up report (See instructions below) or it may require reconciliation by HCD.

Submit a True-Up Report (if applicable)

To submit an end of year Financial Report that documents the correction/true-up made to reconcile HCD and Grantee's records, follow the instructions above, and for documentation, complete the following:

1. Update the CDBG Program Income Receipting Report Form. On the Receipt Tab, complete a single entry (or more if needed) and select the category "Correction/True-up"
2. Provide a copy of the Trial Balance with the correction made OR provide a narrative explanation regarding the discrepancy and how it is to be resolved.

What to do with Program Income

Grantees must seek to encumber or remit PI within 60 days from reaching the \$35,000 threshold by completing one of the following actions:

Move Program Income into an existing Standard Agreement:

HCD is working with eCivis GMS to make system upgrades that will allow for movement of receipted Program Income into any open award. Until those updates are complete, Grantees should let their CDBG Representative or CDBG-CV Grant Administrator know when they want to move receipted PI into an existing Standard Agreement, and they will be able to help you initiate a budget revision to add it. This movement will only be possible if:

1. The Grantee has the Program Income budgeted as Future Anticipated PI and
2. The current resolution authorizing the Standard Agreement gives the Grantee authority to use the funds for the particular project, and
3. The proposed use is an eligible use of Program Income



Hold Program income for a future Standard Agreement

If a grantee does not currently have an existing Standard Agreement, a grantee can apply for a new Standard Agreement and include their current and future anticipated PI into the application budget.

Combining PI with a new application for CDBG funds will be subject to the current Notice of Funding Availability (NOFA). Within 60 days of meeting the PI threshold, grantees must contact HCD to express an intent to include PI in a planned application for annual grant funds. Grantees may submit a Program Income Only Application, where PI funds are the only source of CDBG funding. (Applications are open continuously for Program Income Only applications.)

All Standard Agreements utilizing PI are subject to CDBG eligibility requirements and must be approved by HCD prior to any expenditures.

Return to the State

If a grantee neither amends an existing Standard Agreement, nor applies to use PI in a new Standard Agreement, they must return program income to HCD. Grantees should coordinate with their HCD Representative to discuss the remittance process. Grantees will need to return all PI on-hand, and then continue to remit to HCD any additional PI received within the given fiscal year.

Grantees that voluntarily elect to return PI to the State will not be penalized in future competitive grant application processes, provided remittance is made in a timely manner. Voluntary PI remittance will not adversely impact the Grantee's standing with HCD.

Frequency

- Financial Reports to receipt Program Income once annual receipts exceed \$35,000 must be submitted in the eCivis GMS "CDBG Program Income Receipting and Reporting" solicitation whenever a grantee receipts program income in its local accounting system. When a Financial Report is submitted, it must include documentation of interest earned on the PI account since the last period for which PI was reported.



- Receipts totaling \$35,000 or less in a given fiscal year must be removed from the PI account following the end of the HCD fiscal year.
- True-up reports must be submitted annually following the end of the HCD fiscal year.
- Moving cash on hand into Standard Agreements must be completed as needed and prior to submitting Financial Reports to authorize expenditure of this newly received Program Income.

Questions

If you have specific questions about the information in this Procedural Guidance, please contact Felicity Gasser at felicity.gasser@hcd.ca.gov or 916-820-1187 or CDBG@hcd.ca.gov.