

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
**OFFICE OF COMMUNITY DEVELOPMENT**

**SUBJECT: Guidance for Requesting Grant Funds and Reporting Expenditures on the Financial Status Report (FSR), Expectations Regarding Expenditures and Commitments, and Grant Extensions**

**Policy Bulletin #2**

**EFFECTIVE DATE: September 22, 2009**  
**(Replaces Previous PB #2 Effective July 1, 2000)**

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The purpose of this policy is to give guidance to OCD Grantees regarding the completion of the Financial Status Report/Payment Request (FSR). You should also refer to Section 9 of the OPAL Grantee [Help](#) Manual (under “Downloads” on Start Menu). Below is a list of items CD Staff takes into consideration when reviewing, approving, or denying FSRs:

Page 1 of FSR (Expense Summary Tab):

- Current Report Period
- Expectations regarding the Program Income (PI) account
- Administrative draws
- Advances

Page 2 of FSR (Expense Detail Tab):

- Reporting Expenditures

Expectations Regarding Expenditures  
Grant Extensions  
OPAL Logic  
Exceptions

**Page 1 – Expense Summary Tab**

**1. Current Report Period**

While many grantees operate on an “accrual basis” for accounting purposes, the FSR is a “cash based” report. The “Current Report Period” entered on the FSR should be the actual period in which invoices were received, or funds were paid to the contractor. **Therefore, grantees should enter the actual report period, even if the report period is outside of the grant term.**

**2. Program Income (for County Allocation grants only)**

OCD Staff will view the grantee’s Program Income (PI) Account prior to approving an FSR. Refer to OCD P.B. #4 for complete details regarding PI. If no transactions have been recorded to the account within the previous 60 days, the CD Specialist may call to discuss the lack of activity on the account.

HUD requires that the amount of uncommitted PI (meaning not reserved for a specific activity), cannot exceed \$5,000. HUD expects grantees to spend PI before drawing down grant funds. If the PI Uncommitted exceeds \$5,000, your CD Specialist may call depending on their review of the Program Income Account. For example, let’s say that the Uncommitted PI Balance is \$28,000, but there was a \$25,000 deposit made just a few days before the FSR was submitted. If prior to that deposit the balance

was less than \$5,000, and there is regular activity on the PI Account, your CD Specialist may opt to approve the FSR.

If the Uncommitted PI Balance exceeds \$5,000 and review of the PI Account shows no recent transactions, the CD specialist may return FSR for modifications. Grantees should then update their PI Account by committing PI to activities before re-submitting the FSR.

### 3. Administrative **Draws**

Some grants contain a line item in the budget called Administrative Costs (Admin). Grantees are expected to draw their admin dollars in proportion to the dollars expended on activities. The only exception to this rule is that OCD allows an initial \$5,000 draw of admin at the beginning of the grant to defray expenses associated with starting up their program (i.e. Environmental Review, creation of Program Guidelines, etc.)

Example: If a grantee submits an FSR showing expenditures totaling 14% of their non-admin dollars, we will disburse up to 14% of their admin. If the request for admin exceeds 14%, the CD Specialist will return the FSR for modification.

### 4. Advances

Grantees may request an advance equivalent to 60 days working capital for projects. Exceptions for acquisition and other large purchase items will be considered on a case-by-case basis. It is expected that a subsequent FSR will be submitted within 60 days that reports the majority of the advance as expended on activities (Page 2 – Expense Detail Tab). **Under no circumstance are grantees allowed to request subsequent advances without reporting expenditures for the majority of the previous advance.**

If the advance is being requested with an FSR where expenditures are also being reported, enter the current report date as instructed above (Current Report Period). If the advance is requested without reporting expenditures, the Current Report Period is less relevant; grantees may enter the beginning and ending date of the current week or month. Enter the reason for the advance in the “Comment” field. The amount of the advance is entered directly onto the first page of the FSR in the “Requested Advance” field. **To receive an advance of non-admin dollars the grantee must have set-up at least one activity.**

MSHDA will monitor to ensure that funds are disbursed within 60 days of receipt. If funds are held longer than 60 days, it will result in a monitoring finding. Grantees who have failed to expend and/or report the expenditure of funds in a timely manner may be required to function on a reimbursement only basis.

**Sidebar Regarding Interest Earned on Advanced Grant Funds:** Grantees should deposit grant dollars received in the form of an advance into a non-interest bearing account. Otherwise, any interest earned on advances must be returned to MSHDA.

### Page 2 - Expense Detail Tab

This page is used to report expenditures made against specific activities. Amounts entered on this page are automatically totaled and transferred to the line item budget on Page 1 of the FSR.

Below is a brief description of each of the fields on the Expense Detail page:

#### 1. Item

This field contains the name of the component as indicated in the budget. Grantees do not manually enter this data; it is drawn from a drop-down menu containing the list of components they may draw against.

## 2. Activity

This column contains the addresses of the activities being billed against. Grantees do not manually type this information into the field; it is chosen from a drop down menu containing a list of activities they may draw against. This field will be left blank for NPP and CHDO General Operating grants that do not have "activities".

NOTE: If the activity status is other than "in progress", it will not appear on the drop down menu as an activity you may draw against. Refer to the Grantee Help Manual on OPAL regarding activity statuses.

## 3. Developer Fee

For activities containing a developer fee, grantees are allowed to draw 50% at the start of the project. The remaining 50% is generally paid upon activity completion. Grantees should check the developer fee box when drawing against their developer fee for that specific activity.

## 4. Invoice Date

The invoice date must be within the term of the current FSR report period. If not, edit the current FSR report period. This date may reflect either the actual date of the invoice, or the actual date on which the check for that invoice was written.

## 5. Description

This field allows for a description of the expenditure such as plumbing, heating, final draw, etc. The grantee is free to choose descriptions suitable to their needs. Grantees have flexibility in the manner in which they report expenditures against an activity such as:

Lump Sum: A grantee could select "123 N. Main" from the drop-down menu, enter "electrical, plumbing, heating/cooling" as the description, and enter "\$20,000" for the amount of invoice.

Itemized Draw: A grantee may choose to itemize the draws against 123 N. Main by trade. Activity "123 N. Main" would be selected from the drop down menu three separate times. Three different descriptions and invoice amounts would be entered (i.e. \$10,000 for the electrical, a second entry for \$6,000 for the plumbing, and third entry for \$4,000 for the heating/cooling system).

6. **Date and Amount of Invoice** – These fields represent the date of the invoice and the full amount of the invoice received.

7. **Amount Billed to MSHDA** – This field represents the amount of the invoice that is billed to MSHDA.

If the Expense Detail page is not completed correctly, the CD Specialist will return it for modification.

## Expenditure Expectations

All Grant funds should be expended in a timely manner. According to the terms of a typical two-year Grant the expenditure rate is as follows:

- 15 % expended by the end of the 2<sup>nd</sup> quarter of the grant term
- 40 % expended by the end of the 4<sup>th</sup> quarter of the grant term
- 75 % expended by the end of the 6<sup>th</sup> quarter of the grant term
- 100 % expended by the end of the 8<sup>th</sup> and final quarter of the grant term

Grantees should consider the aforementioned schedule as a guide.

Ideally, MSHDA/OCD expects all work to be performed and all funds to be disbursed within the grant period. The reality is that periodically activities are delayed due to weather, unforeseen/unexpected conditions requiring additional repairs, etc. To accommodate these rare instances, OPAL has been programmed to allow the submission of FSRs up to 90 days beyond the grant term. What can be done during those 90 days differs between funding source as explained below:

**CDBG-funded:** Per guidance provided to MSHDA by the Michigan Economic Development Corporation (MEDC), the 90 day grace period CANNOT be used to complete work outside of the grant term. The grace period may only be used to pay for work performed prior to the expiration date but invoiced after the grant expired.

To satisfy this requirement, OCD increased the term of CDBG-funded grants from 24 to 30 months. We expect grantees to set-up and substantially expend their non-administrative grant funds within the first 24 months. Grant dollars may not be committed to new activities after the 24<sup>th</sup> month. Grantees are expected to use the remaining six months to complete work and draw funds for activities set-up during the first 24 months of the grant. **If all work cannot be completed by the end of the grant term, the grantee must request an extension.**

**Two-year CDBG-funded grants** – Prior to January 1, 2008, CDBG awards were 24 months. Grantees should refer to the following section regarding extensions.

**HOME and MSHDA-funded:** OCD expects 100% of the grant funds to be committed to activities (set-up on OPAL) and expended within the grant term. Grantees should not sign contracts to commit dollars to activities where the work cannot be completed by the end of the grant term. OCD reserves the right to deny the set-up of activities when the proposed activity, in MSHDA's judgment, cannot reasonably be completed within the grant term.

The 90 day grace period may be used to complete work on activities set-up within the grant term, and to draw funds for work invoiced or completed outside of the grant term. **If all work cannot be completed and disbursed by the end of the 90 day grace period, the grantee must request an extension.**

### **Requesting Grant Extensions**

Grant extensions should be requested at least 30 days prior to the end of the grant term. Requests can be made in writing to your CD Specialist, or via OPAL. Refer to Section 7.6 of the OPAL Grantee Help Manual (accessible from the "Start Menu").

CDBG-funded Grantees should request an extension if,

1. Funds will not be 100% committed by the end of the first 24 months of the grant, OR
2. The work will not be 100% completed within the 30 month grant term, OR
3. The final draw will not be submitted within the 90 day grace period, OR
4. The grant is a two-year grant awarded prior to January 1, 2008, and additional time is needed to draw funds.

HOME/MSHDA-funded Grantees should request an extension if,

1. Funds will not be 100% committed by the end of the grant term, OR
2. The work will not be 100% completed within the 90 day grace period, OR
3. The final draw will not be submitted within the 90 day grace period.

MSHDA will evaluate each extension request on its merits and reserves the right to reject any such request and recapture uncommitted and/or unexpended grant funds.

NOTE: Grant extensions may delay and agency's eligibility to submit applications for additional funding.

### **OPAL Logic**

Refer to Section 9 of the OPAL Grantee **Help** Manual for descriptions of the various statuses of FSRs and the business rules built into the FSR process.

### **Exceptions**

If an exception to this policy is needed, either contact your CD Specialist prior to submitting the FSR, or request the exception in the comments section of the FSR. This will avoid unnecessary delays in the processing of the FSR.

### **Questions**

Any questions regarding this Policy Bulletin should be addressed to your Community Development (CD) Specialist or CD staff at (517) 373-1974.