



## U. S. Department of Housing and Urban Development Public and Indian Housing

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**Special Attention of:**

Tribes, Tribally Designated  
Housing Entities, Department  
Of Hawaiian Home Lands,  
ONAP Administrators

Notice PIH 2009- 46 (HA)

Issued: November 16, 2009

Expires: November 30, 2010

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Cross Reference(s):

24 CFR Part 1000

24 CFR Part 1003

24 CFR § 85.41

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**Subject:** Federal Financial Report – Standard Form 425

- 1. Purpose:** The purpose of this guidance is to inform tribes, tribally designated housing entities (TDHE), and the Department of Hawaiian Home Lands (DHHL) of the new Federal form that must be used to submit financial information on Federal grants.

In accordance with the Notice that the Office of Management and Budget published in the *Federal Register* on August 13, 2008, as of October 1, 2009, the Federal Financial Report (FFR), Standard Form 425 (SF-425), replaced the Federal Cash Transactions Report (HUD-272-I and SF-272) and the Financial Status Report (SF-269 and SF-269A).

This form applies to all Federal grants; however, this guidance focuses specifically on HUD programs used by tribes, TDHEs, and DHHL. The regulations at 24 CFR 85.41 will be revised to reflect this change.

- 2. Background:** Each recipient of Federal financial assistance must account for the funds received and disbursed and submit a FFR to their Area Office of Native American Programs (Area ONAP) either quarterly or semi-annually. The reporting frequency is the same as that previously required of the HUD-272-I and SF-272 (quarterly) and the SF-269 and SF-269A (semi-annually).

Recipients of the following grant funds are required to prepare and submit a FFR:

- Indian Housing Block Grant (IHBG);
- Indian Community Development Block Grant (ICDBG);
- Rural Housing and Economic Development Grant (RHED);
- Resident Opportunities and Self-Sufficiency Grant (ROSS);
- Native American Housing Block Grant (NAHBG) Recovery Act Formula;

- Native American Housing Block Grant (NAHBG) Recovery Act Competitive;
- ICDBG Recovery Act Competitive;
- Native Hawaiian Housing Block Grant (NHHBG); and
- Native Hawaiian Housing Block Grant (NHHBG) Recovery Act.

Recipients must submit a FFR for each open grant using the single grant reporting option. The financial data included in the FFR must be cumulative throughout the grant term.

Quarterly and semi-annual FFRs must be submitted to the respective Area ONAP within **30 days** after the end of the reporting period. The following reporting period end dates shall be used for interim reports: 3/31, 6/30, 9/30, or 12/31. Final FFRs must be submitted within **90 days** after the grant period end date. Reports may be submitted by regular mail, fax or e-mail attachment.

- 3. Instructions for Completing an FFR:** A copy of the FFR and instructions are attached. The form is available for downloading from the following website: <http://www.forms.gov/bgfPortal/docDetails.do?dId=15149> and the form's instructions are available at <http://www.forms.gov/bgfPortal/docDetails.do?dId=15150>.

The FFR instructions attached to this notice provide a line-by-line description of each component of the FFR. Recipients are expected to follow the instructions closely to ensure data accuracy, consistency, and reliability. At this time, all FFRs submitted to ONAP are based on single grant reporting; therefore, only the SF-425 is used. The SF-425A, which is the FFR's attachment, is not applicable to any of ONAP's programs at this time. The SF-425A is only used when reporting on multiple grants.

- 4. Question & Answer Guidance:** The following questions and answers are intended to address common issues ONAP anticipates being asked about the FFR. This information should be used in conjunction with the FFR instructions attached to this notice.

A. When filling out the Federal agency name, do I enter "Department of Housing and Urban Development" and my Area ONAP? (Line 1)

Answer: Yes (e.g., HUD/Northern Plains ONAP or HUD/Southern Plains ONAP, etc.).

B. What is my recipient account number or identification number? (Line 5)

Answer: This would be an account number or other identifier assigned by you, the grant recipient, not HUD. This is optional and, in most cases, this line will be blank.

C. What should I enter for "basis of accounting?" (Line 7)

Answer: Enter which basis of accounting (cash or accrual) that was used to prepare the report. See Section 5 of this notice for a definition of cash basis accounting and accrual basis accounting.

D. What is my “Project Grant Period?” (Line 8).

Answer: This depends on which grant program you are participating in, as explained below.

- For IHBG and NHHBG, the “From” date should reflect the date that the grant agreement was signed by the recipient. Since there is no “To” date associated with the IHBG or NHHBG programs or identified on the grant agreement, this line may remain blank.
- For NAHBG or NHHBG Recovery Act, the “From” date should reflect the date that the funds were linked in LOCCS and the “To” date should reflect the date that all funds must be expended as indicated in the award/approval letter.
- For ICDBG, ICDBG Recovery Act, RHED, and ROSS, the “From” date should reflect the date that the grant agreement was signed by the recipient or the Department, whichever is later, and the “To” date should reflect the date that the grant is expected and/or required to be completed.
  - In the case of ICDBG, this date should coincide with the anticipated completion date identified on the latest Project Implementation Schedule.
  - For RHED and ROSS, this date should coincide with anticipated completion dates identified in the approved application but be no later than the grant period end date identified in the grant agreement and/or applicable Notice of Funding Availability (usually 24 to 36 months from grant award).

E. What is considered “cash” for purposes of Line 10 a-c?

Answer: For cash receipts (Line 10.a), enter the sum of all Line of Credit Control System (LOCCS) draw downs for the subject grant from inception until the end of the identified reporting period. For cash disbursements (Line 10.b), enter the sum of all disbursements of funds drawn down from LOCCS for the subject grant from inception to the end of the identified reporting period. Cash on hand (Line 10.c) is the result of subtracting Line 10.b from Line 10.a.

F. What should I enter for “Total Federal Funds Authorized?” (Line 10.d)

Answer: Enter the total anticipated Federal financial assistance (including the total grant amount) authorized for the subject grant. This amount should never be less than the total grant amount reflected in LOCCS but it may be more depending on the overall level of anticipated Federal financial assistance. This also includes the value of third-party, in-kind contributions if those contributions will be financed with Federal funds.

- For IHBG, this includes any amounts identified as Federal resources on Part 1 of Table 2 of the Indian Housing Plan (IHP).
- For NAHBG Recovery Act, this includes any Federal funds budgeted for grant activities identified in the IHP Amendment (formula funding) or the HUD-4123 (competitive funding).
- For NHHBG, this includes any amounts identified as HUD resources and other Federal resources on Part 1 of Table 2 of the Native Hawaiian Housing Plan (NHHP).
- For NHHBG Recovery Act, this includes any Federal funds budgeted for grant activities identified in the NHHP Amendment.
- For ICDBG or ICDBG Recovery Act, this includes any Federal funds budgeted for grant activities on the HUD-4123.
- For RHED and ROSS, this includes any Federal funds reflected in the approved application.

G. Should I complete Line 10.m?

Answer: No, because none of the listed programs requires program income to be used to reduce the grant amount.

H. What should I put for remarks? (Line 12)

Answer: The remarks should clarify or explain information contained in the report. Additional pages may be attached. For ONAP programs, explanations could be provided here for the following:

- Excess cash on hand identified on Line 10.c. Explain why an amount identified on Line 10.c. was not fully disbursed within 3 working days.
- Amounts entered on Line 10.l. Explain amounts entered here that include, but are not limited to, the amount of interest earned on the investment of IHBG or NHHBG funds.
- Amounts entered on Line 10.n. Describe any new grant activities to be undertaken with these funds.
- Identify any funds drawn down for investment purposes.

**5. Definition of Terms:** The FFR and its instructions contain several technical terms and the definitions are provided below in alphabetical order.

- *Accrual Accounting*: An accounting method that measures the performance and position of a recipient by recognizing economic events regardless of when cash transactions occur. The general idea is that economic events are recognized by matching revenues to expenses (the matching principle) at the time in which the transaction occurs rather than when payment is made (or received). This method allows the current cash inflows/outflows to be combined with future expected cash inflows/outflows to give a more accurate picture of a recipient's current financial condition.
- *Cash Basis Accounting*: An accounting method where receipts are recorded during the period they are received, and the expenses in the period in which they are actually paid. In other words, when the cash is received for a sale, it is recorded in the accounting books as a sale. This is in contrast with accrual accounting, where revenue and expenses are recorded when they are incurred.
- *Cash Disbursements*: Payment for goods or services in cash or by check.
- *Cash on Hand*: Cash in actual possession; also called cash-in-hand or cash-on-hand.
- *Cash Receipt*: A printed document that is logged by a recipient each time that cash is received for a good or service.
- *Federal Share of Unliquidated Obligations*: The amount of obligated (or legally committed) Federal funds that have not been liquidated (or expensed).
- *Fund Accounting*: A system used by nonprofit recipients, including tribal governments and TDHEs. Because there is no profit motive, accountability is measured instead of profitability. The main purpose is stewardship of financial resources received and expended in compliance with legal requirements. Financial reporting is directed at the public rather than investors. Funds are established to ensure accountability and expenditure for designated purposes.
- *Obligation*: Any legally-binding agreement to pay money to another party. Please refer to PIH Notice 2000-26(TDHEs) for a description of the different types of funding obligations.
- *Program Income Earned*: Represents gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award. See Section 6 below for further information on program income.
- *Total Federal Funds Authorized*: Represents the total amount of Federal funds awarded for approved activities or projects.

- 6. Program Income:** Additional information on program income accounting and reporting requirements is detailed in the documents listed below.

<i>Document</i>	<i>Topic</i>
Native American Housing Assistance and Self Determination Act of 1996 (NAHASDA), as amended, Section 104(a)	Treatment of program income
24 CFR Part 85 and § 85.21(f)	Effect of program income
24 CFR § 1000.62	Program income and restrictions
24 CFR § 1000.26(a)(8)	Program income and proceeds of sale of equipment
PIH Notice 2000-18(TDHEs)	Accounting for program income under NAHASDA (Q&A)
NAHASDA Guidance 2002-12	Program income requirements
NAHASDA Guidance 2001-03t	FAQs regarding program income accounting
NAHASDA Guidance 2000-06t	Accounting for program income under NAHASDA

- 7. Source Document Retention:** Recipients of Federal funds are required to maintain relevant and reliable accounting systems to ensure that the information provided in the FFR is consistent and fairly presented, as stipulated at 24 CFR § 85.20. Furthermore, recipients are required to maintain all source documents and accumulated transactional documents for expenses included in the FFR, as stipulated at 24 CFR §§ 85.42 and 85.20. Failure to comply with these accounting system and documentation requirements could result in HUD initiating sanctions as described in the following section.
- 8. Sanctions:** In the event that HUD determines that a recipient has failed to comply with its financial accounting, documentation, and reporting responsibilities, HUD is authorized to initiate sanctions against the recipient, as stipulated at 24 CFR 85.43; 24 CFR Part 1000, Subpart F; and 24 CFR 1003.701-703. These sanctions include the suspension, limitation, and/or termination of the recipient's HUD-funded grants.
- 9. Additional Guidance:** Contact your Area ONAP if you have any questions.

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/s/  
Sandra B. Henriquez, Assistant Secretary for  
Public and Indian Housing

Attachments

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- [Instructions](#)
- [Form](#)