

# Federal Entitlement Financial Policies

CITY OF EL PASO

COMMUNITY + HUMAN  
DEVELOPMENT

MARCH 2024

## Introduction

The City of El Paso (COEP) receives federal grant funds from the U.S. Department of Housing and Urban Development (HUD) and maintains the HOME Investment Partnership Program (HOME), Community Development Block Grant, (CDBG), Community Development Block Grant Revolving Loan Fund (CDBG-RLF), and HOME Revolving Loan Funds, Housing Opportunities for Persons with AIDS (HOWPA), and Emergency Solutions Grant (ESG), to assist low- to moderate-income households, provide homeless services, and improve our community.

This document will outline the financial policies and procedures followed by the Department of Community and Human Development (DCHD) in conjunction with the City's financial policies provided by the Office of the Comptroller. [City of El Paso Texas](#). The Department of Community and Human Development (DCHD) also follows all federal guidelines and regulations which can be found at the following:

Code of Federal Regulations [eCFR :: 2 CFR 200.305 -- Federal payment](#).

HUD Financial Management [CDBG Chapter 11: Financial Management \(hudexchange.info\)](#)

The role of DCHD staff is to administer the specific allocation of funding to sub-recipients as well as to execute and oversee compliance with federal regulations and the policies and procedures. Funding allocations are projections only and can be modified at the discretion of the Director of DCHD provided that such modifications do not represent a significant change in allocation priorities and/or method of distribution. Additionally, the Director of DCHD may grant exceptions to policies and procedures contained within this document provided that those exceptions do not violate federal, state or local regulations.

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## Financial Management System Requirements

Per 2 CFR 200.302 Financial Management, the City and its subrecipients will use a financial management system that enables a system of record for documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and for tracking of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. The system will permit the accurate, complete, and timely disclosure of financial results in accordance

with HUD reporting requirements or, for subrecipients, DCHD reporting requirements and will minimize the time elapsed between the transfer of funds from the U.S. Treasury and the disbursement of the funds by the grantee or subrecipient.

## Financial Terms

DCHD maintains the discretion to approve, modify, or reject the financing terms proposed by the applicant. Additionally, applicant agencies whose projects produce income may be asked to repay a portion of the CDBG funding to the City based upon a financial analysis of the project.

Agencies are required to maintain all compliance outlined in [Policies + Procedures for HUD Entitlement Grants \(FY 25th\) \(elpasotexas.gov\)](#) Failure to meet these obligations may result in a temporary or permanent hold on funding. Further technical assistance on this subject will be provided to funded agencies upon request. Subrecipients must have the capability to track their project outcome(s) over time and report on results. Subrecipients will have a contractual obligation to meet projected outcomes.

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## Payment Methods

DCHD and its subrecipients must have documented procedures that minimize the

time that elapses between receipt of HUD funds and the actual disbursement of those funds. This requirement is intended to curtail unnecessary drawdowns of funds and minimize the cost of financing the CDBG program by the Federal government. Subrecipients must maintain or demonstrate the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the City, and financial management systems that meet the standards for fund control and accountability as established in 2 CFR 200. Three general methods are available to transfer HUD funding from U.S. Treasury to the City of El Paso (or from City of El Paso to subrecipient)

### **DCHD disburses payment to agencies as follows:**

**Reimbursement Method** - The reimbursement method entails a transfer of grant funds to the grantee (or subrecipient) based on actual expenditures of the grantee prior to the receipt of CDBG funds. Subrecipients will be required to submit a request for reimbursement and the DCHD compliance team will review request for accuracy and compliance with all regulations.

### **Reimbursement Process**

1. Sub-recipients of CDBG grants will submit Request for Reimbursement Reports on the 20<sup>th</sup> of each month. This report will be submitted electronically or as a hard copy, as determined by DCHD Fiscal staff. Refer to Exhibit A for example.
2. Electronic submissions will be provided directly to the respective Grant Administrator, who will conduct a review for completeness and then forward the submission to DCHD fiscal staff for review and approval. Hard copy submissions will be submitted directly to DCHD fiscal staff.
3. The Request for Reimbursement Report will include all required reporting forms, which are provided to the sub-recipient at the start of each grant year, by their respective DCHD Grant Administrator. Additionally, all supporting documents substantiating the amounts requested will be submitted with the report. This includes, but is not limited to, payroll and fringe benefits

documentation, invoices, credit card statements, bank statements, check copies, and any other supporting documents deemed necessary to authorize approval of requested amounts.

4. DCHD Fiscal staff will conduct a thorough review of the entire Request for Reimbursement Report, ensuring items submitted for reimbursement include accurate, complete and proper supporting documentation. DCHD fiscal staff will contact the sub-recipient via email advising of any discrepancies discovered during the fiscal review of the submission and request additional and/or corrected documentation, when necessary.
5. Upon completion of the fiscal review, the Senior Project Accountant and/or Project Accountant will sign the Request for Reimbursement for approval and forward the completed submission to the respective DCHD Grant Administrator. The Grant Administrator will provide a final review of the fiscal-approved submission, prepare the Voucher Request for Payment document and forward the completed reimbursement to the designated Program Manager/Project Manager for final approval for payment.
6. The Request for Reimbursement is then placed in a designated fiscal folder, in the share drive. Fiscal staff will process vouchers for payment in the City's financial software, PeopleSoft, on Tuesdays and Thursdays of each week.
7. The Office of the Comptroller will process the payments and sub-recipients can expect to see the reimbursement in their respective bank accounts within 5 business days.
8. The entire process, from the time the Request for Reimbursement Report is received by the City, to the time payment is placed in the sub-recipient's bank account, is from 20-30 days. When DCHD fiscal staff encounter discrepancies during their review, the turn-around time frame can extend beyond 30 days, while the discrepancies are rectified.

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**Cash Advance Method** - is the transfer of CDBG funds from the grantee based upon the organization's request (and information on obligations) before the actual cash disbursements have been made.

**Working Capital Advance Method** - This involves the transfer of CDBG funds to the grantee (or subrecipient) to meet obligations before actual cash disbursements have been made. Simply put, the working capital method is funding that Subrecipients can request before they have incurred costs to ensure they have the working capital necessary to start or continue construction or programs. Once subrecipients have the working capital needed projects will revert to the reimbursement method which can be followed by steps 1-8 under reimbursement process.

DCHD will draw funds and disburse to subrecipient within three business days of deposit of CDBG funds. Funds held before disbursement will be held in an interest-bearing account. Advances held for longer than 3 business days will include written justification maintained in the appropriate file. Advance payment requests must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the City in carrying out the purpose of the approved program or project. The timing and amount of the advance payment request must be as close as is administratively feasible to the actual disbursements by the City for direct program or project costs and the proportionate share of any allowable indirect costs. Subrecipients are required to submit a reconciliation of expenses on a monthly basis to ensure compliance. Such expenses must be allowable under the granting agency's requirements and in accordance with the agreement. Failure to submit reconciliation of allowable expenses may result in stopping future disbursements and/or subrecipient returning funds received.

**Interest** – Any interest subrecipients receiving from cash advancement must be return for amounts over \$500. This is tracked by the Cash on Hand report submitted monthly to DCHD.

## Cash Advance Process

1. At the discretion of DCHD Director, qualifying CDBG Entitlement Fund sub-grantees will receive cash advances at a pre-determined amount(s) in an effort to address inflation challenges and safeguard the liquidity of our partners. Considerations will be made to agencies that:
  - b. Have a track record of commendable compliance with no audit findings or concerns, and,
  - c. Have shovel ready projects but need the working capital to commence construction.
4. Upon determination of qualifying CDBG sub-grantees/CDBG Entitlement Projects for cash advances, the DCHD Business and Financial Manager will advise the Entitlement Program Manager of the approved dollar amount that will be drawn from HUD's Integrated Disbursement and Information System (IDIS) for each approved CDBG sub-grantee/project.
5. The Entitlement Program Manager will enter the draw into IDIS and provide a copy of the IDIS voucher(s) to DCHD fiscal staff. Fiscal staff will process the receivable/revenue journal entry(s) in PeopleSoft, applying the designated accounting string provided by the Business and Financial Manager for said cash advances.
6. The Entitlement Program Manager and/or CDBG Entitlement Grant Administrator will create and maintain a detailed spreadsheet reflecting amounts drawn in advance in IDIS for respective projects. This tool will also be maintained to reflect any and all invoices/billings from the sub-grantee, as they exhaust cash advance funds.
7. The spreadsheet will also serve as a reconciliation tool to ensure sub-grantees expend their cash advances in a timely manner (to be pre-determined by DCHD Director and advise when a project is ready for another cash advance, if approved).
8. The City of El Paso's Office of the Comptroller will advise the DCHD Business and Financial Manager when the cash wire(s) from HUD appears in the City's bank account. DCHD fiscal staff will proceed to prepare the cash wire journal entry, applying the aforesaid provided accounting string.
9. The Business and Financial Manager will forward to the Office of the Comptroller the forms/documents necessary to wire the cash advance funds to the sub-grantee's bank account within three business days. When the transfer of funds exceeds three business days, as designated by HUD guidelines, written justification will be archived for audit purposes. Examples of circumstances that may necessitate written justification for cash advances held longer than three business days may include a) project delays in construction, b) emergencies or unforeseen circumstances, c) large scale purchases that are complex, d) needing the advanced capital/liquidity to commence.
10. Sub-grantees will proceed to expend the CDBG cash advance funds accordingly and provide documentation of every completed transaction(s)/expense(s), utilizing the cash advance, to the CDBG Entitlement Program Manager/Grant Administrator. Actual expenses will be reconciled with cash advances, confirming the entirety of the cash advance has been fully expended.
11. A reconciliation of expenses and a cash on hand report will be submitted to Grant Administrator the 20<sup>th</sup> of each month to ensure compliance. The Entitlement Grant Administrator will archive all invoices, proofs of payments, etc. pertaining to each cash advance, for HUD audit purposes. Cash on hand report is forwarded to the fiscal staff for review.
12. At the discretion of the Director, the City may withhold Sub-grant Amount disbursements and /or request return of funds from the Subrecipient if the Director reasonably believes that the Subrecipient (1) has not complied with all obligations under this Agreement, the OMB Requirements, the Program Funding Requirements, and/or Granting Agency Requirements as defined in this Agreement below, (2) the Subrecipient has breached any representations and warranties under this Agreement, (3) the submitted expenditures are not in accordance to the approved Program Budgets as provided in this Agreement, (4) the expenses are not considered Allowable Expenses, (5) the expenses submitted in previous disbursement have not been

incurred, (6) the Director has concerns regarding the spend rate of the Sub-grant Amount, and/or (7) the proof of expenses provided by the Subrecipient are not adequate to confirm that the expenditure meets the requirements of this Agreement.

*Note: Payment method options are at the discretion of DCHD director and must be in compliance with agreements with subrecipients.*

The Policies and Procedures contained in this manual supersede any program handbook or instructions written or oral issued previously. Any subsequent revisions will substitute and replace prior policy or procedure statements and become a part of this Manual.

Exhibit A



**REQUEST FOR REIMBURSEMENT**  
*Enter agency & project name*

Date Submitted: \_\_\_\_\_

PROJECT: Enter agency & project name

PROJECT NUMBER: \_\_\_\_\_

Vendor Number: \_\_\_\_\_

Pre-Con Testing

Design

Bidding

Site Testing

Construction

City Project Management

Contingency

Total

Reimbursement Request #: \_\_\_\_\_

Reimbursement Amount: \_\_\_\_\_

Period: \_\_\_\_\_

TO \_\_\_\_\_

\_\_\_\_\_

Package: 0

CURRENT PAYMENT	
DUJE	PREVIOUS TO DATE
\$0.00 PRECON TESTING	\$0.00
\$0.00 PROJECT DESIGN	\$0.00
\$0.00 BIDDING	\$0.00
\$0.00 SITE TESTING	\$0.00
\$0.00 CONSTRUCTION	\$0.00
<b>\$0.00</b>	<b>\$0.00</b>

TOTAL TO DATE
\$0.00
\$0.00
\$0.00
\$0.00
\$0.00
\$0.00

**REQUESTED BY:**

SUBRECIPIENT \_\_\_\_\_

AUTHORIZED SIGNATORY

Date Approved: \_\_\_\_\_

**RECOMMEND FOR APPROVAL:**

CITY OF EL PASO \_\_\_\_\_

DCHD, Grant Administrator

Date Approved: \_\_\_\_\_

**APPROVED BY:**

CITY OF EL PASO \_\_\_\_\_

DCHD, Management

Date Approved: \_\_\_\_\_



Enter agency&project name

**WORK PERFORMED THIS PERIOD**

PROJECT: Enter agency&project name

Package # 0			Amount
Invoice Date	Contractor Name	Invoice / Pay App Number	Description

Current Payment Due \$

Enter agency&project name