



RCAC

1944-I Updates

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1944-I Updates

Published through PN 532

RD Instruction 1944-I, Updates – Foreword

- Formatting Changes
 - Exhibit tables, extra underlines, etc.
 - Requested January 8th, 2020
- Not that much actually changed or is new, more so it's finally been put in the instruction
 - Everywhere you see '(Added 12-12-19, PN 532.)' a change was made
 - 2 places no change was made...can you find them?

RD Instruction 1944-I, Updates – Foreword continued

- 7 CFR 1944, Subpart I-RD Instruction 1944-I must match the CFR
 - Example: Subpart B of Part 1900 no longer exists:

§1944.413(b) (2) The District Director will notify the applicant of the cancellation and the right to appeal under **7 CFR Part 11** and **Subpart B of Part 1900** of this chapter. If the applicant requested the cancellation, no appeal rights are provided, but the applicant will still be notified of the cancellation.
 - Example: 2 CFR 200 replaced OMB Circulars in 2015:

§ 1944.422 (b)(3) Public hospitals and public colleges and universities may be excluded by the State Director from **OMB Circular A-128** audit requirements. If such entities are excluded, audits shall be made in accordance with paragraph (a) of this section.
- The Future of Self-Help Regulations
 - 7 CFR 1944-Technical Corrections
 - Grant Agreement Date 19__ to 20__; Appeals Regulations; District Director vs. County Supervisor; SF 269a to SF 425; etc.
 - You tell us...

General requirements changes

- Smaller organizations (5 or less employees) may have a 3 person Board of Directors
- Most current audit required in 523 application
- Payment of insurance and special purpose audit costs allowed

General requirement changes cont.

- DOI/IBC completes Indirect Cost Rate negotiations, Exhibit P outlines instructions
 - RD approves Direct Cost Allocation Plans
- Additional funding limitations may be issued by RD annually
- Exhibit H, TA Calculation, updated to match AN and method that's been in use

Exhibit H

SAMPLE TECHNICAL ASSISTANCE CALCULATIONS

Requested Grant Amount = \$500,000 ($\$23,810 \times 21 = \$500,010$)

Method A

Equivalent Value of modest homes built in area:	\$160,000
Number of homes built under the grant proposal:	21
Max allowed TA cost per House ($\$160,000 \times 15\%$):	\$24,000
Requested TA per house:	\$23,810
Actual Percentage of equivalent value:	14.88%

(TA cost equivalent per unit of no more than 15% of modest home built in the area)

Method B

Average mortgage of participating families \$134,000 minus \$1,000

Equivalent Value of a Modest Home / Cost of Contractor Built Home

- Emphasized and modernized but no change
- Typical contractor built home cost financed by RD + site
- If not available, Marshal Swift or equivalent value
 - Equivalent value is established by RD
- Used in new construction TA Calculations
- NOT the same as the Area Loan Limit

Rehabilitation Type Self-Help Projects

- Definition

- Equivalent units, § 1944.403(f), word project/homes added to be inclusive of Self-Help Rehab;
- Participating Family, § 1944.403(K), min. hour requirement for rehab type projects;
 - *10 labor hours for every \$1,000 in project costs that are **not completed by a sub-contractor.***
- Self-Help, § 1944.403(I), 'rehabilitation type construction' clarified to include both acquisition & owner-occupied type rehab;

Rehabilitation Type Self-Help Projects (continued)

- Limitations
 - § 1944.407(d), Cost savings must be greater than or equal to the TA cost
 - *This amount should be reviewed as an average grant cost savings to the family which is greater than or equal to the TA per equivalent unit cost.*
- §1944.403(n)(8), including 504 loans/grant application packaging

Rehabilitation Type Self-Help Projects (continued)

- § 1944.423, Loan packaging and 502 RH application submittal.
 - § 1944.423(a) thru (c), added requirements for rehab dockets 502/504 and when using other funding sources are used.
- § 1944.424, Dwelling construction and standards.
 - § 1944.424(a) thru (e), to add requirements for rehab type projects.
 - Acquisition vs. Owner Occupied
 - Project feasibility, inspection, bidding, etc.

Rehabilitation Type Self-Help Projects (continued)

- RD Instruction 1944-I, Exhibits
 - Exhibit I, 'Application Processing Checklist-Rehabilitation'
 - Exhibit K, 'Evaluation Report of Rehabilitation Technical Assistance (TA) Grants'
 - Rehab's version of Exhibit B for quarterly reporting
 - Exhibit K-1, 'Instruction for Preparation of Evaluation Reports of Rehabilitation Technical Assistance Grants'
 - Exhibit K-2, 'Equivalent Unit Tracking and Family Cost Savings for Rehabilitation Grants'
 - Equivalent Unit breakdown
 - Cost Savings Calculation Methods
 - Contractor Cost Savings
 - Appraised Value
 - Hourly Rate of Labor Contribution

Quarterly Reports

- Quarterly Reports due by January 15, April 15, July 15 and October 15
- Progress update
 - Evaluates progress towards grant objectives
 - Assisting the projected number of families
 - Serving very low-income applicants
 - Equivalent Units
 - Labor contribution by the family
- Exhibit B of 1944-I; SHARES generated Quarterly Report; and/or equivalent

QRM Report

Quarterly Report or equivalent must include:

- Assisting the projected number of families
- Serving very low-income applicants
- Equivalent units (EUs)
- Labor contributions by the family

Quarterly Review Meeting

- Meeting is held during the quarter but report covers previous quarter progress
- May be held virtually
- Strongly encouraged but required if the grantee was previously or will be identified as a problem grantee
- Participants will include the grantee staff, RD and T&MA Contractor

523 Draw Requests

- Monthly submission using SF-270, Request for Advance or Reimbursement
- Shows the amount of funds used the previous month
- Amount unspent
- Projected need for the next 30 days
- Justification if the request exceeds 30 day need
- Must be submitted 15 days prior to the end of the month

523 Draw Requests Continued

- Request is based on the approved schedule
- Not exclusively on E.U. production but does take it into account
- Tool and equipment needs
- Training needs
- Other funding needs
- Exhibit L Optional – Draw Request Cover Sheet

502 Draws

- Provide clear documentation of expenditures due
- Invoices
- Coversheet signed by the grantee and participant

Section 523 Grant Funds

- §1944.411, Conditions for approving a grant.
 - (g)- In accordance with 2 CFR §200.305(b)(9) interest earned up to \$500 per year may be retained by the grantee for administrative expense; and
 - Couldn't remove \$250 from 1944-I

Section 523 Grant Funds (continued)

- §1944.411, Conditions for approving a grant.

(g)- Waiver to interest-bearing checking accounts:

(1) The Non-Federal entity receives less than \$120,000 in Federal awards per year. (Added 12-12-19, PN 532.)

(2) The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances. (Added 12-12-19, PN 532.)

(3) The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources. (Added 12-12-19, PN 532.)

(4) A foreign government or banking system prohibits or precludes interest bearing accounts. (Added 12-12-19, PN 532.)

Section 523 Grant Funds (continued)

- § 1944.405, Authorized use of grant funds.
 - (e) Section 523 grant funds should cover cost for power tool, equipment, etc.
 - “If the grant award will not cover all tools,”
 - Fee amount must be reasonable & approved by RD
 - Must demonstrate that it is the best value as compared to renting from other sources.
 - Funds may only be used for the rental of tools and other miscellaneous shared cost items
 - Rental fees must be tracked as a separate ledger item
 - Disbursements approved and reviewed annually by the T&MA Contractor & Rural Development.

Section 523 Grant Funds (continued)

- § 1944.405, Authorized use of grant funds.
 - (f), Liability insurance amounts example.
 - The amount of required liability insurance will vary based on the organization's assets at risk. For example, assets that could be lost due to employee dishonesty at \$100,000 requires matching liability coverage.

Section 502 Borrower Funds

- §1944.425, Updated to include minimum requirements for grantees managing 502/504 funds:
 - Must have an adequate record-keeping system
 - 502 draw request should contain a coversheet signed by both the grantee and the participating family detailing the current charges due from the borrower as well as copies of corresponding invoices
 - A letter from the grantee's auditor or T&MA Contractor indicating that the proposed method for bill-paying provides a means for an adequate audit trail

Section 502 Borrower Funds (continued)

- §1944.422, has always required the audit of 502 borrower accounts managed by a grantee; however, new language includes:
 - Agreed Upon Procedures (AUPs) may be developed and used for the Section 502 or 504 loan funds in custodial accounts.
 - At a minimum, an AUP engagement will include a review of the draw requests to ensure charges listed can be traced back to source documents and a reconciliation of the financial institution's account record

523 Grant Extensions

- Submit **prior to grant expiration**
- Includes revised budget, implementation schedule, Exhibit B or K and a cover letter clearly outlining the cause of the delay, if it was outside the grantees control, etc.
- Can be for up to one year
- >1 year requires National concurrence
- Submitted to RD
- T&MA Contractor recommendation

High Risk Designation

- Determined by the State Director
- Performance issues defined: any problem that affects grantees ability to meet the grant goals with consideration for issues that may be caused by RD delays
 - Assisting the projected number of families
 - Serving very low-income applicants
 - Equivalent Units
 - Labor contribution by the family
 - Meeting other objectives of the Grant Agreement

High Risk Designation Continued

- Time Bound
- Can be extended
- Allows the grantee more support and assistance from RD and T&MA Contractor
- Exhibit M – new sample “High Risk” Designation Letter
- Exhibit N – new sample High Risk Removal Letter

Grant Closing and Final Evaluation Updates

- §1944.415, Grant approval and other approving authorities.
 - All applying organizations are checked against Do Not Pay portal
 - Once funds have been obligated, the National Office will issue a letter to the State Director confirming the obligation and outlining any additional closing conditions
 - ‘Exhibit J’ Template Letter of Conditions (LOC) will include all conditions to grant closing and/or can be issued with the grant agreement, as applicable
 - No funds may be released to the grantee before the grant agreement is fully executed
 - Once the grant is closed, a copy of the fully executed grant agreement and LOC are also provided to the T&MA Contractor

Grant Closing and Final Evaluation Updates

- §1944.419, Final grantee evaluation.
 - Failure to obtain at least an acceptable grant rating could jeopardize future grant awards
 - ‘Exhibit O’ added for a template final evaluation letter
 - A copy of this letter should also be forwarded to the National Office, Single Family Housing, Special Programs Branch and the T&MA Contractor

523 Application Changes

- Exhibit G – Application Processing Checklist
 - Added Audit requirement
- Exhibit I – Rehabilitation Programs Applications/Re-Application/ Amendment Checklist



Question?



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