STATE OF MICHIGAN
RICK SNYDER
GOVERNOR
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING
GARY HEIDEL
EXECUTIVE DIRECTOR

DATE: October 12, 2012

TO: CDBG County Allocation Grantees (Past and Present):
Attn: Staff and administrators responsible administrative tasks associated with CDBG Program Income and those responsible for managing CDBG-funded projects on OPAL.

FROM: Renee Conklin, Community Development Division

RE: Part I - Program Income Included in Projects Set-up on OPAL
Part II - Program Income Data Entry Requirements

Part I

Recently HUD monitored Michigan's CDBG programs. MSHDA received findings for the lack of tracking and monitoring of projects funded with program income (PI) retained by CDBG County Allocation grantees. HUD also issued a finding for the lack of detail we capture and report for PI-funded projects. MSHDA is required to take action immediately to remedy these findings.

From this point forward, grantees are required to set-up ALL PI-funded projects on OPAL. PI –funded projects will be set-up within a grant which means 100% PI-funded projects are no longer allowed. This will allow grantees and MSHDA to capture all required data on OPAL. PI must also be reported in the grantee's PI Account on OPAL as described in Part II of this memo.

The minimum amount of grant dollars invested in each project is **$100 meaning the minimum amount allowed on line B-17 of the OPAL proforma is $100.** Grantees will enter the PI invested into the project in line B-13 of the proforma (see attached sample Proforma).

- Grantees with less than $100 of available grant funds to EXPEND on a project must notify their CD Specialist prior to setting-up the project on OPAL for less than $100.

- If the balance of grant dollars to COMMIT to projects is less than $100 but the balance to expend is greater than $100, the grantee should revise/reduce the set-up amount of an existing project by replacing unexpended dollars with PI (line

B-13 of the proforma). This will "free-up" grant dollars to commit to another project.

- PI will be committed only to projects that will be completed by the end of the grant term.

Grantees planning to submit an application for new county allocation funding must hold PI until the new grant is awarded. Grantees not wishing to apply for county allocation funds, and those agencies denied additional funding are required to return all PI (uncommitted and received from this point forward to MSHDA). See Policy Bulletin #4 for further details.

Part II

MSHDA CDD has conducted an internal audit of county allocation grantees' program income accounts and found that the manner in which PI is reported in the OPAL PI account varies widely. **If your agency has not been entering data in to the PI account on OPAL as described below you are required to complete the attached spreadsheet and return it to CDD by November 13, 2012.**

From this point forward, grantees are required to enter data in to the PI account as described below. In addition, Grantees should refer to Policy Bulletin #4 on MSHDA's website for rules and regulations related to the use of CDBG Program Income. Grantees should expect all future monitoring visits to include the review of documentation to confirm compliance.

ENTERING DATA IN THE OPAL PI ACCOUNT:

CDD's review of PI accounts revealed that the level of detail, in most cases, is inadequate; the entries are too general making it impossible to track commitments and expenditures to actual projects/addresses. The proper way to enter data in to the PI accounts is a 3-step process: Receipt of PI; Commitment of PI; and, Expenditure of PI. A description of the process is described below.

1. Receipt of PI (see Figure 1 attached)

Grantees typically receive PI in the form of monthly installments or when a recipient pays off the balance owed.

- Monthly installments - may be entered as a lump sum with a description stating, for example, "March monthly installments." The Grantee is required to maintain an itemized listing of the installments supporting deposits into the PI account.

The itemized list must include the recipients' names, addresses, and amount of payment received.

- Pay-offs – will be entered as separate transactions. Description will state, for example, "Pay-off, 123 N. Main, Washington". The name of the original recipient may be included, but only the address is required.

2. Commitment of PI (see Figure 2 attached)

Projects - Grantees must commit PI to individual projects/addresses before they can expend PI. Grantees must enter the specific address that the project dollars will be committed with a description that will state, for example, "123 N. Main, Washington". The name of the recipient may be included in the description, but only the address is required.

Admin – Grantees may charge up to 20% of PI received to admin. Grantees are required to maintain documentation supporting the admin expenditures. Admin must be committed under a separate transaction in the PI account. Some grantees commit an amount equal to 18 – 20% of the project costs as project costs are committed. This is acceptable as long as the commitment of projects is a separate transaction from the commitment of admin. The following is an example of acceptable descriptions used for the commitment of admin: "committed admin for 123 N. Main, Washington".

Grantees must NOT combine the amount of admin and the amount of committed PI to projects in the same line item transaction.

NOTE (see Figure 4 attached): The total dollar amount committed to a project (not the admin) in the PI Account must equal the total amount of PI entered into line B-13 of the proforma on OPAL. If the dollar amount of PI changes as the work progresses, the change must be reflected in both the project proforma and the PI account. To reflect any adjustments in the PI account enter another transaction for that address with a positive or negative amount committed/expended. Describe the transaction as an adjustment to that specific project address.

3. Expenditure of PI (see Figure 3 attached)

Grantee must choose “project” or “admin” from the drop-down menu when reporting an expenditure.

Projects – enter the amount expended on a single address. Grantees may lump multiple expenses for a single address in to one transaction or they may enter them separately. If lumped together the description will state “123 N. Main, Washington, ABC Plumbing –$2,400, Acme Roofing – $4,500, etc. The name of the recipient may be included in the description, but only the address is required.

NOTE: The total dollar amount recorded as expended on a project (not the admin) in the PI Account must equal the total amount of PI entered into line B-13 of the proforma on OPAL. If this amount changes as the work on a project progresses, see “NOTE” above to make corrections to the PI Account.

Admin – Grantees may charge up to 20% of PI received to admin. Grantees are required to maintain documentation supporting the admin expenditures. Admin must be expended under a separate transaction in the PI account with a description, for example, “expended admin for 123 N. Main”.

Grantees must NOT include the amount of admin and the amount of expended PI to projects in the same line item transaction.

Figure 1 – Receipt of PI

Program Income Transaction Log [Records 1 - 20 of 469] 1 Export Data

Account	Date	Expense Type	PI Received	PI Committed	Balance to Commit	PI Expended	Balance to Expend	Description
Alpena County - Alpena County Program Income	10/10/2012 11:56:57 AM	N/A	$6,500.00	$0.00	$10,422.92	$0.00	$28,457.72	Payoff of 422 E. Conklin, Washington, MI
Alpena County - Alpena County Program Income	10/10/2012 11:54:09 AM	N/A	$420.00	$0.00	$3,922.92	$0.00	$21,957.72	September Monthly Installments (see PI ledger)

Figure 2 – Commitment of PI

Program Income Transaction Log [Records 1 - 20 of 473] 1 Export Data

Account	Date	Expense Type	PI Received	PI Committed	Balance to Commit	PI Expended	Balance to Expend	Description
Alpena County - Alpena County Program Income	10/11/2012 8:24:39 AM	N/A	$0.00	$1,660.00	$662.92	$0.00	$28,457.72	Admin committed (20% of 123 N. Main, Washington, MI).
Alpena County - Alpena County Program Income	10/11/2012 8:24:15 AM	N/A	$0.00	$8,300.00	$2,322.92	$0.00	$28,457.72	Project costs for 123 N. Main, Washington, MI.

Figure 3 – Expenditure of PI

Program Income Transaction Log [Records 1 - 20 of 479] 1 Export Data

Account	Date	Expense Type	PI Received	PI Committed	Balance to Commit	PI Expended	Balance to Expend	Description
Alpena County - Alpena County Program Income	10/11/2012 9:33:44 AM	Admin	$0.00	$0.00	$662.92	$1,660.00	$18,497.72	Expenses associated with 123 N. Main, Washington, MI.
Alpena County - Alpena County Program Income	10/11/2012 9:32:13 AM	Projects	$0.00	$0.00	$662.92	$8,300.00	$20,157.72	123 N. Main, Washington - Plumber $2400, Roofer $4500, Flooring $1400.

Figure 4 – Proforma showing PI on line B13.

Grantee	Alcona County
Grant Number	MSC-2012-xxxx-HOA
Property Address	123 N. Main, Washington, MI
County	Alcona County
Original/Revised Proforma?	Original
Date	10/1/2012

Homeowner Rehab Proforma
Updated 1.18.2011
Correction to Line A5

	A Estimate Project Costs		
1	Lead Testing and Clearance		$350
2	Hard Rehab Cost		$8,000
3	Lead Hazard Remediation Cost		$1,000
4	Landscaping Costs (not to exceed $1,000)		
5	First Mortgage Loan Refinancing costs up to $3500 (including credit repair costs).		
6	Sub-total of Hard Project Costs	$9,350	
7	Choose to take leverage incentive if eligible (y/n)		n
8	Leverage Incentive Fee	$0	
8a	Max Allowable Incentive paid to FHLBI Lender	$0	
8b	Requested FHLBI Incentive Fee		
9	Total of Itemized Project Costs	$9,350	

	C Household Information		
1	Household Size		3
2	Annual Household Income		$29,000
3	80% Income Limit for Household Size	$37,000	
4	State Equalized Value of property (pre-rehab)		$37,000

	D Compliance Check		
1	Household Below 80% AMI	Go	63%
1a	Lesser of Rehab Cost Excluding LBP or Federal Money	$8,000	
2	Lead Paint Threshhold (assuming not otherwise exempt)	Interim Control	
2a	HUD 203(B) Limit for County	$200,160	
3	Post-rehab value less than 203(B) limit	Go	$83,000
3a	FHLBI Incentive Fee within limits	Go	
4	Soft Costs within Maximum Limit	Go	
5	Project within funding cost limits?	Go	$95

	E Project Evaluation	
1	LBP remediation costs as % of total rehab costs	11.1%
2	Percentage of project paid by leveraged funds	10.2%

I certify that the above worksheet is a complete accounting of all funds used to complete this project, including our best estimate, of costs not yet incurred on the project as of this date. All funds provided from any source for this project are fully disclosed on this form. Any funds granted or loaned to this project in the future but not shown here will be promptly disclosed.

Name Date

	B Estimate Funding Sources		
1	Homeowner Cash Investment		$550
2	PIP Loan Amount		
3	USDA Rural Development		
4	Michigan Dept of Human Services		
5	Weatherization Funds		$400
6	Other Loans		
7	Other Grants		
8	PJ Match--Federal		
9	PJ Match--NonFederal		
10	Other Program Income--NonMSHDA		
11	Federal Home Loan Bank		
12	Subtotal Leveraged Funds	$950	
13	CDBG Program Income		$8,300
14	Initial Setup Amount (before unitemized so	$100	
14a	Project CDBG funded? (y/n)		y
15	Max Allowable Soft Costs on OCD funds	$2	
15a	Max. Soft Costs on Leverage (10%)	$95	
16	Soft Costs Charged to Project		
17	**Total Setup**	**$100**	
18	Subtotal of MSHDA Funds	$8,400	
19	Subtotal of Federal Funds	$8,400	
20	**Minimum Mortgage**	**$7,050**	