

Supporting Statement for Paperwork Reduction Act Submissions
Validating Estimates of CPD Grantee Accrued Expenses
(OMB No. 2506-New)

A. Justification

1. Why is the information necessary? Identify the legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating/authorizing the collection of information.

Generally Accepted Accounting Principles (GAAP) require CPD to account for expenses accrued by its grantees that have not yet been expended. CPD does not require its grantees to report accrued expenses. Accordingly, CPD has developed methodologies for estimating accrued expenses for each of its programs. HUD OIG audits our financial reports. OIG has stated that CPD must validate these estimates of accrued expenses periodically, pursuant to Federal Financial Accounting Technical Release 12 (TR12) dated August 4, 2010¹ (TR12) (copy attached)

TR12 addresses materiality considerations, risk assessment, and procedures for estimating accruals for grant programs, including acceptable procedures until sufficient relevant and reliable historical data is available for new grant programs or changes to existing programs. TR12 also provides guidance on acceptable sources of documentation for grant accrual estimates; internal controls, including monitoring of internal controls and validation of grant accrual estimates; training of grantees; and monitoring of grantee reporting.

On the subject of validation, TR12 states at pages 14-15 that as part of agencies' internal control procedures to ensure that grant accrual estimates for the basic financial statements were reasonable, agencies "should validate grant accrual estimates by comparing the estimates with subsequent grantee reporting." TR12 ¶ 26.

When subsequently validating the reasonableness of accrual estimates, an agency does not need to obtain data from 100% of grantees in order to validate the reasonableness of grant accrual estimates. For example, agencies may validate estimates based upon grantee data that represents a majority of the total grant portfolio, or data from a statistically valid sampling of the total grantee portfolio. TR12 ¶ 27.

When developing grant accrual estimates, agencies only have access to data that is available at the time. The nature and reliability of available grant data varies widely and, because of the relationship between the grantor and the grantee, is often only indirectly influenced by management. The validation process includes an understanding that estimates are inherently uncertain, and that management must use judgment in determining whether differences between estimated and actual expenses are reasonable. TR12 ¶ 28.

¹ http://fasab.gov/pdf/files/tr12_final.pdf

TR12 also states that a difference between an accounting estimate and actual result does not necessarily represent a misstatement of the financial statements. Rather, differences could be an outcome of inherent estimation uncertainty. TR12 ¶ 29.

Therefore, in accordance with the requirements of TR12, CPD plans to survey a statistically valid sample of its grantees to ask that the grantees to be sampled report actual accrued expenses so a statistical expert can compare our estimates to actual accrued expenses in accordance with TR12.

2. What information is to be collected?

From whom?

How is it collected?

How will the information be used; for what purpose and by whom.

How has it been used in the past?

Specifically, CPD would request items such as:

- 1) Source documentation to support each sampled disbursement, or to support the combination of payments that amount to the sampled disbursements;
- 2) A separate summary of payments for each sampled disbursement item. The total of the amounts in the summary should equal the sampled disbursement amount in the attached file. If the amounts do not equal, please provide an explanation which details how the sampled disbursement total was calculated.

The sample disbursement item will be sent via email to the grantee. Documentation provided by the grantee should sum to the sample item selected. The sample disbursement will not be in a form. The summary should include:

- a) Vendor/Contractor
- b) Invoice Date
- c) Date when goods/services were received
- d) For payroll expenses please provide the date range over which the expense was incurred
- e) Amount of expense
- f) Description of expense (a description of the goods/services fulfilled. For example: Pencils)
- g) Type of expense – We would like each expense identified as construction, payroll or other.

We will store annotated electronic copies of all information provided in the event that confirmation of calculations is required in the future. If supporting data cannot be located for a disbursement, we will resample another disbursement from the same stratum if feasible.

3. Is the information submitted electronically? If not, why?

Will it ultimately be managed in an automated system? Identify the system.

Describe whether, and to what extent, the collection of information is automated (item 13b1 of OMB form 83-i). Under the Government Paperwork Elimination Act (GPEA), the public must be provided with the option of responding electronically. If that is not feasible, explain why. This must be addressed.

The information will be collected electronically through email. Our goal is to eventually collect this information through an automated system but this system has not yet been developed.

4. Is this information collected elsewhere? Review current information collection packages for potential consolidation.

No duplication exists. The SF-425 is not required for the CDBG State program, SNAPs, HOPWA, and HOME programs. The cash status only is required from the CDBG Entitlement program and ESG doesn't take into account accruals.

5. Does the collection of information impact small businesses or other small entities (item 5 of OMB form 83-i)? Describe any methods used to minimize burden.

The number of small businesses to be surveyed is strictly limited to the number necessary to ensure a valid statistical sample. The statistical sample represents a small percentage of the total number of grantees and therefore this methodology reduces burdens.

6. Why can't the information be collected less frequently – or not at all? Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

The information is needed for an annual financial statement audit and therefore must be collected each year to comply with Generally Accepted Accounting Principles. CPD must collect this information to comply with Generally Accepted Accounting Principles.

7. Explain any special circumstances requiring:

- * response more than quarterly; N/A
- * response in fewer than 30 days; N/A
- * more than an original and two copies of any document; N/A
- * retain records for more than three years (*other than health, medical, government contract, grant-in-aid, or tax records*); N/A
- * statistical surveys not designed to produce results that can be generalized to the universe of study; N/A
- * statistical data classification not been approved by OMB; N/A
- * a pledge of confidentiality that is not supported by statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or N/A
- * respondents to submit proprietary trade secret, or other confidential information. N/A

There are no special circumstances.

8. Date and page number of the *Federal Register* notice (provide a copy) soliciting comments and public input Summarize any public comments and describe response to comments. Describe all efforts to consult with persons outside the agency to obtain their input.

This information collection was announced in the Federal Register, Volume 81; Page 6535, on February 8, 2016. In response to the Proposed Information Collection HUD received no comments

9. Explain any payments or gifts to respondents, other than remuneration of contractors or grantees.

This information collection involves no payment or gift to respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation or agency policy.

This information collection does not require the retention of confidential or sensitive material.

11. Justify any questions of a sensitive nature, such as sexual, religious beliefs, and other matters that are commonly considered private

No sensitive questions are being asked by this collection.

12. Estimate public burden:

- number of respondents, 200
- frequency of response (*if a respondent provides multiple documents at one time, consider that a single response*), Annual
- average total responses annually 200
- average annual hour burden. 4 hrs

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost Per Response	Annual Cost
	200	1	200	0.02	4	0.00	0.00
Total	200	1	200	0.02	4	0.00	0.00

Based Upon HUD's knowledge of the operations of CPD grantees we estimate that responses would reasonably be completed in four hours.

13. Estimate of the average, annual cost beyond the cost of hour burden shown in Items 12. Read the complete instructions on the form 83i.

There is no additional cost to respondents.

14. Estimate annualized costs to HUD of collecting the information, including processing the information.

No annual cost to Government.

15. Explain any program changes or adjustments reported in items 13 and 14 of the OMB Form 83i. Also explain any other changes/revisions to the information collection.

New Collection.

16. If the information will be published, outline plans for tabulation and publication.

Information will not be published.

17. Explain any request to not display the expiration date.

No requests to not display the expiration date.

18. Explain each exception to the certification statement identified in item 83i-19. This includes, specifically, providing the required information to respondents:

- The OMB control number and expiration date; Why the information is being collected;
The information is needed for an annual financial statement audit and therefore must be collected each year to comply with Generally Accepted Accounting Principles.
- Use of the information; The information will be used to validate and refine CPD's methodology for estimating accrued expenses by CPD grantees.
- Burden estimate; 4 hours
- Nature of response (voluntary, required for a benefit, or mandatory); Mandatory
- Nature and extent of confidentiality; and
- The requirement to display currently valid OMB control number.