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## **U.S. Department of Housing and Urban Development**

**OFFICE OF HIV/AIDS HOUSING**

### **Memorandum for: HOPWA Grantees**

**From:** David Vos, Director, Office of HIV/AIDS Housing HUD's Office of HIV/AIDS Housing

**Subject:** Guidance on the Utilization of Cash Advances for HOPWA Grantees and Project Sponsors

In the past, grantees and nonprofit project sponsors have requested the development of a cash advance system for reimbursement to enable the provision of housing and services in a quick and efficient manner. Nonprofit project sponsors suffering from reduced resources often borrow or use limited internal resources to front HOPWA activities until reimbursement can be obtained from grantee organizations. To compound the problem, nonprofit sponsors report serious delays in receiving reimbursement causing nonprofit organizations to incur unnecessary interest costs and additional fees.

In response to these issues, the Iowa Finance Authority, a HOPWA grantee, recently requested permission from HUD to institute a cash advance system for its nonprofit project sponsors. The issue was reviewed by this office in conjunction with CPD's Comptroller. For your convenience, the original request has been attached, as well as HUD's response. This information is being submitted to you to provide assistance in administering the HOPWA program in your local area. In the event the grantees seek or request information on a cash advance system of payment, these documents provide an example of the requirements for such a system of payment.

Please provide this information to your staff and grantee staff in your area that work with the HOPWA program.

If you require additional information regarding cash advances and the HOPWA program, please feel free to call the Program Office at 202-708-1934.

#### Attachment(s):

1. Iowa Finance Authority Request, May 14, 2002, RE: Working Capital Advance
2. HUD, CPD Comptroller Response, May 20, 2002, RE: Eligibility of HOPWA Working Capital Advance

**COPY – Submitted to HUD by the Iowa Finance Authority – Received May 14, 2002**

May 14, 2002

Rusty Bennett  
Program Officer  
Office of HIV/AIDS Housing  
Office of Community Planning and Development  
U.S. Department of Housing and Urban Development  
451 Seventh St SW. Room 7212  
Washington. DC 20410-7000

Subject: 2001 HOPWA New Project Grant # IA-HO1-0026  
Working Capital Advance

Dear Mr. Bennett:

Iowa Finance Authority is the Grantee of the new Iowa 2001 HOPWA Long Term Comprehensive Strategy Grant. Iowa Finance Authority, partners and project sponsors received HOPWA Rental Assistance Training that was sponsored by AIDS Housing of Washington and conducted by Randy Russell of R2 Solutions on February 25-27, 2002. During this training it was discussed that the Sponsors, of which most are AIDS service organizations and all are non-profits, do not have the funds available to start the short-term and long-term rental assistance program and that waiting for reimbursements would create a financial hardship on their organizations. Randy Russell acknowledged that this was a problem many new HOPWA programs have faced and that they have been able to receive grant funds to start their HOPWA rental programs. On April 2, 2002 we had our HOPWA Start Up Conference with the Omaha Field Office and asked about establishing a starting balance for the Sponsors to initiate their short-term and long-term rental assistance programs. The HUD Omaha Field Office stated that they were not aware of this procedure and asked that we provide additional information on where in the HOPWA regulations this procedure is allowed. As we were unable to find this specific topic addressed in HOPWA regulations, we dropped the issue with the Omaha Field Office and have been unsuccessful in finding another alternative to allow the Sponsors to begin their rental assistance programs.

On May 13, 2002 we received additional training from AIDS Housing of Washington and again the issue of the Sponsors not having the financial resources to start their rental assistance program was discussed. Mariah Ybarra of AIDS Housing of Washington stated in the training that some Grantees and jurisdictions have been allowed to provide working capital advances to their Sponsors for administering short-term and long-term HOPWA rental assistance. She said this is due to tight cash flows with many non-profits who are unable to front rental assistance funds to clients and wait for reimbursement from the Grantee, who must make the draw from HUD. This is the same situation that we are facing as we attempt to start the Iowa program.

We are asking for your guidance on this working capital advance issue. Could you please confirm that the precedence has been set in establishing working capital advances for new HOPWA programs and in what locations? Since this is a new program for both the Iowa Finance Authority and the Omaha Field Office, how should we proceed with the Field Office on this matter?

We are ready to start offering assistance to clients, but we need to resolve this final issue of a working capital advance for the Sponsors. It is critical to the future of the HOPWA program in Iowa that this issued be resolved in a timely manner. If you have any questions or require additional information, please contact me at (515) 281-4003 or [tracy\\_scebold@ifa\\_state\\_ia\\_us](mailto:tracy_scebold@ifa_state_ia_us).

Sincerely,

[Signed: May 14, 2002]

Tracy Scebold  
Housing Allocation Manager

CC: Mariah Ybarra, AIDS Housing of Washington



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410-7000

OFFICE OF THE ASSISTANT SECRETARY  
FOR COMMUNITY PLANNING AND DEVELOPMENT

DATE: May 20, 2002

MEMORANDUM FOR: David Vos, Director, Office of HIV/AIDS, DEH

FROM: William H. Eargle, Jr., Comptroller, Office of Community Planning and Development,  
D /S/

SUBJECT: Eligibility of Housing Opportunities for Persons With AIDS (HOPWA) Working  
Capital Advance

Rusty Bennett of your staff has asked my Office for guidance to respond to a question raised by the Iowa Finance Authority (IFA) regarding advance payments. In correspondence to him dated May 14, 2002, the IFA requests guidance from HUD on the eligibility of providing a one-time working capital advance to six non-profit project sponsors to cover a three-month period to enable them to carry out two HOPWA activities eligible under [24 CFR 574.300\(b\)\(5\)](#) [project- or tenant-based rental assistance], and (b)(6) [short-term rent, mortgage, and utility payments to prevent the homelessness of tenants or mortgagors of a dwelling]. The IFA was awarded funds from HUD, under a HOPWA competition, to carry out a Long Term Comprehensive Strategy Grant. As part of this program, the IFA would provide HOPWA funds to private non-profit sponsors to carry out eligible HOPWA activities. Some of these non-profit organizations do not have sufficient funds on hand to start implementing a short-term and long-term rental assistance program.

HOPWA grantees which are governmental entities are subject to the provisions of 24 CFR Part 85 per the HOPWA regulations at [24 CFR 574.605](#). Private non-profits receiving HOPWA funds are required to comply with OMB Circular A-110 under this same regulatory provision. A-110 has been codified at 24 CFR Part 84, subsequent to the publication of the HOPWA regulations. Advances and working capital advances to grantees are permissible under 24 CFR 85.21(c) and (e), respectively. Advances to grantees and subgrantees under 24 CFR 85.21(c) are allowable provided the entities demonstrate the willingness and ability to minimize the time elapsing between the transfer of funds and their disbursement. Working capital advances under 24 CFR 85.21(e) are only permissible if the criteria under 85.21(c) cannot be met and the Federal agency determines that reimbursement is not feasible because the grantee lacks sufficient working capital. Subpart C of OMB Circular A-110, [\\_\\_\\_22\(b\)](#) permits advances to recipients, provided they meet requirements largely similar to those included in 85.21(c), although the Circular specifies written procedures for minimizing the time between transfer of funds and disbursement.

In the instant case, a three-month working capital advance under the provisions of 85.21(e) is not permissible because HUD lacks information to support a determination that the IFA does not have sufficient working capital to assist the 6 nonprofits. Furthermore, the IFA's correspondence did not address the other requirement of this regulatory provision, that it cannot meet the criteria of 85.21(c). In addition, payment methods under both 24 CFR 85.21 and OMB Circular A-110 were written to comply with the Treasury regulations at 31 CFR Part 205 which state, in part, that "Cash advances...shall be limited to the minimum amounts needed and shall be timed to be in accord only with the actual, immediate cash requirements...in carrying out a program or project." [See 31 CFR 205.20(a)]. OMB Circular A-110, Subpart C \_\_\_\_.22(b), mirrors this language. A three-month cash advance cannot reasonably be interpreted to meet this requirement.

If the IFA meets the criteria of 85.21(c) and the non-profits can comply with the payment requirements of OMB Circular A-110, the IFA can provide one-month advances to the 6 non-profits to carry out the two HOPWA activities eligible under [24 CFR 574.300\(b\)\(5\)](#) and (6). The IFA, and subsequently the non-profits, might therefore need to request funds for three separate advances, one per month. To provide these advances, the IFA should have procedures in place to minimize the time elapsing between its receipt of the funds and their transfer to, and disbursement by, the subgrantees. The non-profits would need to demonstrate to the IFA their ability to comply with the requirements of OMB Circular A-110, Subpart C, \_\_\_\_.21 and 22(b). It is recommended that, if the IFA hasn't covered this already, its' contracts with the non-profits should include the IFA's expectations regarding the non-profits' demonstration of compliance with the applicable requirements, including the regulations governing interest on advances [see 24 CFR 85.21(i) and OMB Circular A-110, Subpart C, \_\_\_\_.22(k)].

Please note that I am not in a position to respond to the IFA's question in its letter on other HOPWA programs that have established working capital advances; therefore, this guidance does not address this question. Since the correspondence was sent to your office, I would recommend that you provide a written response to the IFA and notify the Field Office of this determination. I would also appreciate being copied on your response as well.

If you have any questions or need additional clarification, please do not hesitate to contact me or Deirdre Maguire-Zinni on my staff.

cc: Lynn Morgan, Attorney-Advisor, Community Development Division, Office of General Counsel, CDD