Learning IDIS Lesson 10: Receipts

Objectives:

- § Receipt Program Income
- § Report Use of Program Income (Drawdown)

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Lesson Ten Overview and Objectives

There are several types of receipts in IDIS: Program Income (PI), Revolving Loan Funds (RL and SF), Recaptured Funds (RE), and Receivables (RC). This section will discuss the two most commonly used receipts, program income and revolving loan funds.

Program income is money received back by the grantee or a subrecipient that was directly generated from the use of CDBG or HOME funds. Examples of program income include the principal and interest payment on rehabilitation loans, economic development loans, or construction loans. All program income received is considered federal funds and is subject to the same rules and regulations as the original grant funds.

HUD requires you to use any program income you have on-hand before drawing additional funds from Treasury. This means if you receive \$1,000 in CDBG program income from a rehabilitation loan and the next day you want to drawdown \$40,000 for expenses incurred for a CDBG-funded street improvements project, you would only drawdown \$39,000 from IDIS and cover the remainder with the program income on-hand. The activity that uses the income does not have to be similar in nature to the activity that generated the revenue. This is a common mistake that grantees make: If a housing rehab activity generates the revenue, they will hold the funds until they incur a housing rehab expense and continue to draw entitlement funds for other activities. This is incorrect. You need to use the program income first before drawing additional funds. There are a few exceptions, including revolving loan funds, which is discussed below.

Revolving Loan Funds are a special type of program income. Revolving Loan fund revenues are set-aside in a separate account and only used for the program that generated the funds. This is the difference between 'generic' program income and revolving loan funds. If the income generated in the example above was from a revolving loan activity, you wouldn't use the \$1,000 for the street improvements. You would hold it in a local account until you needed funds for another rehabilitation loan. Revolving loan funds can be a powerful generator of revenue. For example, assume you capitalize a revolving loan fund for microenterprises with \$100,000 to be loaned out at 3% interest for a ten year term. After ten years, without any additional funding, the loan fund will have provided 30 loans at \$10,000 each (a value of \$300,000).

Program Income Process

- § Create Receipt
 - § Authorize
 - § Create Receipt
- § Fund Activity with PI? No!
- § Drawdown PI to report use of income
 - § Use PI before EN funds
 - § System will reflect use of PI on activity funding

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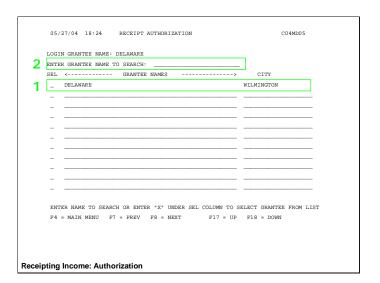
IDIS tracks both the receipt and use of program income. To track the receipt of program income, you will use the Receipts Menu from the Main Menu. To report the use of program income, you will "drawdown" the program income. When you create a program income drawdown, HUD will not send you any funds because you already have the program income in a local account. By creating and approving a drawdown voucher for program income, you are reporting to HUD that you used X number of dollars of program income for activity Y.

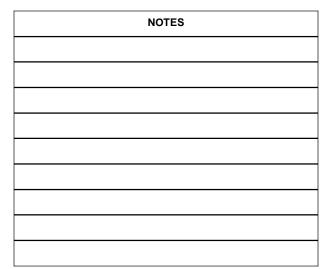
Normally, you need to use the Activity Funding Menu to commit funds to an activity before drawing them. This is where program income differs from other funding types. You will not commit program income to a specific activity. Instead, once the income is receipted, the system will list the income as "Available to Draw" during the drawdown process. The system is designed this way so you use the program income first. There are some exceptions to this first-use rule presented later in the lesson.

Once you draw the program income, the system will automatically adjust the activity's funding. The system will increase the amount of program income committed to the activity by the amount drawn and decrease the amount of entitlement funds committed to the activity by the amount of program income drawn. This way, the activity's Total Funded Amount does not change.

Grantees often ask two questions:

- 1. How often do I need to receipt income into the system? You need to remember HUD's rule: use program income before drawing additional funds. Given this, you need to incorporate the receipts process into the drawdown process. Before doing a drawdown, create a receipt for any program income you have on-hand. If you drawdown funds once a week, you need to receipt income once a week.
- 2. Do I have to create a separate receipt for each instance of revenue or can I batch receipts together? For example, assume I have 10 rehab loans that each pay \$50 on a monthly basis. Do I have to create 10 separate receipts each month or can I create one receipt for \$500 that represents all rehab loan proceeds? As long as you receipt and use income on-hand before drawing new funds, you can batch similar receipts together (you cannot batch CDBG and HOME income together). There is a Comments field you can utilize when creating a receipt to explain the source of the receipt (ex: "rehab loan repayments for Nov. 2004").





Receipting Income Step 1: Authorization SCREEN 1 of 1

How to Get Here

From the Main Menu, type **H** and press Enter. This takes you to the Receipts Menu. At the Receipts Menu, type **01** at the prompt and press Enter. (Alternatively, you can type **H 01** at the Main Menu to bypass the Receipts Menu and come directly to this screen.

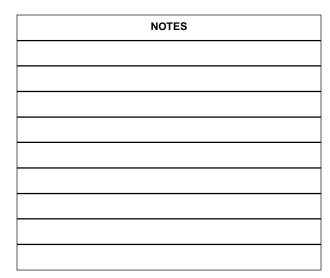
To Complete this Screen

- The screen lists all of the organizations associated with your grantee, including the grantee itself.
 <u>ALWAYS select the grantee.</u> At the this time, the system cannot create receipts for organizations other than the grantee. Select the grantee by typing an X in the corresponding field and press Enter.
- 2. Press Enter again to confirm your selection.

What's Next?

Once you have selected the grantee and pressed Enter (twice) the system will take you to the Receipt Menu where you will be able to select any of the other Receipt menu options. In this lesson, the next place to go is $\mathbf{H} - \mathbf{02}$ Create Receipt.





Receipting Income Step 2: Create Receipt SCREEN 1 of 1

How to Get Here

Select **02** from the Receipts Menu. You will not be able to select **02** until you have completed the receipt authorization step (**H 01**).

To Complete this Screen

- 1. Enter the **Program Code** of the program that generated the income: CDBG = B, HOME = M.
- Enter the Fiscal Year that the income was received (not the program year of the activity that generated the income).
- 3. Enter the **Source Type** code. The source type indicates the type of grant you receive:

MC – Metro City UC – Urban County

DC - State CDBG or HOME consortium

SG - State HOME HH/HS - HOPWA

4. Select the **Fund Type** of the income:

PI – Program Income RL – Revolving Loan RE – Recaptured Funds

SF - CDBG State Revolving Loan RC - Receivable

- 5. Enter the **Amount** of the income that you want to receipt.
- 6. You only need to enter a **Receipt Type** if the Fund Type is Recaptured.
- 7. If this is a revolving loan receipt, enter the **HUD Activity Number** or the **Matrix Code** of the activity that generated the revenue. These fields are optional for generic program income.
- 8. The **Grantee Receipt Number** and **Comments** fields are optional. They allow to provide additional information that may help you tie this receipt record to records in your local financial system.
- 9. Press Enter to save the receipt. If this is the first time you create a receipt for a program-fund type-fiscal year combination (i.e. CDBG-program income-2004), the system will ask you to provide an estimate of how much income of this type you expect to receive. This estimate should be included in your action plan. If not, you should be able to derive a reasonable estimate based on the loans in your portfolio.
- 10. Press Enter again to confirm the creation of the receipt. The system will provide you with a **Receipt Number.**

What's Next?

If you need to create another receipt, press F6 to clear the screen and repeat the steps above. If you are finished, use F4 to return to the Main Menu.

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Record the Use of Income (Drawdown)

How to Get Here

To record the use of program income, you will create a drawdown the same as if you wanted to request the use of entitlement funds. The screenshot above displays the second screen under D-04 Create Drawdown Voucher from the Drawdown Menu. To get to this screen: (1) go to the drawdown menu, (2) authorize with D-01, (3) select D-04 Create Drawdown from the Draw Menu, (4) provide the HUD activity numbers of the activities that you need funds for and press Enter. More detailed directions can be found in the Drawdowns lesson.

To Complete this Screen

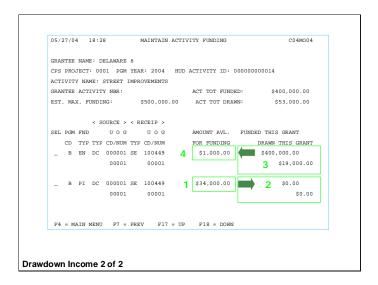
You will follow the same steps to complete this screen as you would to create a regular drawdown voucher. The only difference is that you will use all of the program income available first before drawing entitlement funds. Use the **Fund Type** column to distinguish the sources of funds. Program income will be listed even if you did not explicitly fund the activity with program income. This serves as a reminder that you have program income receipted and that you need to use it before you draw additional entitlement funds.

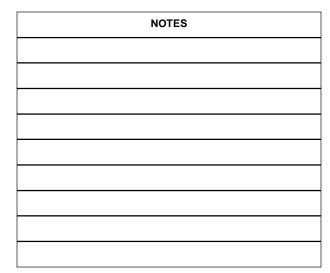
The amount of program income **Available** for each activity will be equal to the amount of income receipted but not committed to activities or the amount of entitlement funds available to the activity, *whichever is less*.

If you entered more than one activity on the previous screen, the income will show as Available for each activity listed. You can choose which activity or activities will use the program income. It is recommended to draw the program income for the activity that is requesting the largest amount. If you try to draw more program income than what is available, you will receive an error.

What's Next?

Complete the drawdown process. Once you drawdown the program income for an activity, the system will automatically adjust the funding commitments to the activity. The system will increase the amount of program income committed to the activity by the amount drawn and decrease the amount of entitlement funds committed to the activity by the amount of program income drawn. This way, the activity's Total Funded Amount does not change. To view these changes use the Activity Funding Menu.





The Processing of Receipts

How to Get Here

Select I – **02 Maintain Activity Funding** from the Main Menu. On the resulting screen, enter the HUD Activity Number of the activity that you want to view in the **HUD Activity Number** field and press Enter.

The Whole Process

Imagine you had two computer screens displaying IDIS. On the first screen you would go through the process of creating a program income receipt and drawing down those funds by creating a drawdown voucher. The second screen would always display the Activity Funding screen shown above and would reflect the changes you made on the first screen. These are the changes you would see:

- 1. When the receipt is created, the **Amount Available for Funding** for that program-fund type (i.e. CDBG PI) would increase by the amount receipted.
- 2. When the drawdown is created, the amount of program income drawn for the activity will be shifted from the Amount Available column to the **Funded from this Grant** column for the program income fund source. The system does this because funding must always be greater or equal to the drawn amount. And as you can see, the screen will also show the drawn amount posted in the **Drawn from this Grant** column.
- 3. At the same time, IDIS will reduce the entitlement commitment (Funded from this Grant column) by the amount of the program income drawn against the activity. This way, the activity's Total Funded Amount does not change. The entitlement funds that were essentially replaced with program income will now appear in the Amount Available for Funding for the entitlement fund type.
- 4. At the end of the program year, your Amount Available for Funding for entitlement will have increased by the amount of program income you have drawn. Be sure to consider this available funding when you conduct your next funding cycle.

§ Do not use PI to replace HOME AD or CR § Will complicate spending cap calculations § Use Activity Funding for RL § May be updated in near future § Use Activity Funding for Subrecipient income § Commit funds to activity to protect it

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Exceptions

There are some very important exceptions to the instructions presented in this lesson:

- Do not draw PI for activities funded from subfunds. The system uses subfunds to track compliance with the program spending requirements. For example, you cannot spend more than 10% of your HOME allocation on Admin and you must spend at least 15% of your HOME allocation on CHDOs. If you draw program income in place of HOME Administration (M-AD) or HOME CHDO Reserve (M-CR) funded activities, the system will not count the program income expenditure in these calculations. Moreover, you would have to reduce these subfunds by the amount drawn to make the funds available to other types of activities. This cannot always be done. For CDBG, you should still use PI first, even for subfunded activities, but be aware you will need to make adjustments to these subfunds after the drawdown.
- Use Activity Funding Menu to explicitly fund Revolving Loan Activities. While available program income will automatically appear on the Create Drawdown screen, available revolving loan funds will not. This may be corrected in the near future, but for now you must manually fund an activity with Revolving Loan Funds (RL) before you draw the funds for the activity.
- Use Activity Funding to protect subrecipient income. If your subrecipient generates program income and you allow the agency to keep the money in order to fund more programs, you need to report the income in IDIS and yet protect it so that other activities do not use the program income by mistake. You can protect the program income by committing the funds to the subrecipient's activity (using I–02 Maintain Activity Funding) after creating the receipt. If the program income is committed to the subrecipient's activity, it will not be Available to other activities.

Review

- § Rule # 1: Use Funds on-hand First
- § Process
 - § Create Receipt
 - § Draw PI against activity
 - § System adjusts Activity Funding

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Review

IDIS tracks both the receipt and use of program income:

- To track the receipt of program income, use the Receipts Menu from the Main Menu.
- To report the use of program income, follow the drawdown process used to request entitlement funds, but select program income as the funding source. By creating and approving a drawdown voucher for program income, you are reporting to HUD that you used \$X of program income on activity #Y.

Remember HUD's rule: use program income before drawing additional funds. Given this, you need to incorporate the receipts process into the drawdown process. Before doing a drawdown, create a receipt for any program income you have on-hand. However, there are some very important exceptions to the instructions presented in this lesson:

- Do not draw PI for activities funded from subfunds.
- Use Activity Funding Menu to explicitly fund Revolving Loan Activities.
- If program income is kept by a subrecipient, commit those funds to the subrecipient's activity to protect those funds from other activities.