



County of Riverside Continuum of Care

Board of Governance
Unspent Funds Policy and Procedures

May 2019

1. BACKGROUND

At its March 21, 2019 meeting, the Riverside Continuum of Care Board of Governance created a Working Group to develop policy to reallocate funds and projects with unspent funds.

The need for this policy arose from chronic issues with unspent funds, resulting in a loss of critical funds for homeless programs, and in the case of HUD CoC Program Notice of Funding Availability (NOFA) applications, the loss of critically needed points to secure additional funding. A total of \$3,496,428 was recaptured from 2012-2016 HUD NOFA programs.

The purpose of the unspent funds policy and procedures are to ensure that the Riverside Continuum of Care maximizes the use of grant funds from the federal and state governments. In developing these policies and procedures, the committee took into consideration factors that would relate to an agency's inability to spend grant funds in a timely manner. These include, but are not limited to: delays related to starting up a new project, initial budget estimates proved to be incorrect, disruption due to staff turnover, as well as reasons related to mismanagement.

In developing these policies and procedures, the committee strived for transparency, accountability and timely response.

The goals for these policies and procedures are to: ensure successful grant management and **no return** of funds to HUD or the State of California.

Implementation of these policies and procedures will:

- ensure spending is on track
- provide remediation or counseling when spending is off pace
- notify those with ultimate fiduciary responsibility, such as nonprofit Board President, or government agency director
- institute a process that has no surprises for grantees

2. DEFINITIONS

- a. **Reallocation:** HUD defines *Reallocation as a process that CoCs use to shift funds in whole or part from existing eligible renewal projects to create one or more new projects without decreasing the CoC's ARD.*
Reallocation is use to create new projects that improve overall performance and better respond to local needs. For the state Homeless Emergency Aid Program (HEAP), reallocation is the transfer of unspent funds in whole or in part to another eligible project
- b. **Reduction:** the reduction of total grant amount, while keeping the same level of service committed in the original grant contract.
- c. **Unspent Funds:** the amount of funding a grantee has not fully spent during the grant period in accordance with the project budget, as indicated by submitted and verified invoices.

3. PROCEDURES TO MITIGATE UNSPENT FUNDS

- a. DPSS staff, as monitors of grant funds, will provide the following information:
 - i. Monthly statement of spending rates to nonprofit Finance Director and if a County department, department finance director and Riverside County Executive Office
 - ii. Quarterly statement to Riverside County Executive Office /Finance
 - iii. Quarterly statement to Board President/Dept. Head/City Mgr.
 - iv. 9-month statement to Fiduciary (70% of funds should be spent)
 - v. Spending dashboard to Continuum of Care Board of Governance as a standing agenda item at every meeting
- b. DPSS will provide training and technical assistance on claim submission, documentation and other HUD fiscal requirements.

4. POLICY ON UNSPENT FUNDS

- a. **For new or renewing funding requests:** Requests for proposals issued by the Board of Governance shall conduct a three-year review of agency grant spending performance. Proposers will be given an opportunity to provide a narrative response to explain any history of unspent funds. The narrative will be considered as part of the RFP review and scoring process.
- b. **Reallocation of Funds**
 - i. Reallocation of funds due to program performance will be determined by the Riverside County Continuum of Care Standards and Evaluation Committee
 - ii. Reallocation of funds due to unspent funding

- iii. Threshold for spending reallocation will be 5% of unspent funds, annualized.
- iv. Conditions for Specific Grant Funds
 - 1. HUD Continuum of Care programs: reallocation is allowed only during the annual NOFA process.
 - 2. California Homeless Emergency Aid Program (HEAP): a full or partial reallocation to another project
 - 3. HUD ESG and California CESH grants do not allow reallocation
- v. DPSS staff will provide the data regarding unspent funds. The Board of Governance will make the final decision regarding reallocation. This decision may be delegated to an ad hoc committee.
- vi. An agency may appeal the decision to the Board of Governance.

c. Reduction of Funds

- i. The Review and Rank Committee, or its designee, in consultation with the funded agency, will assess whether the budget can be reduced and still serve the same number of clients, and make a recommendation to the Board of Governance.