



[Docket no. FR-6562-N-01]

Notice of Recipient Financial Reporting Demonstration

AGENCY: Office of the Chief Financial Officer, HUD.

ACTION: Notice.

SUMMARY: Through this notice, HUD solicits comments on a demonstration designed to increase understanding of how enhanced recipient reporting can help reduce the risk of fraud, waste, and abuse across grant programs. The demonstration will focus on testing HUD's design for a reporting portal to collect and analyze supporting financial evidence from recipients, including subrecipient information, to ensure that it is sufficient for its intended purpose. HUD will also refine the portal based on recommendations from participants. The demonstration will allow participants to increase HUD's understanding of the business process changes that may be needed by recipients in this future state. Approximately nine voluntary participants from three HUD grant programs will be included in this demonstration.

DATES: *Comment Due Date:* **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].**

ADDRESSES: Interested persons are invited to submit comments regarding this notice to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW, Room 10284, Washington, DC 20410-0500.

Communications must refer to the above docket number and title. There are two methods for submitting public comments. All submissions must refer to the above docket number and title.

1. *Electronic Submission of Comments.* Interested persons may submit comments electronically through the Federal eRulemaking Portal at <https://www.regulations.gov>. HUD strongly encourages commenters to submit comments electronically. Electronic

submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the *www.regulations.gov* website can be viewed by other commenters and interested members of the public. Commenters should follow the instructions provided on that site to submit comments electronically.

2. Submission of Comments by Mail. Members of the public may submit comments or requests for reevaluation by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street, SW, Room 10284, Washington, DC 20410-0500.

FOR FURTHER INFORMATION CONTACT: Min Guo, U.S. Department of Housing and Urban Development, 451 7th Street SW, Washington, DC 20410; telephone number 202-402-7851 (this is not a toll-free number). HUD welcomes and is prepared to receive calls from individuals who are deaf or hard of hearing, as well as from individuals with speech or communication disabilities. To learn more about how to make an accessible telephone call, please visit <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

SUPPLEMENTARY INFORMATION:

I. Background

The Federal government has a duty to the American public to ensure that taxpayers' dollars are spent responsibly and only for permitted purposes. In many of HUD's programs, the funds are awarded to grantees, who then have the responsibility for restricting the use of grant funds to legally eligible expenses. However, there is not a consolidated, consistent mechanism for HUD to confirm that grantees are spending their funds properly. This demonstration is intended to test one such way of adding additional oversight to prevent waste, fraud, and abuse.

II. Demonstration

HUD will design and develop a recipient financial reporting portal to allow recipients of HUD funds from the Public Housing, Community Development Block Grant-Disaster Recovery, and Continuum of Care programs to upload supporting evidence (e.g., receipts, invoices, or pay records) to justify grant expenditures. The demonstration will allow HUD to test how to increase grantee accountability while increasing HUD's understanding of the business and technical requirements for a reporting portal and grantees' resources and ability to use such a system.

A. Increasing Transparency, Efficiency, and Compliance

Through the demonstration, HUD will gain a greater understanding of current reporting burdens and what grant recipients need to meet future reporting requirements. Specifically, this demonstration will validate that every dollar received from HUD is accounted for, thereby promoting trust and accountability. Further, the demonstration's centralized system will seek to streamline the reporting process for recipients, making it easier to manage and submit required information. Finally, this demonstration aims to facilitate recipients' adherence to federal requirements regarding the use of federal funds.

HUD will use this demonstration to evaluate the quality and completeness of the evidence submitted through the preliminary portal to ensure that HUD funds are being used the way they were intended. The demonstration will allow for the refinement of the reporting portal, business rules, reporting standards, and technical requirements. HUD will also use the demonstration period to evaluate current reporting burdens as compared to the level of burden placed on participants by the new system.

B. Parameters of the Demonstration

Approximately nine voluntary participants will use the new preliminary reporting system to upload documentation, such as a receipt or invoice, that substantiates their use of funds from previous drawdowns. Participants will be able to share feedback and user

experience with HUD to fine-tune the system as needed. Additionally, HUD will review documents and request exhibits that detail the following:

- Current accounting software and payroll systems
- Current processes for recording cash disbursements
- Current policies for management and oversight of the agency's grants, cost allocation, and request for disbursements
- Vouchers, or similar documentation, to track cash disbursements
- Sample proration used where allocation is made to various grants

HUD expects that the demonstration will last for approximately 2 months. After that time, the participants will no longer need to upload documentation to the preliminary portal, while HUD evaluates the results of the demonstration and determines what next steps are appropriate and feasible.

III. Questions for Consideration

1. What types of evidence are most appropriate for demonstrating the proper use of grant funds?
2. What are ways HUD can alleviate administrative burden as we transition funding recipients to new grants management and reporting systems?
3. What documentation collected via a reporting portal would most efficiently and effectively ensure that taxpayers' dollars are spent responsibly and only for permitted purposes?

IV. Solicitation of Public Comment

In accordance with section 470 of the Housing and Urban-Rural Recovery Act of 1983 (42 U.S.C. 3542), HUD is seeking comment on the demonstration. Section 470 provides that HUD may not begin a demonstration program not expressly authorized by statute until a description of the demonstration program is published in the Federal Register and a 60-day period expires following the date of publication, during which time

HUD solicits public comment and considers the comments submitted. The public comment period provided allows HUD the opportunity to consider those comments during the 60-day period and be in a position to commence implementation of the demonstration following the conclusion of the 60-day period.

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