

Revised Policy for Duplication of Benefits



MAY 2024

Background and Purpose

HUD has updated its policy for how a CDBG-DR grantee should apply the necessary and reasonable cost principles (Cost Principles) when conducting a duplication of benefits (DOB) analysis.

- The *prior policy* required CDBG-DR grantees to identify and document how a beneficiary spent non-CDBG-DR financial assistance used for a different purpose than the CDBG-DR award. If a grantee identified misspent or unspent non-CDBG-DR assistance for a different purpose, HUD directed the grantee to either require the beneficiary to repay those funds or reduce the CDBG-DR award.
- Under this *updated policy*, grantees conducting a DOB analysis can apply the Cost Principles without determining exactly how a beneficiary spent their other, non-CDBG-DR financial assistance for a different purpose. Grantees are no longer required to subtract the amount of unspent or misspent non-CDBG-DR financial assistance for a **different purpose** from the CDBG-DR award. This creates a simplified analysis to fund unmet need because grantees can focus only on the non-CDBG-DR assistance provided for the **same purpose** as the CDBG-DR award.



Reducing Red Tape for Cost Principles

Frequently Asked Questions (FAQS)

Q1. When will this revised policy become effective? Can the revised policy be applied retroactively to beneficiaries that have already received a CDBG-DR award?

A1: This updated policy is effective immediately and may apply retroactively. A grantee who previously reduced a beneficiary's CDBG-DR award using the Cost Principles under the prior policy can decide (at their discretion) to reassess the beneficiary's current unmet need using this updated policy.



FAQS (Continued)

Q2. HUD has previously advised CDBG-DR grantees to identify and document if and how a beneficiary spent non-CDBG-DR financial assistance, even when that financial assistance is for a different purpose than the HUD assistance. Is that still a necessary step to be in compliance with the Cost Principles in 2 CFR part 200, subpart E?

A2: No. HUD will no longer advise CDBG-DR grantees to identify and document if and how a beneficiary has spent non-CDBG-DR financial assistance received for a different purpose than the CDBG-DR assistance when calculating the appropriate amount of CDBG-DR funds to award. A grantee can apply the Cost Principles in 2 CFR part 200, subpart E, without determining if or how a beneficiary spent their other, non-CDBG-DR financial assistance for a **different purpose**. HUD expects this new policy to reduce red tape and paperwork requirements on CDBG-DR grantees and their beneficiaries.

Example: A grantee that intends to cover a beneficiary's home repair costs with CDBG-DR funds can determine whether the repair costs are necessary and reasonable by identifying the beneficiary's remaining eligible, unmet repair needs and assessing the reasonableness of the remaining repair costs based on the considerations required in the Cost Principles.

The Cost Principles prohibit charging the cost of home repairs that are allocated to another federally financed program to the CDBG-DR award, regardless of whether this was an appropriate use of the other financial assistance.

Q3. How does this new policy impact HUD's previous policy to reduce CDBG-DR awards when a beneficiary has unspent or misspent non-CDBG-DR financial assistance? What if the grantee is aware of a beneficiary that used other non-CDBG-DR financial assistance for an ineligible purpose?

A3: HUD no longer advises CDBG-DR grantees to subtract the amount of unspent or misspent non-CDBG-DR financial assistance for a different purpose from the CDBG-DR award (e.g., FEMA funds used for an ineligible purpose).

However, if a beneficiary misspent FEMA assistance or other federal assistance, the beneficiary may be required to return the funds to the agency that awarded the funds originally. Grantees should inform beneficiaries that have unspent or misspent funds from FEMA or other federal agencies to confer with FEMA or the applicable federal agency regarding the unspent or misspent funds. FEMA or the applicable federal agency can then make the determination on next steps related to its awarded funds.

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FAQS (Continued)

A3 Continued: A grantee with knowledge of a beneficiary’s history of using other financial assistance inappropriately can still consider this as part of its reasonableness determination (under the Cost Principles in 2 CFR part 200, subpart E) and seek to mitigate this risk in the beneficiary’s use of CDBG-DR funds (e.g., through terms and conditions of the CDBG-DR award agreement).

Q4. Are there guidance documents on how to analyze and calculate a DOB that reflect this updated policy?

A4: Yes. HUD has updated its Optional DOB Analysis Worksheet ([fillable PDF](#) and [Word](#)) and its [Guidance on the 2019 Duplication of Benefits Notice](#) to reflect this revised policy.