




Office of
Native American
Programs
Office of Public & Indian Housing

INTERMEDIATE FINANCIAL MANAGEMENT AND AUDIT PREPARATION

1

Section 1:





INTRODUCTIONS, NAHASDA & UNIFORM GUIDANCE OVERVIEW



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Approach

- Agenda
- Exercises
- Pop-ups
- Q & A – use chat box
- Breaks
- Resources:
 - PowerPoint presentation
 - Handout materials
 - Website links



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REVIEW AGENDA





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- Highlight best practices.
- The administration of the IHBG and compliance with NAHASDA statutes, regulation, and 2 CFR Part 200.
- Governmental GAAP accounting for your IHBG programs.
- How to use IHBG to meet NAHASDA objectives.
- Self-monitoring and reporting requirements.
- Understanding the Single Audit process and the recipient's responsibilities as outlined in 2 CFR Part 200, Subpart F – Audit Requirements.

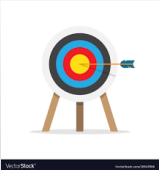
Training Purpose








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Course Objectives






- Provide an overview of the NAHASDA requirements for a sound financial management system.
- Review accounting, financial reports and the requirements of GAAP in a proprietary and governmental fund accounting environment.
- Review financial transactions and accounting applications relevant to the NAHASDA program.
- Provide tools to enable participants to assess their existing financial management system.
- Prepare for a single audit.

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A quick overview of:




- 1. NAHASDA – Native American Indian Housing and Self-Determination Act**
https://www.hud.gov/sites/documents/DOC_8141.PDF
- 2. 24 CFR Part 1000 - NAHASDA Regulations**
https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr1000_main_02.tpl
- 1. 2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards**
<https://www.ecfr.gov/cgi-bin/text-idx?node=pt2.1.200&rgn=div5>

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**NAHASDA
Key Points**




- Signed into law October 1996.
- Provides a block grant to tribes to be used for eligible **affordable housing activities** as outlined in NAHASDA statute.
- Tribe identifies **affordable housing activities** in an annual "Indian Housing Plan" that is submitted to HUD for review and approval.
- Tribes can designate an Indian Housing Authority as their **Tribally Designated Housing Entity (TDHE)**
- Defines TDHE as the existing IHA which was established "for the purposes of the U.S. Housing Act of 1937...(and)...is acting...as the Indian Housing Authority for the tribe...(and) is not an Indian Tribe."

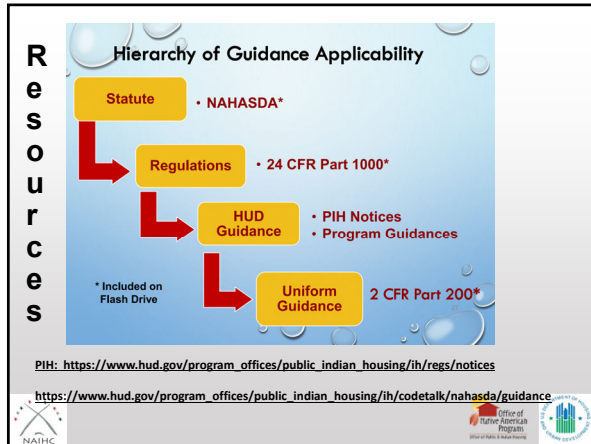
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**NAHASDA
Key Points –
Cont'd**

- **Distributes the grant through an allocation formula developed under negotiated rule making.**
https://www.hud.gov/program_offices/public_indian_housing/i/h/codetalk/onap/i/hbgformula
- **Authorizes a federal loan guarantee program (Title VI).**
- **Expands affordable housing opportunities.**
- **Requires HUD to monitor for non-compliance and to take steps when compliance does not occur.**

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Administrative Requirements For NAHASDA

§1000.26 What are the administrative requirements under NAHASDA?

§1000.26(a) Except as addressed in §1000.28, recipients shall comply with the requirements and standards of 2 CFR part 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”...

https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr1000_main_02.tpl

Logos: NAHHC, Office of Native American Programs, HUD, U.S. Department of Housing and Urban Development

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Uniform Guidance: What is it?

Code of Federal Regulations: 2 CFR Part 200

Title 2: Grants and Agreements

PART 200— “UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS”

- Now commonly referred to as the “Uniform Guidance” for Federal Awards (2 CFR Part 200).
- Replaces, consolidates and streamlines eight Federal regulations into a single guide
- Applies to all Federal grants and to certain other types of Federal awards

<https://www.ecfr.gov/cgi-bin/text-idx?node=pt2.1.200&rgn=div5>




Logos: NAHHC, Office of Native American Programs, HUD, U.S. Department of Housing and Urban Development, FEDERAL REGISTER

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**2 CFR PART 200
Uniform Guidance**

- Subpart A – Acronyms & Definitions
- Subpart B – General Provisions
- Subpart C – Pre-Federal Award Requirements and Contents of Federal Award
- **Subpart D – Post Federal Award Requirements**
- **Subpart E – Cost Principles**
- **Subpart F – Audit Requirements**

<https://www.ecfr.gov/cgi-bin/text-idx?node=pt2.1.200&rgn=div5>

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REFERENCES FOR THE NAHASDA PROGRAM




NAHASDA STATUTE
• https://www.hud.gov/sites/documents/DOC_8141.PDF

NAHASDA REGULATION
• https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr1000_main_02.tpl

UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARD
• <https://www.ecfr.gov/cgi-bin/text-idx?node=pt2.1.200&rgn=div5>

PIH NOTICES
• https://www.hud.gov/program_offices/public_indian_housing/ih/regs/notices




PROGRAM GUIDANCES
• https://www.hud.gov/program_offices/public_indian_housing/ih/codetalk/nahasda/guidance

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Section 2:



Financial Management System Standards

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Overview of Financial Management System

1. As a recipient of IHBG funds, you must show:
 - You have effective control and accountability for the IHBG funds.
 - You are in compliance with the NAHASDA statute, NAHASDA regulations, including the Uniform Guidance, and the terms and conditions of the IHBG grant.
 - IHBG funds are being used efficiently for the purposes of the grant.
2. Your financial management system must be sufficient to:
 - Permit the preparation of reports required by general and program-specific terms and conditions; and
 - The tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.






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Overview of Financial Management System

- One size does not fit all – tailor to staffing and organizational structure.
- Refer to NAHASDA §1000.26 Administrative Requirements for NAHASDA specific requirements!
- Refer to 2 CFR Part 200 Post Federal Award §200.300-309 for financial management system standards.



<https://portal.hud.gov/hudportal/documents/huddoc?id=5275-F-13nahasdafinalrule.pdf>

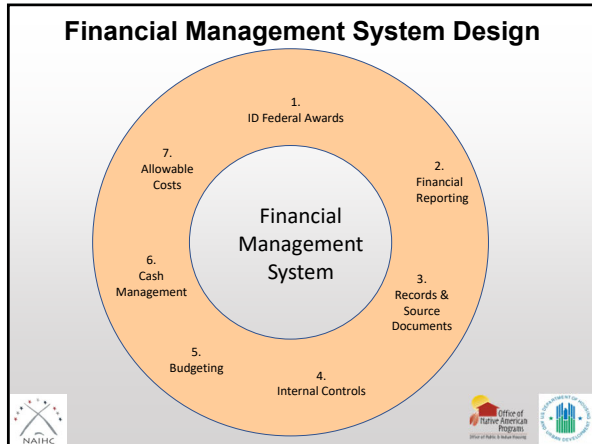
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Financial Management System Elements §200.302(b)

- 1) Identification of Federal Awards: § 200.302(b)(1)
- 2) Financial Reporting: §200.302(b)(2)
- 3) Accounting Records: §200.302(b)(3)
- 4) Internal Controls: §200.302(b)(4) & §200.303
- 5) Budgeting: §200.302(b)(5)
- 6) Cash Management: §200.302(b)(6) & §200.305 Payments
- 7) Allowable Costs: §200.302(b)(7) and Subpart E – Cost Principles

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§200.302(b)(1) - FMS: Identification of Federal Awards

Maintain record of all federal awards received and expended.

For Example:
NAHASDA
AWARD

Federal Agency	Department of Housing and Urban Development, Office of Native American Programs (HUD/ONAP)
Federal Program	Native American Housing Assistance and Self Determination Act (NAHASDA)
CFDA Title	Indian Housing Block Grant (IHBG)
CFDA Number	14.867
Award Number	55-IH-02-0123-0
Award Year	FY2020

Document and store information in your accounting system.
New to IHBG Program? Visit HUD ONAP at <http://portal.hud.gov>

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§200.302(b)(2) – FMS: Financial Reporting

Must maintain accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with reporting requirements in:

- **§200.327:** Must use standard OMB approved reports.
 - NAHASDA Program:
 - SF-425
 - IHP/APR Report
- **§200.328(a) & (e):** Must perform self-monitoring processes to assure compliance with the federal grant and awarding agency may make site visits.
 - NAHASDA Program:
 - Required self-monitoring, at least annually
 - HUD onsite monitoring



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Consider this.....

In reviewing your accounting system:

- Are you able to produce financial reports that are understandable, reliable, relevant, timely, consistent, and comparable?
- Are you able to produce reports in a variety of formats to verify expenses are applied to programs correctly and you can report grant activities to granting agencies?
- Are you able to easily produce financial reports that allow you to report IHP activities in the APR using your accounting system?
- Can you produce timely and accurate financial reports for internal users such as program managers, Board of Commissioners or Tribal Council?

Financial Reporting: §200.302(b)(2) and §200.327






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§200.302(b)(3) – FMS: Accounting Records

Must provide records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.



REVIEW YOUR ACCOUNTING SYSTEM'S CHART OF ACCOUNTS CAPABILITY – CAN IT PROPERLY PROVIDE FINANCIAL INFORMATION FOR TRIBE/TDHE'S ACTIVITIES?

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Consider this.....

- Are you using any of these documents to support payments, cash received, or adjusting entries in the general ledger?
 - Receipts, invoice, credit card statements, purchase order, journal entry, prior approval, packing slip, contract, electronic funds transfer, expense report, copies of checks received, mileage support, time sheets, travel expense report.
- The documentation should be able to provide enough information to make a determination on the following:
 - Is the disbursement necessary, reasonable, properly recorded, reviewed and approved?
 - Has it been allocated correctly?
 - Has it been appropriately classified?
 - Was this procured appropriately?
 - Have all the grant requirements been met?
 - Is there adequate source documentation?






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Tracking IHBG Using your Accounting System

Chart of Accounts: Organizational tool

- List of all general ledger accounts
- Serves as recordkeeping system
- Helps you make informed decisions
- Initial setup of accounting system should be able to reflect what financial information you want to collect and report



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Tracking IHBG Using your Accounting System

EXAMPLE 1: QUICKBOOKS ACCOUNTING SYSTEM

Tracks Grants & Activities → using Class and Subclass

- Design COA to organize grants and "programs" or "activities" of each grant.
- "Class" feature of Quickbooks - useful to organize and track revenues and expenditures by grant, as a management and reporting tool, and aids with financial reporting.
- USE CLASS TO TRACK GRANTS**
 - Class 600 – NAHASDA (IHBG)
 - Class 660 – Indian Community Development Block Grant (ICDBG)
 - Class 500 – Bureau of Indian Affairs Contract Funds (BIA TPA)
 - Class 700 – Indian Reservations Roads (IRR)
 - Class 800 – ABC Foundation Grant






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Tracking IHBG Using your Accounting System

SUB-CLASS EXAMPLES – TO TRACK IHP ACTIVITIES

- Sub-Class 50 – Planning and Administration
- Sub-Class 100 – 1937 Housing Act-Low Rent
- Sub-Class 150 – Mutual Help Program
- Sub-Class 200 – Development
- Sub-Class 250 – Modernization/Rehab
- Sub-Class 300 – Housing Services
- Sub-Class 350 – TBRA
- Sub-Class 400 – Title VI






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Tracking IHBG Using your Accounting System

EXAMPLE 2: ACCUFUND ACCOUNTING SYSTEM



XX	XX	XXXXXX	XX	XXX	XX
FUND	FUNCTION	OBJECT	LOCATION	GRANT	IHP ACTIVITY
01 General Fund	10 Operations	1XXXX Assets	20 Reservation	300 IHBG	2020-1
02 Program Loan	11 Housing Services	2XXXX Liabilities	21 Downtown	301 CDBG	2020-2
03 Market Rent Hsg	12 Housing Mgt Svcs	3XXXX Equity	22 Town A	IHBG CARES	2020-3
04 Home Rehab Prog	13 Downpayment Asst	4XXXX Revenues	23 Town B		
05 GFAG		5XXXX Expenses			

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SAMPLE – ACCOUNTS

Trial Balance March 31, 20XX		
Description	Debits	Credits
01-00 111100 00 000 000 General Account	740,533.01	0.00
01-00 112200 00 000 000 Tenant Receivable	35,623.51	0.00
01-00 112210 00 000 000 Allowance for Doubtful Accts	0.00	46,193.48
01-00 112300 00 000 000 Mutual Help Homebuyers	60,251.45	0.00
01-00 112310 00 000 000 Allowance for Doubtful Accts	0.00	57,424.87
01-00 116100 00 000 000 GF Investment	3,532,058.07	0.00
01-10 432000 11 055 000 Electricity AB	8,548.64	0.00
01-10 432000 17 055 000 Electricity CD	2,112.71	0.00
01-10 432000 18 055 000 Electricity EF	2,151.75	0.00
Total	66,617,267.65	66,617,267.65






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§200.302(b)(4) - FMS: Internal Controls

The objectives of internal control is to promote [§200.61]:

- Effectiveness and efficiency of operations;
- Reliability of reporting for internal and external use; and
- Compliance with applicable laws and regulations.






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Internal Controls – What is it?

A **process** that includes policies and procedures designed to:

- Control risks to an organization.
- Provide reasonable assurance that the Recipient’s objectives are achieved related to operations, reporting, and compliance.
- Detect and prevent fraud and protect the organization’s assets.
- Provide consistency and compliance for operations and operating systems that all employees to follow, e.g. purchasing.






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Internal Controls

Two types of internal controls:

- **Preventative.** Have controls (policies and procedures) in place to prevent undesirable activities from happening.
- **Detective.** Identifies problems after they have occurred.
- Need both for added protection.

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Preventative Controls

Establish written Policies and Procedures to ensure Preventative Controls are incorporated, such as:

- Segregation or division of duties
- Proper authorization of transactions
- Adequate documentation and retention of records
- Supervision or monitoring operations
- Management reviews

Incorporate preventative controls such as prohibiting the same person from conducting related transactions:

- Initiating and recording transactions;
- Receiving cash payments, recording, and handing cash deposit.
- Making purchases and approving payments;
- Receiving and processing invoices and approving payments; and authorizing returns and issuing refunds.
- Payroll preparation and distribution duties and approving, writing and signing checks should also be done by different people.






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Detective Controls

Incorporate in written Policies and Procedures for Detective controls by conducting activities such as:

- Annual Audits
- Monthly reconciliation of bank accounts,
- Surprise reconciliation of petty cash accounts
- Self-monitoring
- Conducting physical inventory






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The Accounting Flowchart

Review the Accounting flowchart of a typical accounting system to:

- Gain insight on areas of the accounting cycle as an aid in the development of an internal control system through written financial policies and procedures for handling of accounting transactions;
- Ensure internal controls are in place at all levels of the financial transactions and decision making.






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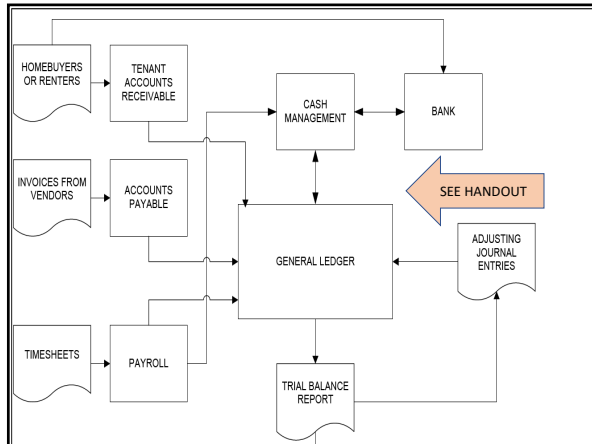
The Accounting Flowchart

Review:

- Subsidiary Ledgers – Accounts Receivable, Accounts Payable, Payroll and cash management.
- General Ledger: Complete record of the Recipient's financial transactions since inception.
- Trial Balance - list of all general ledger accounts at a point in time.
- Journal Entries – Purpose and different types.

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Internal Controls – Recipient Responsibility

- a. Establish and maintain effective internal controls over the IHBG funds.
- b. Evaluate and monitor for compliance.
- c. Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
- d. Safeguard protected personally identifiable.
- e. Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards

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Internal Controls – Recipient Responsibility

Internal controls **SHOULD** comply with:

“Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States

Or

the “Internal Control Integrated Framework” issued by the **Committee of Sponsoring Organizations of the Treadway Commission (COSO)**, generally referred to as the **COSO Framework**.

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Components of Internal Controls - The COSO Framework

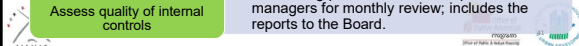
1. Control Environment – tone at the top
2. Risk Assessment – assess external and internal risks
3. Control Activities – policies and procedures
4. Information and Communication – communication plan to share information
5. Monitoring – assess ongoing quality of internal control systems over time



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Example: Applying COSO Framework -Determine Adequacy Of Internal Controls Over Activities For Allowable And Unallowable Costs

Control Environment Tone at the top – provides discipline and structure	• Management sets reasonable budgets; identifies allowable expenditures. Board or Council approves.
Risk Assessment Identify and how to manage risk	• Managers and staff are required to use the written policies and procedures as guidance to identify allowable or unallowable costs.
Information and Communication System	• Department managers compare monthly budget and actual expenditures to review for accuracy and initiate corrections, if needed.
Control Activities Ensures management directives are carried out	• Managers follow established written procedures for authorization and approval of purchases based on approved budget, prior to purchase.
Monitoring Assess quality of internal controls	• Accounting provides financial reports to managers for monthly review; includes the reports to the Board.

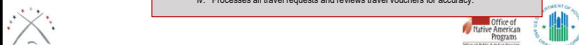


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Designing Internal Controls


There is not a "one size fits all" for designing a good system of internal controls because no two organizations are the same.

- a. **President**
 - i. Reviews and approves all grant expense reports;
 - ii. Approves and reviews all Grant applications; and
 - iii. Signs checks for all transactions over a certain limit.
- b. **Tribal Administrator**
 - i. Reviews final bank reconciliations;
 - ii. Second signer on all checks;
 - iii. Reviews and approves payroll before final processing;
 - iv. Approves payment of all payroll liabilities;
 - v. Reviews and approves accounts payable before checks are out;
 - vi. Reviews and approves all financial reports;
 - vii. Approves all journal entries (or JE's over a certain dollar amount);
 - viii. Approves all credit card payments; and
 - ix. Reviews and approves bank deposits and bank reconciliations.
- c. **Bookkeeper**
 - i. Processes payroll and payroll liabilities;
 - ii. Processes accounts payable and prepares checks;
 - iii. Reconciles general ledger monthly;
 - iv. Reconciles bank accounts;
 - v. Prepares grant expense reports; and
 - vi. Reconciles credit card payments.
- d. **Office Assistance/ Receptionist**
 - i. Opens all mail;
 - ii. Prepares cash receipts log and invoice log;
 - iii. Mails checks for payment; and
 - iv. Processes all travel requests and reviews travel vouchers for accuracy.



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EXERCISE





Work in groups

• **Review: Internal Control Assessments**

Exercise: Tribe/TDHE has applied to its bank for a company credit card to issue to employees. Assess adequacy of internal controls over Tribe/TDHE's credit card using the five components of COSO:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring






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WRITTEN PROCEDURES
§200.302(b)(6) and §200.302(b)(7)

WRITTEN PROCEDURES – IT IS A REQUIREMENT!
For Payments and Allowability of Costs

- Written procedures should facilitate, not hinder what needs to be done.
- Follow the procedures, otherwise the procedures do not matter (and there will be a non-compliance finding).
- Don't overly complicate the procedures – keep it simple but reliable.
- Revisit your written procedures periodically to ensure it aligns with what you actually do.

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§200.302(b)(6) – FMS: Written Payment Procedures

§200.302(b)(6) ➡ Must have written procedures to implement the requirements of. §200.305 Payment

PER IHBG Program Specific Requirement at §1000.26(a)(3):

Section 200.305, "payment," applies, except that HUD shall not require a recipient to expend retained program income before drawing down or expending IHBG funds.

Refer to PIH Notice 2019-07, with attachments a-d for Program Income






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§200.305(b) Payments

Payments Methods applicable to the NAHASDA Program:

1. Draws from eLOCCS:
 - Advance Method
 - Reimbursement Method
2. Draws from approved invested IHBG funds

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§ 200.305(b)(1&2) Payments

ADVANCE PAYMENTS:

- The Tribe/TDHE must have written procedures that minimize the time between the transfer of funds and disbursement, and
- Must have a financial management system that meets 200.302(b).
- Limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash needed.

- Timing and amount must be **as close as is administratively feasible to the actual disbursements. [3 working days]**

Refer to
PIH 97-
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§200.305(b)(7) Payments

Standards governing the use of banks and other institutions as depositories:

- **awarding agency must not require separate depository accounts or establish eligibility requirements for depositories**
 - however, the non-federal entity must be able to account for the receipt, obligation and expenditure of funds
- **advance payments must be placed in insured accounts, whenever possible**

REFER TO PIH NOTICE 2019-16 & PIH 2014-21 with attachments







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§200.305(b) Payments


Adopt **written procedures** on payments and include:

- relevant provisions of 200.305(b) payments.
- incorporate timing of advance payments from eLoccs to actual disbursement of the funds to within three days.
- remember that the use of program income first does not apply with NAHASDA.
- if you are a pass-through entity, assess the financial management standards you require of subrecipients to ensure you do not require them to establish separate depository accounts when they have sufficient accounting systems to account for the receipt, obligation and expenditure of funds.

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EXERCISE

 Breakout

1. Review "Sample written Procedures for Payment".
2. Questions:

You drew a large amount of IHBG funds from eLOCcs to pay the building contractor. However, after you had drawn the funds from eLOCcs, you found out that the contractor had not completed the work. You demanded they complete the job before being paid. 10 days later, the contractor finished the work to your satisfaction, you paid them, even though you did not disburse the funds within the 3 working days timeframe.



 1. Were you out of compliance with HUD's "disburse IHBG funds within 3 working days rule" since it was not your fault, but the contractor's fault? YES or NO?
 2. If the response is YES,
 - a. Explain steps you would take in the future so that this does not re-occur.
 - b. What do you do with the funds you have drawn to avoid being out of compliance?
 3. If the answer is NO, explain.

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Written Procedures For Allowability Of Costs (§200.302(b)(7))

- Uniform Guidance requires Recipients of Federal awards to have **documented policies and procedures**
- Required to have written procedures to **determine the allowability of costs**
- Procedures must be consistent with typical costs that are normally incurred and allowable under the IHBG funds.

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Regulations governing IHBG Allowable Costs

LET'S REVIEW!

- NAHASDA regulations at §1000.26(a) and (b)(1) and (2).
- Uniform Guidance Subpart E-Cost Principles §200.302(7): Written procedures for determining the allowability of costs.
- Uniform Guidance at Subpart E-Cost Principles (§200.400-475) and conditions of the Federal award (NAHASDA Program).

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Cost Principles §200.402 Composition Of Cost

TOTAL COSTS IS THE SUM OF

ALLOWABLE DIRECT COSTS + ALLOCABLE INDIRECT COSTS - APPLICABLE CREDITS

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Uniform Guidance Requirement

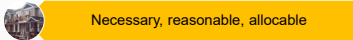
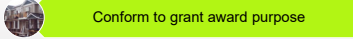
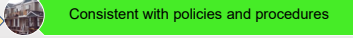
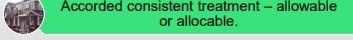
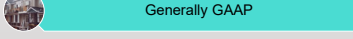
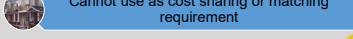
Guidelines for allowability of costs

§200.403(a)	Costs are necessary and reasonable for efficient operation of grant award;
§200.404	Costs are reasonable using "prudent person" rule;
§200.412	Classification of Cost: no universal rule for classifying costs as direct or indirect Facilities and Administration (F&A);
§200.403(d)	Requirement to treat like costs consistently in like circumstances (costs incurred for like purposes required to be applied consistently as either direct or indirect).

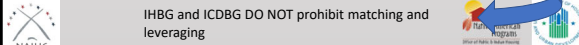
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Factors Affecting Allowability Of Costs (§200.403)

Costs are chargeable if...

- 
- 
- 
- 
- 
- 

IHBG and ICDBG DO NOT prohibit matching and leveraging



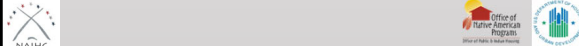
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Allocating Costs

Allocable costs are costs that benefit more than one Federal award cost objective or activity:

Develop an allocation schedule to allocate costs based on the proportional benefit received.

- May set up more than one cost allocation for different types of costs.
- Allocation method is reasonable and rational to equitably distribute costs to programs and cost objectives.
- Consider benefits received!
- Use accounting system for cost allocation.





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Allocable Costs

Examples:

- Costs for IT services allocated based on the number of desk to computers
- Telephone charges allocated based on number of employees in each Program
- Allocate operational cost of office building based on square footage

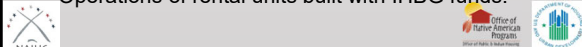
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Direct Costs (§ 200.413)

Costs that can be identified specifically with the federal award cost objective and can be directly assigned to grant activities. (IHBG purpose)

IHBG examples:


- Compensation for employees who work on IHP activities.
- Cost of materials and supplies for the housing maintenance program.
- Insurance for properties built with IHBG funds.
- Administration of IHBG funds and programs.
- Operations of rental units built with IHBG funds.



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Indirect (F&A) Costs §200.414

- Those costs incurred for a common or joint purpose benefiting more than one cost objective and are not easily readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved.
- No universal rule for classifying costs as direct or indirect – depends on the organization
- To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to:
 1. Allocate indirect costs using an allocation table.




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Indirect (F&A) Costs (§200.414)

A Tribe may negotiate an IDCRC with the Department of the Interior [§200.414(e)(5)]

- a. Negotiated rates must be accepted by all Federal awarding agencies except when Federal Statute or regulation overrides it.
- b. If a Tribe has never had an IDCRC, may elect to charge a 10% de minimis rate of 10% of MTDC, which may be used indefinitely until the Tribe negotiates an approved rate with an agency.
- c. A Tribe that has a current federally negotiated IDCRC may apply for a one-time extension of the rate for a period of up to 4 years. At the end of the 4 year period, must re-apply or negotiate a rate.

Refer to 2 CFR Part 200 Section D.1 of Appendix VII: Application process for States and Local Governments and Indian Tribe Indirect Cost Proposals




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**Applicable Credits
(§ 200.406)**

- Receipts or reduction of expense transactions
- Applicable credits must offset or reduce expenses allocable to the federal award

Examples:

- Purchase Discounts
- Rebates or Allowances
- Recoveries or indemnities on losses
- Insurance refunds and rebates
- Adjustments of overpayments or erroneous charges
- **IMPORTANT: Credits are NOT PROGRAM INCOME!**



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NAHASDA Treatment Of Certain Costs

- COSTS THAT REQUIRE HUD PRIOR APPROVAL:**
 - Depreciation method other than Straight Line
 - Cost of Housing
- UNALLOWABLE COSTS:**
 - Penalties, damages, fines and other settlements
- CONSULTANT SERVICES:**
 - In an employer-employee relationship – Must be reasonable & cannot exceed the equivalent daily rate for Level IV of the Executive Schedule.


Refer to 1000.26(b)(1) and (2)



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EXERCISE

- SEC 2 - Selected Items of Cost for the NAHASDA Program
- SEC 2 - Review written procedures on cost allowability



63

Section 3: IHP Budget and Accounting


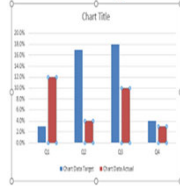




64

§200.302(b)(5) - Budgeting

Your FMS should provide comparison of expenditures with budget amounts for each Federal award.


PLANNING AND ADMINISTRATION REVENUE AND EXPENSES JULY 31, 202X						
Account No. and Description	Period to Date Actual	Year to Date Actual	Annual Budget	% Used	Budget Variance	
4610 50 IHBG Investment Interest	8,897.00	27,972.63	100,000.0	27.97%	72,027.37	
4900 50 IHBG Planning & Admin	47,365.26	9	534,410.0	27.54%	387,258.61	
Total Revenue	56,262.26	2	634,410.0	27.60%	459,285.98	
5110 50 Administrative Salaries	29,770.42	81,597.95	319,531.0	25.54%	237,933.05	
5111 50 Fringe Benefits	9,898.50	28,191.05	121,422.0	23.22%	93,230.95	





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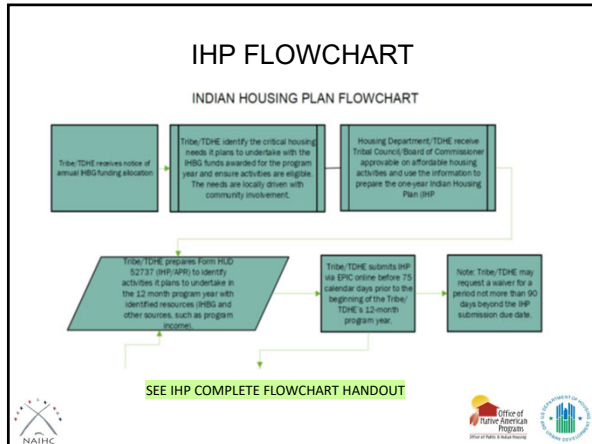
Why Is Budgeting Important?



- Financial and Management Tool
- Realistic estimate of sources of funds to perform and achieve Recipient's goals and objectives
- Monitoring tool - measures Recipient's performance
- Budget should be realistic, consistent, flexible, and measurable.
 - Budgets help set targets
 - Strategy requires funding
 - Identify Tribal priorities
 - Control and Accountability
- Required by Uniform Guidance §200.302(b)(5): The Financial Management System must provide for comparison of expenditures with budget amounts for each Federal award.

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CHANGES DUE TO COVID-19

- Review PIH 2020-13 Attachment for IHBG CARES grant
- IHBG CARES – Implementation Training:
 - https://www.hud.gov/sites/dfiles/PIH/documents/IHBG_CARES_RECIPIENT_TRAINING_4.27.2020%20v3.pdf
- Effective Date: When Tribe/TDHE began preparing for COVID-19.
- Abbreviated IHP submission deadline: none
- Period of Performance: 5 years
- Limited use of IHBG CARES funds to these activities:
 - Prepare
 - Prevent
 - Respond

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Budget Process






- Start early and engage everyone!
- Identify strategic priorities
 - Consider short and long term strategic goals and objectives.
 - What are the needs of Tribal members and how many families can be served?
 - What is the housing inventory in the community?
 - Are they eligible activities?
- Identify all sources of funds.
 - What sources of funds are available or will be needed to achieve the program goals for the coming program year?

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Build The Budget

- Develop a sources and uses budget for each of the activities.
- Identify DIRECT COSTS and ALLOCABLE INDIRECT COSTS.
- Create an allocation table(s) for Allocable Costs.
 - For example: Create staff allocation table to allocate staff compensation expenses and fringe benefits.
 - Document support workpapers for allocation models
- Remember budget limits for Planning and Administrative Costs







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Budget Process





- What is the plan for the coming program year?
 - Develop cost allocation models for costs that benefit more than one program.
 - Staff capacity - can the work be accomplished with current staff levels?
 - Operating versus Capital Development
- Administrative costs of activities?
- Ensure all activities are eligible activities of the IHBG and include in your IHP

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Budget Section IHP

- **Purpose:** Describe recipient's sources & uses of funds
- **Statutory/Regulatory Sections:** § 102(b)(2)(C)
- **Key Contents:**
 - Funds on hand at beginning of year
 - Funds received during year
 - Funds expended during year
 - Carry over
- Recipient programs that are fully or partially funded by IHBG, IHBG program income, Title VI funds, Title VI program income, or 1937 Housing Act funds must be included in the IHP.
- **Per §200.327:** Must use standard OMB approved reports. Form HUD 52737.





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Indian Housing Plan –outlines the program activities SPECIFIC to the IHBG. Includes all the budget elements:

- Identify housing need.
 - Single family housing, senior housing, homebuyer assistance, etc.
- Identify sources of funds.
 - IHBG and other funds that are combined with IHBG funds.
 - Program Income
- Identify uses of funds.
 - Eligible activities – NAHASDA Sec 2020.
 - Required IHBG activity – Maintain and operate 1937 Housing Act
- Ensure Capacity to carry out the activities and build into the budget if needed.
- Management oversight of budget to actual expenses, including amendments to the budget, as necessary.
- Financial Reporting and Performance.
 - Ensure accuracy of financial statements and report IHBG expenses for eligible activities
 - Ensure accuracy of IHBG funds drawn from eLOCCs or Investments and expenses.
 - Were the intended outcomes (number of single-family units built) completed?

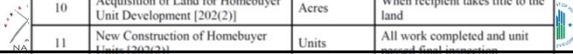
NOTE: Remember that the IHBG is only one funding source. The Tribe/TDHE will have other activities carried out throughout the year, therefore, Tribe/TDHE should have an annual budget that presents all activities for the program year, which includes IHBG.



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Eligible Activity Number	Activity Title	Output Measure	Output Completion
1	Modernization of 1937 Act Housing [202(1)]	Units	All work completed and unit passed final inspection
2	Operation of 1937 Act Housing [202(1)]	Units	Number of units in inventory at Program Year End (PYE)
3	Acquisition of Rental Housing [202(2)]	Units	When recipient takes title to the unit
4	Construction of Rental Housing [202(2)]	Units	All work completed and unit passed final inspection
5	Rehabilitation of [202(2)]	Units	All work completed and unit passed final inspection
6	Acquisition of Land for Housing Development [202(2)]	Acres	When recipient takes title to the land
7	Development of Emergency Shelters [202(2)]	Households	Number of households served at any one time, based on capacity of the shelter
8	Conversion of Other Structures to Affordable Housing [202(2)]	Units	All work completed and unit passed final inspection
9	Other Rental Housing Development [202(2)]	Units	All work completed and unit passed final inspection
10	Acquisition of Land for Homebuyer Unit Development [202(2)]	Acres	When recipient takes title to the land
11	New Construction of Homebuyer Units [202(2)]	Units	All work completed and unit passed final inspection

Refer to Program Guidance 2018-02a



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HUD-52737 SECTION 3 PROGRAM DESCRIPTIONS


ELIGIBLE ACTIVITIES

Review **PROGRAM GUIDANCE 2018-02a Eligible Activities Table**

Remember: Self-Determination Program has expired!!

Activity Title	Output Measure	Output Completion
Acquisition	Units	When recipient takes title to the unit
Construction	Units	All work completed and unit passed final inspection
Rehabilitation	Units	All work completed and unit passed final inspection
Infrastructure	Acres	When recipient takes title to the land (report in Uses of Funding table only)

X



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IHP BUDGET

SECTION 5: BUDGETS

(1) **Planned Grant-Based Budget for Eligible Programs** (In the table below show how you plan to spend the total amount of the Fiscal Year's formula allocation using either the estimated allocation amount or the final formula allocation. This table should include only activities planned to be implemented with IHBG funds only. Do not include program income or funding from any other source.)

Eligible Activity	Planned IHBG Budget
(1) Indian Housing Assistance	\$ 61,866
(2) Development/Rehabilitation	\$ 399,448
(3) Housing Services	\$ 19,250
(4) Housing Management Services	\$ 0
(5) Crime Prevention and Safety Activities	\$
(6) Model Activities	\$
(7) Planning and Administration	\$ 110,000
TOTAL	\$ 590,564



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(2) **Estimated Sources of Funding** (NAHASDA § 102(b)(2)(C)(i)) Complete the non-shaded portions of the chart below to describe your estimated or anticipated sources of funding for the 12-month program year. **APR Actual Sources of Funding** - Please complete the shaded portions of the chart below to describe your actual funds received. Only report on funds actually received and under a grant agreement or other binding commitment during the 12-month program year.

SOURCE	IHP					APR					
	(A) Estimated amount on hand at beginning of program year	(B) Estimated amount to be received during 12-month program year	(C) Estimated total sources of funds (A + B)	(D) Estimated funds expended during 12-month program year	(E) Estimated funds remaining at end of program year (C - D)	(F) Actual amount on hand at beginning of program year	(G) Actual amount received during 12-month program year	(H) Actual total sources of funding (F + G)	(I) Actual funds expended during 12-month program year	(J) Actual funds remaining at end of 12-month program year (H - I)	(K) Actual unexpended funds obligated but not expended at end of 12-month program year (J)
1. IHBG Funds	100,000	625,000	625,000	590,564	34,436						
2. IHBG Program Income	0	34,420	34,420	34,420	0						
3. Title VI	0	315,000	315,000	315,000	0						
4. Title VI Program Income	0	0	0	0	0						
5. 1037 Act (Operating Reserves)											
6. Carry Over 1037 Act Funds											
LEVERAGED FUNDS											
7. ICDBG Funds											
8. Other Federal Funds											
9. LIHTC											
10. Non-Federal Funds											
TOTAL	100,000	874,420	974,420	939,984	34,436	100,000	1,077,380	1,177,380	1,023,000	54,376	

MULTIPLE SOURCES OF FUNDS

Notes:
a. For the IHP, fill in columns A, B, C, D, and E (non-shaded columns). For the APR, fill in columns F, G, H, I, J, and K (shaded columns).
b. Total of Column D should match the total of Column N from the Uses Table on the following page.
c. Total of Column I should match the Total of Column Q from the Uses Table on the following page.
d. For the IHP, describe any estimated leverage in Line 4 below (Estimated Sources or Uses of Funding). For the APR, describe actual leverage in Line 5 below (APR).



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ABBREVIATED IHP CARES

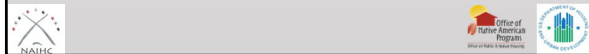
SECTION 5: BUDGETS NAHASDA § 102(b)(2)(C)(i)

(2) **Estimated Sources of Funding** (NAHASDA § 102(b)(2)(C)(i)) Complete the non-shaded portions of the chart below to describe your estimated or anticipated sources of funding for the 12-month program year. **APR Actual Sources of Funding** - Please complete the shaded portions of the chart below to describe your actual funds received. Only report on funds actually received and under a grant agreement or other binding commitment during the 12-month program year.

ONE SOURCE OF FUNDS: IHBG CARES FUNDS

SOURCE	IHP					APR					
	(A) Estimated amount on hand at beginning of program year	(B) Estimated amount to be received during 12-month program year	(C) Estimated total sources of funds (A + B)	(D) Estimated funds expended during 12-month program year	(E) Estimated funds remaining at end of program year (C - D)	(F) Actual amount on hand at beginning of program year	(G) Actual amount received during 12-month program year	(H) Actual total sources of funding (F + G)	(I) Actual funds expended during 12-month program year	(J) Actual funds remaining at end of 12-month program year (H - I)	(K) Actual unexpended funds obligated but not expended at end of 12-month program year (J)
One Source Fund											

SOURCE: IHBG_CARES_RECIPIENT_TRAINING_4.27.2020 v3.pdf



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	NAHASDA		Housing	Moderna	MH	NAHASDA		Total
	1937 Act	Dev	Services	son	Program	Title VI	Admin	NAHASDA
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Income								
4000 - Rental Income	8,400		23,100		7,000			38,500
4010 - Administrative Exp - MH					4,320			4,320
4300 - Federal Grants	40,173	250,000	14,250	51,448	21,693	98,000	110,000	590,564
4500 - Proceeds from Debt		315,000						315,000
48901 - Interest Income								0
Total Income	48,573	565,000	37,350	51,448	33,013	98,000	110,000	948,384
Expense								
5000 - Salaries & Wages-Tribe Paid	11,960	86,200	22,500	43,600	11,960		65,000	241,220
5005 - Benefits	2,153	15,516	4,050	7,848	2,153		11,700	43,420
5130 - Legal								0
5135 - Accounting/Auditing								20,364
5200 - Travel			2,500					5,000
5406 - Utilities - Fuel	8,000				4,000		1,200	13,200
5407 - Utilities - Water/Sewer	6,000				3,000		1,800	10,800
5408 - Utilities - Electri	6,000				6,300		2,233	14,533
5505 - Telephone & Communications	500						4,700	5,200
5550 - Insurance-general liability							3,000	3,000
5600 - Supplies			2,000				4,003	6,003
5605 - Fuel Operations								0
5610 - R&M Buildings	2,500				3,000			6,100
5615 - Groundskeeping/snow removal	3,000				2,000			5,000
5700 - Program Assistance-Emergency							5,000	5,000
5710 - Child Care Assistance								0
5780 - Interest Expense						36,000		36,000
5800 - Capital Assets-Building		454,784						454,784
5800.99 - Contra Exp-Buildings								0
5803 - Land Improvements								0
5803.99 - Contra Exp-Land								0
5804 - Capital Infrastructure								0
5804.99 - Contra Exp-Infrastructure								0
5805 - Capital Assets - Equipment								0
5805.99 - Contra Exp - Equipment								0
5890 - Principal Payments on Loan		8,500				62,000		70,500
5890.99 - Contra Exp-Principal Payments								0
Total Expense	40,173	565,000	37,350	51,448	33,013	98,000	110,000	939,984
Net Income	8,400	0	0	0	0	0	0	8,400

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UPNORTH TRIBAL HOUSING 20XX BUDGET						
	ANTHC Budget	BIA Budget	CCS Budget	ICDBG Budget	IRR Budget	Total NAHASDA Budget
Income						
4000 - Rental Income						38,500
4010 - Administrative Exp						4,320
4300 - Federal Grants	38,500	125,000	20,000	150,000	265,000	590,564
4500 - Proceeds from Debt						315,000
48901 - Interest Income						0
Total Income	38,500	125,000	20,000	150,000	265,000	948,384
Expense						
5000 - Salaries & Wages-Tribe Paid			80,000		145,300	241,220
5005 - Benefits			14,400		26,163	43,420
5130 - Legal			6,000		30,000	36,000
5135 - Accounting/Auditing			4,720	967	10,263	20,364
5200 - Travel			5,500		5,700	5,000
5406 - Utilities - Fuel			1,000	200	800	13,200
5407 - Utilities - Water/Sewer			1,000	200	800	10,800
5408 - Utilities - Electri			1,500	200	800	14,533
5505 - Telephone & Communications			2,500	700	2,800	5,200
5550 - Insurance-general liability			1,500	200	2,600	3,000
5600 - Supplies			2,780	1,533	25,137	6,003
5605 - Fuel Operations			250			0
5610 - R&M Buildings						6,100
5615 - Groundskeeping/snow removal						5,000
5700 - Program Assistance-Emergency			3,850			8,850
5710 - Child Care Assistance				16,000		16,000
5780 - Interest Expense						36,000
5800 - Capital Assets-Building						454,784
5800.99 - Contra Exp-Buildings						0
5803 - Land Improvements					150,000	150,000
5803.99 - Contra Exp-Land						0
5804 - Capital Infrastructure	38,500					38,500
5804.99 - Contra Exp-Infrastructure						0
5805 - Capital Assets - Equipment					15,000	15,000
5805.99 - Contra Exp - Equipment						0
5890 - Principal Payments on Loan						70,500
5890.99 - Contra Exp-Principal Payments						0
Total Expense	38,500	125,000	20,000	150,000	265,000	939,984
Net Income	0	0	0	0	0	8,400

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(3) Uses of Funding (NAHASDA § 102(b)(2)(C)(i)) (Note that the budget should not exceed the total funds on hand and insert as many rows as needed to include all the programs identified in Section 3. Actual expenditures in the APR section are for the 12-month program year)

PROGRAM NAME (See to program names in Section 3 above)	Unique Identifier	(L) Prior and current year IHBC (only funds to be expended in 12- month program year	HP		APR	
			(M) Total all other funds to be expended in 12- month program year	(N) Total funds to be expended in 12- month program year (L + M)	(O) Total IHBC (only) funds expended in 12-month program year	(P) Total all other funds expended in 12- month program year
202X-01 Senior Low Rent (1937 Act Housing)		40,173	0	40,173	27,995	27,995
202X-02 Development (Family Housing)		250,000	315,000	565,000	225,608	540,288
202X-03 Housing Services		14,250	23,100	37,350	11,476	28,276
202X-04 Modernization/ Rehabilitation		51,448	0	51,448	51,332	51,332
202X-05 Mutual Help Program		21,481	11,320	31,011	4,259	10,920
202X-06 Tenant Based Rental Assistance		5,000	0	5,000	1,865	1,865
Planning and Administration		110,000	0	110,000	110,879	110,879
Loan repayment - describe in 8 and 9 below.		98,000	0	98,000	97,188	97,188
TOTAL		590,564	349,420	939,984	530,622	873,002

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Annual Performance Report (APR)

- Reports the actual use of IHP budget activities completed during the 12-month program year .
- Financial data should be presented using the same basis of accounting as the Schedule of Expenditures of Federal Awards (SEFA) in the annual audit.
- Describes recipient's annual accomplishments, performance and progress for the program year.
- Highlights how recipient ensured compliance and financial accountability.
- Reports on Self-Monitoring activities. If the TDHE has an SMMA, must submit with the APR.
- If you exceed your spending cap for Planning and Administration Expense, must provide an explanation.
- Did the program year expenditures exceed single audit threshold? Must indicate on APR if "yes" and an audit in compliance with 2 CFR Part 200 must be conducted and submitted to the Federal Audit Clearinghouse website.






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(3) Uses of Funding (NAHASDA § 102(b)(2)(C)(i)) (Note that the budget should not exceed the total funds on hand and insert as many rows as needed to include all the programs identified in Section 3. Actual expenditures in the APR section are for the 12-month program year.)

PROGRAM NAME (Be to program names in Section 3 above)	IHP		APR			
	(L) Unique identifier	(M) Total IHBG (only) funds expended in 12-month program year	(N) Total IHBG (only) funds expended in 12-month program year	(O) Total of other funds expended in 12-month program year	(P) Total all other funds expended in 12-month program year	(Q) Total funds expended in 12-month program year (O+P)
202X-01 Senior Low Rent (1937 Act Housing)				27,995	0	27,995
202X-02 Development - Family Housing	250,000	315,000	565,000	225,628	314,660	840,288
202X-03 Housing Services	14,250	23,100	37,350	11,476	16,800	28,276
202X-04 Modernization/ Rehabilitation	51,448	0	51,448	51,332	0	51,332
202X-05 Mutual Help Program	21,866	11,326	31,011	4,259	10,920	15,179
202X-06 Tenant Based Rental Assistance	5,000	0	5,000	1,865	0	1,865
Planning and Administration	110,000	0	110,000	110,879	0	110,879
Loan repayment - describe in 4 and 5 below	98,000	0	98,000	97,188	0	97,188
TOTAL	590,564	349,420	939,594	530,622	342,380	873,002

Source document for the APR Totals in Column (O) and (P) is your accounting records.



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IHBG CARES ABBREVIATED APR

(2) Uses of Funding (NAHASDA § 102(b)(2)(C)(ii)) (Note that the budget should not exceed the total funds on hand (Column C) and insert as many rows as needed to include all the programs identified in Section 3. Actual expenditures in the APR section are for the 12-month program year.)

PROGRAM NAME	IHP		APR			
	(L) Prior and current year IHBG (only) funds to be expended in 12-month program year	(M) Total all other funds to be expended in 12-month program year	(N) Total funds to be expended in 12-month program year (L+M)	(O) Total IHBG (only) funds expended in 12-month program year	(P) Total all other funds expended in 12-month program year	(Q) Total funds expended in 12-month program year (O+P)
Program Name						
Planning and Administration						
TOTAL	\$0	\$0	\$0	\$0	\$0	\$0


SOURCE: IHBG_CARES_RECIPIENT_TRAINING_4.27.2020 v3.pdf

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Best Practices

1. Design chart of account to easily track and report all approved activities of the IHP.
2. Provide managers with budget to actual reports monthly to engage them in the review process and to hold them accountable to their budget.
3. Include budget to actual reports as part of the financial statement reports provided to the Tribe/TDHE board.



85


**Section 4:
Basics of Governmental
Accounting**



86

Basics Of Governmental Accounting

Introduction to the governmental accounting environment regulations and standards which establish standards for financial reporting that recipients must follow in the accounting and reporting of the NAHASDA program.



87

Governmental Accounting and Financial Reporting

- Government Accounting Standard Board (GASB) determines accounting principles (governmental GAAP) for state and local (including Tribal) Governments.
- The GASB issued its first Concepts Statement 1 – *Objective of Financial Reporting* (GASB-CS 1) to identify the primary users of the financial statements and their main objectives, highlighting the differences from businesses and similarities to all other governments.

Financial Statement Component	Primary User Groups
Required Supplemental Information (RSI), including Management Discussion and Analysis (MD&A)	<ol style="list-style-type: none"> 1. Citizenry – those to whom government is accountable; 2. Oversight bodies & Legislators who represent the citizens; 3. Financial community - Investors and lenders who participate in the lending process
Government-wide financial statements	Citizenry and legislators
Fund financial Statements	Oversight bodies, legislators and financial community

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Governmental Accounting

Key concepts to understand about governmental accounting:

1. Fund Accounting
2. Basis of Accounting, and
3. Measurement focus of fund accounting

89

Definition of Funds

What is a Fund?

- Each fund is a self-balancing set of accounts.
- It is a fiscal and accounting entity.
- It is a separate entity for accounting and financial reporting – it is not a separate legal entity.
- Used for specific activities or to obtain specific objectives.

A fund is a tool for Governments to demonstrate:


- Control and compliance - for tracking and account for use of funds for public purpose.
- Accountability & Inter-period Equity – sources of revenue are expended only on eligible activities, and current revenues used for current costs.

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Governmental Fund Types

SEC 4-
GOVERNMENTAL
FUND F/S

- **General fund:** Primary fund of the Tribe/TDHE. Only one GF used to account for all financial resources EXCEPT those required to be accounted for in another fund.
- **Special revenue funds:** revenues legally restricted to expenditures for a specific purpose.
- **Capital projects fund:** account for acquisition and construction of capital assets and facilities.
- **Debt service fund:** account for resources for long-term debt principal and interest.




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Major Funds

SEE SEC 4-
GOVERNMENTAL
FUND F/S

Governmental Financial Statement reporting is by Major Fund:

- General Fund is always a Major Fund.
- Major funds are those funds that meet certain criteria (guidance is provided by GASB 34) and are reported in their own columns in the financial statements.
- Non-major funds may also be included as major funds if it is important to the reader of financial statements (and not lumped in with the the non-major funds).
- All non-major funds are aggregated in a single column on the financial statements.
- The non-major funds are reported by fund in the supplemental information to the financial statements.




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Proprietary Funds

SEE SEC 4-
PROPRIETARY
FUND F/S

Enterprise fund (of the Proprietary Fund type) is used:

- To account for operations that are financed and operated in a manner similar to private business enterprises (business like activities)
- The activity is financed with debt that is secured solely by a pledge of the net revenues generated by the activity.
- Law and regulations require that the activity's costs be recovered from fees and charges, rather than taxes or other non-exchange revenue.
- Establish fees that are designed to recover the costs of the activity.
- **Special purpose governments engaged in business type activities (Housing Authorities).**



93

Basis of Accounting - When to Record a Transaction?

Cash vs. Accrual vs. Modified Accrual?
Which method to use?

- Cash Basis of Accounting
- Accrual Basis of Accounting
- Modified Accrual Basis of Accounting


The accounting basis determines **WHEN** transactions will be recorded.

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Cash Basis of Accounting

CASH BASIS – (not GAAP)

- Record revenue when cash is received.
- Record expenses when you make a payment.
- Check book register is an example of cash basis "bookkeeping" as it records only the cash received and any checks written for payments.



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Exercise: Record on Cash Basis

June 15, 2020: You purchased and charged on credit your company account for \$1,000 worth of supplies at ABC Office Supplies store which you took back to the office.

July 2, 2020: You received the invoice from ABC Office Supplies.

July 15, 2020: You issued a check to ABC Office Supplies for the payment of the supplies.

Under the cash basis, **WHEN** (which date do you use) do you record the transaction as an expenditure?



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Accrual Basis of Accounting

FULL ACCRUAL BASIS OF ACCOUNTING - GAAP
 Matches income and expenses in the same fiscal period, regardless of the timing of the receipt of payment or disbursement of actual cash.

REVENUE: Is recognized when earned and realized or realizable (expect cash will be received in the future).

Example: TDHE invoices tenant for the month's rent on June 1. Rent payment was made on July 12.

Question: 1) What is accounting entry made for June 1?
 2) What is the accounting entry made for July 12?



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Accrual Basis of Accounting

FULL ACCRUAL BASIS OF ACCOUNTING - GAAP
 Matches income and expenses in the same fiscal period, regardless of the timing of the receipt of payment or disbursement of actual cash.

EXPENSE is recognized in the period it is incurred.

Example: Recipient purchases and receives janitorial supplies used for common area cleaning in its rental units on June 15. Tribe/TDHE pays the invoice on July 10.

Questions: 1) What is the accounting entry for June 15?
 2) What is the accounting entry for July 1?




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Modified Accrual Basis Of Accounting

MODIFIED ACCRUAL BASIS - is a combination of cash basis and full accrual basis of accounting. Used in governmental accounting. It measures the current resources available.

- REVENUES** are recognized when they are both:
 - MEASURABLE** (reasonably estimated) and
 - AVAILABLE** (do you have assurance you will collect the funds in the current period or shortly thereafter (usually within 60 days)?)
- EXPENDITURES** are recognized when incurred (treated the same as full accrual basis of accounting, with some exceptions).




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**Modified Accrual Basis Of Accounting
Grant Revenue Recognition**

EXCEPTIONS to revenue recognition under the accrual basis of accounting - when grants are classified as “**Non-Exchange Transactions**”, one of which is:

Government mandated non-exchange transactions:

This occurs when one government (federal) provides resources to a government at another level (tribal) and require the recipient to use the resources for a specific purpose.




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**Modified Accrual Basis Of Accounting
Grant Revenue Recognition**

There are two significant characteristics that identify a government mandated nonexchange transaction:

- First, the government providing the grant mandates that the recipient government must perform a particular activity or program in accordance with the government’s enabling legislation, statutes, and regulations, and provides resources for that purpose.
- Second, there is a fulfillment of certain requirements in order for a transaction to occur.




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Grant Revenue Recognition

The government providing the grant (HUD) mandates Tribe/TDHE to perform a particular activity in accordance with grant requirements, government legislation, statutes, and regulations.

Transaction does not occur until all **eligibility requirements** are met.

- **Eligibility requirement:** Allowable expenditure must occur before revenue is recognized – Most Federal and State grants are **EXPENDITURE DRIVEN**.
- Therefore, IHBG funds received for investment purposes—recorded as “**UNEARNED REVENUE OR REFUNDABLE ADVANCE**”; **NOT AS A GRANT REVENUE**.



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Measurement Focus

WHAT
Transactions To Record?

Government Fund Expenditures focus is on:
Flow of Current Financial Resources

- Costs that result in a decrease in current financial resources (modified accrual).
- Current financial resources are available to pay for current expenses.
- Focuses on matching current resources to current expenditures.
- Balance sheet and operating statements of governmental funds only reflect transactions that involve current financial resources.

Example: In Governmental Funds, capital assets, which benefit current and future periods, but are purchased using current resources are recorded as expenditures, NOT as assets.

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Measurement Focus

What
Transactions To Record?

Proprietary Fund Expenditures focus is on:
Flow of Economic Resources

- Costs that result in a decrease in the economic resources of the fund (full accrual).
- Focus is on the effectiveness of management in using resources.
- Is the proprietary fund economically better off as a result of the events and transactions that occurred in the fiscal reporting period?
- Revenues or gains- improve economic condition of the proprietary fund.
- Expenses and losses – diminish economic condition of the proprietary fund.
- Reflect transactions that utilize current AND future resources.
- *Long term assets and long-term liabilities are reported on the balance sheet*

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Example 1 – Governmental Fund vs Proprietary Fund

Tribe/TDHE purchases a \$350,000 duplex for its rental program.

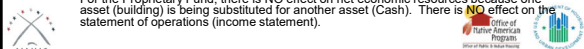
1. Governmental Fund: Tribe/TDHE recognizes that current financial resources have decreased by \$350,000 and will record this entry:

Expenditure – capital projects	\$350,000	
Cash		\$350,000
To record the purchase of a capital asset.		

2. Proprietary Fund:

Building	\$350,000	
Cash		\$350,000
To record the purchase of a building.		

For the Proprietary Fund, there is NO effect on net economic resources because one asset (building) is being substituted for another asset (Cash). There is NO effect on the statement of operations (income statement).



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Example 2 – Governmental Fund vs Proprietary Fund



After 10 years, the Tribe/TDHE sells the \$350,000 duplex with a book value of \$170,000 for \$400,000.

- Governmental Fund: Tribe/TDHE recognizes an increase in its financial resources of \$400,000.

Cash	\$400,000	
Other Financing Sources	\$400,000	
To record the sale of a capital asset.		
- Proprietary Fund:



Cash	\$400,000	
Accumulated Depreciation	\$180,000	
Gain on sale of duplex		\$130,000
Building		\$350,000
To record sale of building		

The Proprietary Fund would reflect the net economic gain of \$130,000.

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GOVERNMENTAL FUNDS		
General	Current Financial Resources	Modified Accrual
Special Revenue	Current Financial Resources	Modified Accrual
Capital Project	Current Financial Resources	Modified Accrual
Debt Service	Current Financial Resources	Modified Accrual
Permanent	Current Financial Resources	Modified Accrual
PROPRIETARY FUNDS		
Enterprise	Economic Resources	Accrual
Internal Service	Economic Resources	Accrual
FIDUCIARY FUNDS		
Pension & OEB Trust	Economic Resources	Accrual
Fiduciary Funds - contain resources held by the government to belonging to individuals or entities other than government For example, a trust fund for a public employee pension plan.		
GOVERNMENT WIDE FUNDS		
Government-Wide Financial Statements (GWFS)	Economic Resources	Accrual
GWFS does not include Fiduciary activities		

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Governmental Accounting and Financial Reporting


To facilitate the uses of the financial reporting, GASB concluded that both government-wide and fund financial statements were needed to fulfill the needs of the users of governmental financial reporting.

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Basic Financial Statements - Overview


1. Government-Wide Financial Statement
 - Statement of Net Position
 - Statement of Activities
2. Governmental Funds Financial Statements
 - Balance Sheet
 - **Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**
 - Statement of Revenues, Expenditures and Changes in Fund Balances
 - **Reconciliation of the Statement of Revenues, Expenditures and Changes on Fund Balance of Governmental Funds to the Statement of Activities**
 - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
3. Proprietary Funds
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flow



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Proprietary Fund Accounting

- The accounting and financial statement examples we present for a typical housing program funded primarily with IHBG funds uses the Enterprise Fund, a fund in the Proprietary Fund.
- Proprietary fund accounting uses
 - *The full accrual basis of accounting - when revenues, expenses and transfers are recognized and reported in the financial statements.*
 - *The flow of economic resources measurement focus — what transactions will be reported in the various funds' operating statements.*
 - A focus similar to that used by for-profit entities.




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Proprietary Fund Financial Statements

Comprise of:

1. Statement of Net Position ["Balance Sheet"]
2. Statement of Revenues, Expenses, and Changes in Net Position ["Net Income"]
3. Statement of Cash Flows

REVIEW SEC 4 - PROPRIETARY FUND FS




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**Financial Statement Format
Proprietary Fund**

**ASSETS + DEFERRED OUTFLOW OF
RESOURCES – LIABILITIES –
DEFERRED INFLOWS OF
RESOURCES = NET POSITION**


REVIEW SEC 4-PROPRIETARY FUND FINANCIAL STATEMENT



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**Deferred Outflows and Deferred
Inflows of Resources**

- GASB Statement No. 63 provides guidance on deferred outflows and deferred inflows of resources.
- Deferred outflows and Deferred inflows of resources are related to future periods.
- Recognition of deferred inflows or revenues and expenses is deferred until the future period to which the inflows and outflows are related.
- Therefore, segregating deferred outflows from expenses and deferred inflows from revenues in any given period provides users with information to assess a government's interperiod equity.
- GASB Concepts Statement No. 4 (para. 38) limits and identifies what types should be deferred outflow and deferred inflows of resources.
- EXAMPLE – commonly seen in a TDHE's financial statement: Reporting of PENSIONS.



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**The Statement Of Net Position
("Balance Sheet")**

**Financial Statements
Statement of Net Position –
"Balance Sheet"**

**A snapshot of the financial
status at a given point in time.**

- Working capital - cash?
- Highly leveraged?
- How much of investments
is restricted?

Review Sec 4-
Proprietary Fund
Financial
Statement



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Statement of Revenues, Expenses, and Changes in Net Position (“The Income Statement”)

Financial Statement – “Income Statement”

A “flow” statement; stated for a specific period of time

- Accounts for revenues earned in the period
- Accounts for expenses incurred in the period
- “Net Income” or increase in net position

Operating Revenues	\$XX
• Operating Expenses	\$XX
= Operating income(loss)	\$XX
+/- Nonoperating revenues and expenses	\$XX
= Income(loss) before Capital Contributions	\$XX
+ Capital Contributions	\$XX
= Change (Increase)(decrease)in Net Position	\$XX
+ Beginning Net Position	\$XX
= Ending Net Position	\$XX

SEE SEC 4-PROPRIETARY FUND FS

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Statement of Cash Flow

- Required for Proprietary Fund financial statement.
- Shows cash sources and uses; inflows and outflows of cash.
- Cash Inflows presented on the direct method
- Includes a reconciliation of operating cash flows to operating income.

Refer to SEC 4- Proprietary Fund FS

Cash Flow:

- **Sources - Where did the cash come from?**
- **Uses – How was the cash spent?**
- **Did cash increase or decrease overall?**

Refer to SEC 4- Proprietary Fund FS

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Basic Governmental Financial Statement Report Elements

GASB 34 Financial Statement Presentation	GASB 63 Additions and changes to GASB 34 – Effective after December 15, 2011
Management Discussion and (MD&A)	No Change
Government-Wide Financial Statements	No Change
Fund Financial Statements	No Change
	Deferred Outflow of Resources – Separately presented from Assets
	Deferred Inflow of Resources – Separately presented from Liabilities
Statement of Net Assets	Changed to Statement of Net Position
Net Assets comprised of:	There are no changes except for replacing the title from Net Assets with Net Position and the effects of the Deferred Outflow and Deferred Inflow of Resources.
1. Invested in Capital Assets, Net of Related debt	
2. Restricted Net Assets	
3. Unrestricted net assets	
Financial Statement Presentation: Assets – Liabilities = Net Assets	Financial Statement Presentation changed to: 1) Assets + Deferred Outflow of Resources – Liabilities – Deferred Inflows of Resources = Net Position, OR 2) Assets + Deferred Outflow of Resources = Liabilities + Deferred Inflows of Resources + Net Position

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Which Fund Type are you using?




GOVERNMENTAL (Tribe & TDHE)



OR




PROPRIETARY (TDHE)?



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**Section 5:
Proprietary Fund Accounting for
NAHASDA**








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General Ledger & Trial Balance

- A **general ledger (GL)** is a complete record of a company's financial transactions **since inception**. It consists of all accounts with balances in the Recipient's financial system.
- **Best Practice:** All accounts in the general ledger should be reviewed each month. Significant balance sheet accounts should be reconciled each month.

- The **trial balance (TB)** is a list of ALL the general ledger accounts and their debit and credit balances **at a specific date**.
- **Best Practice:** Generate a trial balance at the end of an accounting period to review accounts for accuracy and for performing additional adjusting entries that may be required to any of the account balances.







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See AUDIT WORKBOOK

**UpNorth Tribal Housing
Trial Balance
As of December 31, 20XX**

	Dec 31, 20XX	Debit	Credit	Adjusted Bal @ 12/31/20XX	V
1111 - First Town Bank General Operating	170,229.01			170,229.01	
1112 - First Town Bank Investment	372,355.00			372,355.00	
1150 - FTB-Security Deposits	1,200.00			1,200.00	
1300 - Trade Accounts Receivable	0.00			0.00	
1310 - Tenant Accounts Receivable	1,920.00			1,920.00	
1311 - Allowance for Doubtful Accounts			-840.00	-840.00	
1120 - Petty Cash	500.00			500.00	
1160 - MEPA Investments	47,920.00			47,920.00	
1400 - Grants Receivable:1415 - Grants Receivable- ICDBG	48,300.00			48,300.00	
1400 - Grants Receivable:1425 - Grants Receivable- BIA TPA	4,109.45			4,109.45	
1400 - Grants Receivable:1430 - Grants Receivable					
IHBG	60,622.23			60,622.23	
1501 - Prepaid Expenses	12,000.00			12,000.00	

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Cash and Investment Accounts

What cash and investment accounts should you maintain?

- General Cash
- Petty Cash
- Savings
- Unrestricted Investments

- Restricted cash accounts for:
 - IHBG Investment
 - Security Deposit
 - Mutual Help MEPA
 - Program Income
 - ABC grant

- Best Practices: Perform monthly bank reconciliations.



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Bank balance over FDIC or NCUSIF

- 100% of any portion of IHBG Funds not insured by FDIC or NCUSIF shall be fully and continuously collateralized with specific and identifiable U.S. Government or Agency securities prescribed by HUD.

The Tribe/TDHE must:

- have possession of the securities, or
- an independent custodian (or an independent third party) holds the securities on behalf of the Tribe/TDHE and will be maintained for the full term of deposit.


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Investment Reporting

- **Statement of Net Position (Balance Sheet)**
 - Reports the Balance of Investment at Fair Value
- **Statement of Revenues, Expenses, and Changes in Net Position (Income Statement):**
 - Reports the changes in Fair Value comprised of:
 - Interest
 - Dividends
 - Realized Gains and Losses
 - Unrealized Gains and Losses

} Investment Income

SEE SEC PROPRIETARY FUND F/S



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SAMPLE: INVESTMENT ACCOUNT RECONCILIATION
1112 FRST TOWN BANK INVESTMENT


This account is a separate account for eligible investments of funds advanced to UpNorth Tribal Housing from the Office of Lands, Federal Highways Tribal Transportation Program.

The UpNorth Tribal Housing invests in U.S. government securities and their investment account is managed by a Financial Advisor.

	Jan	Feb	Mar	Apr	May	Jun
Beginning Balance	276,850	277,123	276,909	282,330	284,129	289,589
Deposits/Withdrawals	0	0	0	0	0	0
dividends reinvested	346	346	346	353	355	362
security sales	1,000	1,200	2,000	1,000	5,000	1,367
Realized gains/(losses)	590	290	-126	1,196	2,605	2,655
Unrealized gains/(losses)	-1,333	-2,050	3,200	-750	-2,500	1,360
Ending Investment Value	277,123	276,909	282,330	284,129	289,589	295,333

	Jul	Aug	Sep	Oct	Nov	Dec	Totals
Beginning Balance	295,333	298,334	300,969	361,734	365,178	366,300	276,550
Deposits/Withdrawals	0	0	57,800	0	0	0	57,800
dividends reinvested	369	373	376	452	456	458	4,593
security sales	2,500	2,537	2,721	2,699	3,066	2,850	27,940
Realized gains/(losses)	1,465	1,375	1,200	1,200	-1,067	-1,450	9,904
Unrealized gains/(losses)	-1,333	-1,650	-1,333	-907	-1,333	4,197	-4,432
Ending Investment Value	298,334	300,969	361,734	365,178	366,300	372,355	372,355

Total Dividends	\$ 4,593.10
Realized Gains	\$ 9,904.00
Unrealized gain (loss)	\$ (4,432.00)
Investment Income	\$ 10,065.10



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Eligible to Invest IHBG Funds?

YES, if Tribe/TDHE meet eligibility requirements consistent with 24 CFR §1000.58(b) and demonstrate to HUD:

1. Recent independent audit:
 - Unmodified (unqualified) opinion.
 - No unresolved significant and material audit findings related to financial management, accounting, and internal controls or exceptions in the most recent annual audit completed under the Single Audit Act;
 - or in an independent financial audit prepared in accordance with generally accepted auditing principles related to financial management.
 - Timely completion of audits and timely submission of report to the Federal Audit Clearinghouse in accordance with the Single Audit Act and 2 CFR Part 200, Subpart F.
2. Requirements for Tribes:
 - Must be a self-governance Indian tribe (certification required) or
 - a tribe that has demonstrated the administrative capacity and controls to responsibly manage the investment.
3. HUD monitoring review (including Inspector General Audits): No outstanding issues that affect the administrative capacity and controls to responsibly manage the investment.



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Investing IHBG Funds

- Accounts must be insured by an agency or instrumentality of the United States or fully collateralized to ensure protection of the funds, even in the event of bank failure.
- Recipients MAY use brokers or dealers to invest IHBG funds if the brokers or dealers invest grant funds exclusively in approved financial instruments outlined at 24 CFR § 1000.58.
- Each broker/dealer must be a member of the Securities Investor Protection Corporation (SIPC).
- Selection of a broker or dealer must be procured [2 CFR § 200.318 and 24 CFR § 1000.52.]

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Investment Accounts Depository Agreement

Form HUD-52736-A	Depository Agreement (.pdf) (.doc) - Banking Accounts https://www.hud.gov/sites/documents/52736-A.PDF
Form HUD-52736-B	Depository Agreement (.pdf) (.doc)- Brokers/Dealers https://www.hud.gov/sites/documents/52736-B.PDF

Depository Agreement Requirements:

- Each investment account must have its own depository agreement (must use above form – NOTE: HUD forms above CANNOT BE ALTERED!
- Tribe/TDHE must maintain a copy and submit a copy of the depository agreement to HUD area ONAP within 30 business days.
- Reference: PIH 2019-16: Administrative Requirements for Investing in IHBG funds

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Investing IHBG Funds

1. Can invest IHBG funds in securities and other obligations as approved by the Secretary of HUD. [Sect. 204 of NAHASDA and §1000.58(c)]
2. Investment period cannot exceed five (5) years. [§1000.58(g)]
3. Grant monies invested are for the purpose of and **ARE TO BE EXPENDED ON ELIGIBLE AFFORDABLE HOUSING ACTIVITIES**, per a grantee’s approved Indian Housing Plan (IHP).
4. Interest earned within the five-year timeframe is considered program income earned by the investment(s) and therefore **MUST ONLY BE SPENT ON ELIGIBLE AFFORDABLE HOUSING ACTIVITIES**.
5. Can invest up to the annual formula amount. [§1000.58(g)]
6. If a Tribe/TDHE’s total program income does not exceed \$25,000, such funds may be retained but will not be considered to be or treated as program income.” 24 CFR § 1000.62(b)

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Accounting for NAHASDA Investment

A Tribe/TDHE has been approved to invest its annual allocation of IHBG grant.

Entire IHBG funds drawn from eLOCCS is recorded in a **separate** Investment Account on the general ledger with an offset liability general ledger account.

Account	Description	Debit	Credit
1112	IHBG Investment	4,500,000	
2500	Unearned Revenue/Refundable Advances		4,500,000

To record draw of 202X annual allocation of approved IHBG grant for investment

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Accessing the IHBG Funds - Payment

Good Business Practice:

1. Generate an account detail report of invoices that require payment from eLOCCS or IHBG Investment account
2. Make copies of the invoices as supporting documentation for the draw.
3. Draw down funds from eLOCCS or Investment account – file copy of invoices and HUD 50080 form that has the total amount drawn.
4. Record grant revenue for the draw amount.

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IHBG Reimbursement Payment

Sample Revenue and Expense Report			
Class: 600 MODERNIZATION			
Sub-class: 200 Rehab Program			
Account	Description	Month to Date 6/30/2018	Year to Date 6/30/2018
4300	NAHASDA Revenue		28,578.63
		-	28,578.63
5000	Salaries & wages - other	2,240.23	25,000.00
5005	Employee benefits	403.20	1,500.00
5600	Supplies	560.99	2,500.00
5505	Communications	147.45	200.00
5610	R&M Expenses	269.50	3,000.00
	Total Expenses	3,621.37	32,200.00
	Net Revenues/Expenses)	(3,621.37)	(3,621.37)

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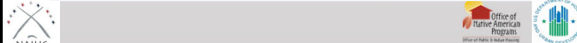
Accounting For IHBG Reimbursement from eLOCCS

(1) RECORD IHBG REVENUE FOR ALLOWABLE IHBG EXPENSES INCURRED

ACCT	DESCRIPTION	DEBIT	CREDIT
1400	ACCOUNTS RECEIVABLE-HUD	3,621.37	
4300	FEDERAL GRANT REVENUE-NAHASDA		3,621.37

(2) RECORD RECEIPT OF IHBG FUNDS FROM ELOCCS TO REIMBURSE FOR ALLOWABLE IHBG EXPENSES

ACCT	DESCRIPTION	DEBIT	CREDIT
1111	BANK-OPERATING	3,621.37	
1400	ACCOUNTS RECEIVABLE-HUD		3,621.37



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Accounting for IHBG Reimbursement FROM Investment Fund


Accounting Entry - Funds are in an approved investment account.

Account	Description	DEBIT	CREDIT
1111	Bank-Operating	3,621.37	
1112	Investment Account		3,621.37

To transfer NAHASDA grant funds from the investment account to the general cash account.

2500	Unearned Revenue or Refundable Advance - NAHASDA	3,621.37	
4300	Federal Grant Revenue - NAHASDA		3,621.37

To recognize NAHASDA funds expended in June.

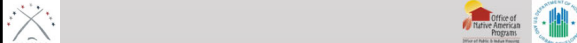


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Tenant Accounts Receivable

- Tenant Receivable are amounts tenants owe for rent charges.
- Monthly invoice to the tenants generate a Receivable from the Tenant and rent revenue is recognized.
- Audit and compliance consideration:
 - Provide aging accounts receivable summary.
 - Make available current lease agreements.
- How much of the receivable will actually be collected or is deemed collectible?
 - Policy governs if old receivables are written off against allowance for doubtful accounts
 - Example: write off anything > 60 days to bad debt expense.
 - The valuation account, Allowance for Doubtful Accounts Receivable, is adjusted to the bad debts expense account for any changes in the valuation estimate.

• Refer to Audit Workbook Pages 8 & 9




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Intercompany Transactions

- This category is used to record activities that have a financial impact on the proprietary fund where one entity or fund pays the liabilities of another fund, or cash for the housing fund is deposited in other fund.
- The receivable balance may take the form of due to/from affiliate, note or mortgage receivable, and interest receivable.

Example:
 A Recipient with multiple programs (NAHASDA, LIHTCs) provides funding to the LIHTC partnership in the form of a loan. The Recipient would show an Intercompany Notes Receivable and the LIHTC limited partnership would show an Intercompany Notes Payable for the same amount (eliminated in a consolidated financial statement to avoid double counting the same transaction).



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Inventories and Prepaid Expenses

The **Purchase Method** of expenditure recognition (modified accrual) records the materials and services as expenses when they are procured. This is the most common method of accounting for government entities with grant funding.

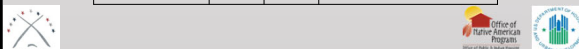
Governmental Fund

Annual Insurance paid in June Recipient's fiscal year end is December 31, 20X2

Description	Debit	Credit	
Insurance Expense	\$24,000		Record the entire amount of
Cash		\$24,000	Insurance paid as an expense.

Adjustment at December 31 to record the amount of insurance attributable to the following fiscal year (prepaid insurance):

Prepaid Expense-Insurance	\$12,000		Record 6 months of insurance that has not been "consumed".
Insurance Expense		\$12,000	



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Inventories and Prepaid Expenses

The **Consumption Method** records the purchase of inventory materials and prepaid expense as assets when they are procured. The assets are then consumed over the accounting period, with the ending valuations considered the cost of the remaining asset.

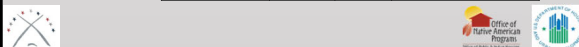
Proprietary Fund

(Annual Insurance paid on June 30 for calendar year 20X2. Recipient's year end is December 31, 20X2)

Description	Debit	Credit	
Prepaid Expense	\$24,000		Record prepaid expense as an asset at time of purchase
Cash		\$24,000	

Recognize insurance expense each month

Insurance Expense	\$2,000		To record monthly insurance expense (1/12th of \$24,000)
Prepaid Insurance		\$2,000	





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Inventories and Prepaid Expenses

For Inventory:

- The consumption method does not eliminate the requirement of a physical inventory.
- The value of the physical inventory is used to adjust the balance of the inventory carried on the books. Therefore, **the value of the inventories must be verified with counts at or near the fiscal period end date.**
- This count supports the cost of inventory reported in this classification.
- The inventory amounts are reconciled to the trial balance and supporting documentation must be maintained (auditable).



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Mutual Help Homeownership Units

Payments made by homebuyers are comprised of two parts:

- The Administrative Fee portion and
- The Homebuyer's Equity (Mutual Equity Payment Account or MEPA) – balance is tracked in a Liability account).



- Monthly payments exceeding the Administrative Fee portion is credited to the homebuyer's MEPA account.
- When the homebuyer's MEPA account balance is equal to unamortized balance of the purchase price, the home is conveyed to the homebuyer.
- The homebuyer may choose to pay off the amortized balance of the home with a cash payment to accelerate the conveyance of the home.

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Accounts for Mutual Help1937 Housing Act Homeownership Program

Account	Description	Debit	Credit
ASSETS:			
1123-00	Accounts Receivable-MH	XXX	
1123-01	Allowance for Doubtful Account (Contra Account)	XXX	
1163-00	MH MEPA Investment	XXX	
LIABILITIES:			
2230-00	MEPA (Monthly Equity Payments Account)		XXX
2290-00	Refundable MH Reserves		XXX
2291-00	Unrefundable MH Reserves		XXX
REVENUES:			
3110-00	MH Administrative Fees		XXX

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Financial Statement Reporting of Mutual Help and NAHASDA Units

- **1937 MUTUAL HELP AND NAHASDA MH UNITS**
- Mutual Help (MH) units do not meet the definition of fixed assets because they were purchased or constructed for sale for eligible homebuyers.
- MH homes are **not subject** to depreciation.
- The MH homes are classified under **"other assets"** until the unit is conveyed to the homebuyer.
- The carrying value of the MH unit is the amortized value of the unit based on the amortization schedule of the unit.
- Accounting for NAHASDA units that are structured like the MH units will be treated in the same manner as MH units.

Ref: (PIH 2006-39 Accounting for Fixed Assets)



SEE SEC 4-PROPRIETARY FUND FS



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Real Property

According to 24 CFR §1000.26(a)(7), 2 CFR Part 200.311 does not apply except as provided in 24 CFR §5.109.

Real property means land, including land improvements, structures and appurtenances thereto, but excludes moveable machinery and equipment.

24 CFR §5.109: ...Outlines HUD's policy for the equal participation of religious organizations in HUD's programs and activities:

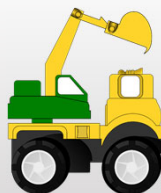
- HUD funds may not be used for programs, or for the acquisition, construction, or rehabilitation of structures to the extent that those programs or structures are used for *inherently religious activities*.
- However, if used for both - requires cost accounting to separate cost attributable only to eligible program activity.



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Equipment

Section 200.313 applies to IHBG, except in all cases in which the equipment is sold, the proceeds shall be program income."



IHBG – per 24 CFR §1000.26 (a)(8)




144

Equipment

Unless otherwise provided by a statute,

- Title must vest as a “conditional title” to the Tribe/TDHE entity subject to the following conditions:
 - use the equipment only for the authorized purposes...in period of performance, or until the property is no longer needed for the purposes of the project.
 - not encumber the property without (HUD) approval.
 - follow use and disposition requirements of paragraphs (c) and (e) of this section


Refer to § 200.313(a)



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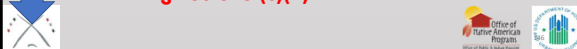
Equipment

Order of priority for equipment use when the equipment is no longer needed for original program/project:



- i. Activities under a federal award from the federal awarding agency which funded the original program or project (e.g. another HUD funded program).
- ii. Activities under federal awards from other federal awarding agencies.

Refer to § 200.313 (c)(1)




146

Equipment

****During the time the equipment is being used on the project or program****

- Must also make the equipment available for use on other projects or programs currently or previously supported by the federal government (HUD), provided the work will not interfere with the work on the projects or programs.
- Use must follow order of priorities from 200.313(c)(1)(i-ii).
- Use for non-federally-funded programs or projects is also permissible – but user fees should be considered if appropriate.

• Refer to § 200.313(c)(2)




147

Equipment

A Tribe/TDHE

- Can earn program income but must not use equipment acquired with the federal award to provide services for a fee that is less than private companies charge for equivalent services unless specifically authorized by federal statute for as long as the federal government retains an interest in the equipment.
- may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

§ 200.313(c)(3 & 4)



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Equipment – Management Requirements

Management Requirements: procedures for managing equipment paid for in whole or part under a federal award must meet the following requirements:

1) property records must be maintained that include:

- description of the property
- serial number or other ID number
- source of funding for the property, including FAIN
- who holds title
- acquisition date and cost of property
- percentage of fed participation in project costs for the fed award under which the property was acquired
- location
- use and condition of the property
- Disposition data, including date and sale price of the property

Refer to § 200.313(d)(1)




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Equipment – Management Requirements

- 2) Take a physical inventory of the property and reconcile the property records **at least once every two years.**
- 3) Must have a control system to ensure safeguards to prevent loss, damage, or theft of the property. any loss, damage, or theft must be investigated.
- 4) Develop adequate maintenance procedures to keep property in good condition.
- 5) If authorized or required to sell, must have established sale procedures to ensure the highest possible return.

Refer to § 200.313(d)(2-5)






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Equipment Disposition

Per § 200.313(e): To dispose of property, the non-federal entity has to request disposition instructions from the awarding agency **if required by the terms of the federal award.**

NAHASDA does not require that IHBG recipients request disposition instructions.

However, per 24 cfr §1000.26(a)(8) "...except in all cases in which the equipment is sold, the proceeds shall be program income."







151

Equipment

Update equipment/property management policies to include:

- conditional title conditions in this section.
- priority use language if this provision is used.
- depending on anticipated use of equipment by other federal programs or non-federally funded programs, develop appropriate use fees for use.









152

Capital Assets

Capital assets: Dollar threshold and useful life are defined by YOUR policy.

Example: Assets that cost \$5,000 or more with a useful life of more than one year will be capitalized and depreciated over the useful life of the asset. Useful life:



Asset Category	Useful Life in years
Land	0
Construction in Progress	0
Building and Improvements	10-40
Infrastructure	40
Furniture and Fixtures	10
Vehicles	10
Equipment	7

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Depreciation

- Capital assets are depreciated over the useful life using the straight-line method of depreciation.
- A change in depreciation methods requires HUD approval (§1000.26(b)(1)(i)).**
- Depreciation distributes the cost of the assets over the estimated useful life of the asset, which recognizes the cost of using up the future benefits or service potential of long-lived assets.
- Accumulated depreciation is a contra account to the capital asset accounts and is the accumulated amount of depreciation of the asset taken over its useful life.
- The carrying value of the capital asset is recorded on the balance sheet and is the difference between the cost of the asset and the accumulated depreciation (capital asset, net of accumulated depreciation).
- The accumulated depreciation cannot be more than the asset's cost even if the asset is used beyond its useful life.

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Accounting for Capital Assets purchased with IHBG Funds

IF USING QUICKBOOKS:

Step 1: Record the capital asset purchase as an EXPENSE (purchase method).

Account No	Class	Subclass	Account Description	DEBIT	CREDIT
5805	NAHASDA	Modernization	Equipment: Vehicle	42,000	
2000	none	none	Accounts Payable		42,000

To record purchase of vehicle using NAHASDA funds



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Accounting for Capital Assets purchased with IHBG Funds

Step 2: Record the purchase as a CAPITAL ASSET (GAAP) using a contra 5805.99 account. This account nets to zero with account 5805.

Account No	Class	Subclass	Account Description	DEBIT	CREDIT
1915	none	none	Asset: Equipment	42,000	
5805.99	none	none	Equipment Contra-Account		42,000

To move equipment to the balance sheet






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IHBG funds from eLOCCs

STEP 3 – Recognize IHBG Revenue for purchase of asset

Acct	Description	Class	Subclass	Debit	Credit
1400	Accounts Receivable - IHBG	None	None	42,000	
4300	Grant Revenue	NAHASDA	Modernization		42,000
To record IHBG Receivable for funds requested through eLOCCs.					
1111	Cash - General	None	None	42,000	
1400	Accounts Receivable - IHBG	None	None		42,000
To record receipt of IHBG funds from eLOCCs to the General Checking Account.					






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IHBG funds from Investments

STEP 3 – Recognize IHBG Revenue for purchase of asset

Acct	Description	Class	Subclass	Debit	Credit
2500	Unearned Revenue or Refundable Advance	None	None	42,000	
4300	Grant Revenue	NAHASDA	Modernization		42,000
To record IHBG Revenue for the capital asset purchased with IHBG funds that were fully received by Recipient and approved by HUD to invest					
1111	Cash - General	None	None	42,000	
1112	IHBG Investment	None	None		42,000
Transfer IHBG funds from Investment to the General Checking Account to pay for the asset.					






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Accounting For Capital Assets Purchased With IHBG Funds

Step 4: Grant Management Reporting: Generate a capital expense report- contra 5805.99 is EXCLUDED and the income Statement will show the following:

Account	Account Type	Amount	
Revenues:			
4300	Grant Revenue – NAHASDA	\$42,000	Credit
Operating Expenses:			
5805	Equipment – Vehicle	\$42,000	Debit

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Accounting For Capital Assets Purchased With IHBG Funds

Step 5: Review the Trial Balance for:

- The NAHASDA revenue has been recorded for the amount of the capital expenditure
- The "capital expense" accounts nets to zero.

Account No	Account Description	DEBIT	CREDIT
1915	Asset - Equipment	42,000	
2000	Accounts Payable		42,000
2510	Refundable Advances-Nahasda	42000	
4300	NAHASDA Revenue		42000
5805	Equipment - Vehicle	42000	
5805.99	Equipment Contra-Account		42000
	Total	126,000	126,000

} Nets to zero

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Accounting for Donated Assets

- A donated capital asset from an external party is recorded at its **fair market value at the time of donation plus ancillary charges, such as transportation costs.**
- The value of services and property donated to the Recipient is not chargeable to IHBG.
- However, depreciation expense of donated capital assets (not paid by grant, but for which the NAHASDA program benefits, and is not counted towards cost sharing or matching requirements) may be charged to the grants through an allocation plan or indirect cost rate. (200.436).

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Accounting for Donated Assets

- A Recipient received a donated side by side ATV that will be depreciated over a 5-year useful life:

Donated Assets - Sample Entry			
Type	Class	Debit	Credit
Capital assets	None	12,000	
Capital Contribution	Unrestricted		12,000

Record receipt of donated vehicle at Fair Market Value (FMV)

Type	Class	Debit	Credit
Depreciation Expense	Unrestricted	200	
Accumulated Depreciation	None		200



Record monthly straight-line depreciation over 60 months

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Accounting for Transfer of Assets within a Government

- Capital assets transferred BETWEEN financial reporting entity components should be transferred at their **current carrying value**, both the original cost and accumulated depreciation amounts will transfer (net book value).
- Capital assets transferred FROM the general government (governmental activities) TO a proprietary fund (Enterprise - business type activities) is reported as a CAPITAL CONTRIBUTION in the Proprietary Fund's operating statement.
- Asset transferred FROM a Proprietary Fund (Enterprise) TO the general government would be reported as transfers in both the Proprietary Fund and the Government-Wide Statements.

See Sec 5-Accounting for Transfer of Assets



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Disposition of Capital Assets

Recipient sells a vehicle (purchased with IHBG) with a book value of \$8,400 for \$7,500. The accounting entry is:

Record sale of vehicle			
Description	Debit	Credit	
Cash	\$ 7,500		Receipt of cash
Accumulated Depreciation (A/D)	\$33,600		Remove A/D for the vehicle
Loss on Sale of Vehicle	\$ 900		Difference is recorded as a loss on the sale of the vehicle
Fixed Asset-Vehicle		\$42,000	Remove

Question: What amount is program income?





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Internal Controls For Capital Assets

Maintain a Schedule of fixed asset by category (Buildings, Land, and FFE):

- Capital asset description (complete)
- Date of purchase
- Cost delivered
- Funding source and any restrictions
- Depreciable life of the asset
- Depreciation amount – current and cumulative



- Depreciation is calculated beginning the first full month an asset is placed into service

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Internal Controls For Capital Assets



Document procedures and follow procurement requirements.

Using IHBG funds to Purchase asset?
 Utilize the Class Tracking feature for the original purchase; and
 A contra-expense account to reclassify the asset from the Income Statement to the Balance Sheet.

When constructing a building:

- Charge cost construction work in progress (CWIP)
- Move the asset from CWIP to an Asset account (Building) when construction is complete;

- Remember: when using grant funds first code to expense then use a contra expense account to move the asset to CWIP.



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Internal Controls For Capital Assets

- Maintain and update the Capital Asset Ledger and Depreciation Schedule.

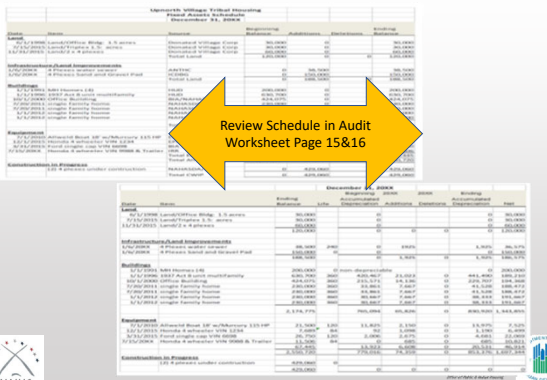


Review and Reconcile to:

- Agree the capital asset ledger to the statement of net position
- Agree the accumulated depreciation to the statement of net position
- Agree the current year depreciation expense to the statement of activities (Income Statement)

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Fixed Asset and Depreciation Schedule




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Liabilities

- Liabilities are obligations of the Tribe that reflect the amounts the Tribe owes to another party or entity.

Examples: employees for work performed; regulating entities for payroll deductions; external vendors for supplies purchased or services received; and lenders for debt incurred.

- **Current liabilities** are obligations that are expected to liquidate within a year or a normal operating cycle
 - Accounts Payable
- **Noncurrent liabilities** include obligations that will require future resources to liquidate
 - Compensation Leave

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Liabilities

Accrued Expenses

Accrued expenses are claims on current assets of the proprietary fund that will be paid in future periods.

Examples of costs not paid at the fiscal period end:

- Unpaid contractor invoices
- Payroll costs earned but not paid
- Compensated employee absences for leave earned and vested, but not taken
- Unpaid 401K or pension contributions that are a cost to the employer
- Judgments or claims as a result of legal action
- Interest payable on debt






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Unearned Revenues/Refundable Advances

- Funds received but not yet earned.
- Examples:
 - Prepaid tenant accounts = unearned revenue.
 - IHBG funds drawn for investment and has not been expended = refundable advances.

Refer to IHBG Investment discussion


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Other Liabilities

This category normally includes:

- Tenant security deposits
- Mutual Help Equity Payment Account (MEPA)
- Reserve accounts
- MEPA Liability Account – the cumulative portion of the homebuyers monthly payment that exceeds the monthly administrative fee – reconciles to the MEPA investment account.

• Refer to earlier slides and discussions



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Notes Payable


Notes payable are contractual obligations to repay a specific amount of debt over time.

The payments are usually a combination of interest and note principal, based on the note terms and agreements.

Notes Payable are reported on the Statement of Net Position as:


- Current Liabilities: Reports the portion of the notes payable that will be coming due in the next fiscal year.
- Long Term Liabilities: Reports the amount of the note due in future periods.

SEE SEC 4 – PROPRIETARY FUND F/S



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Section 6: Program Income



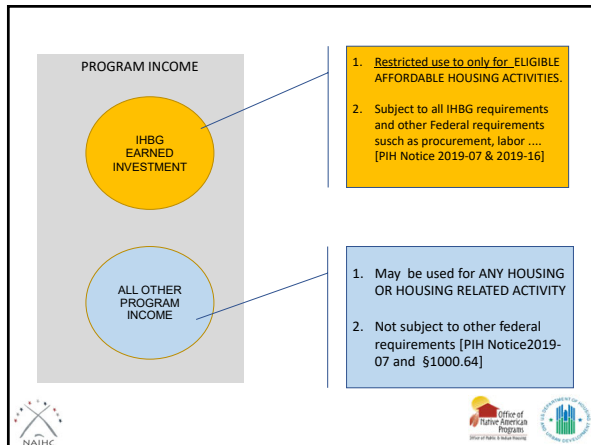
174

What is Program Income [§1000.62]?

- Program income is “any income that is realized from the disbursement of grant amounts.”
- Program income is **cash proceeds or income received** as a result of the disbursement or use of IHBG funds; it is income to the IHBG Program of a recipient.
- Program income may be retained and not be spent first before using IHBG funds.
- Income earned from IHBG approved investment is program income [PIH Notice 2019-16].
- Recipients must **comply with all other administrative requirements related to the IHBG program**, including recording, reporting, financial management, and other requirements discussed in PIH Notice 2019-07.
- Recipient is required to have a system for accounting for program income - required to be reported on FFR Form SF 425 and the APR, if the total net proceeds exceeds \$25,000.



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Program Income – Permissible Use

Housing-related activities [§1000.10(b)(3)]:

Any facility, community building, infrastructure, business, program, or activity, including any community development or economic development activity that:




- Is determined by the recipient to be beneficial to the provision of housing in an Indian area and
- Meets at least one of the following conditions:
 - a. Reduces the cost of construction of Indian housing.
 - b. Makes housing more affordable, energy efficient, accessible, or practicable in an Indian area.
 - c. Would otherwise advance the purposes of NAHASDA.



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Program Income –Examples of Permissible Uses




- a. Assisting families to obtain housing.
- b. Develop or support tribally-owned housing manufacturing business – IF this business makes housing more affordable, energy efficient, accessible or practicable in the Indian area to be served.
- c. Construction of a community center that will house various services and/or resources aimed at advancing the economic conditions of affordable housing residents, such as career counseling, training and/or job placement (to advance the purposes of NAHASDA related to self-sufficiency).

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Program Income –Example Of Housing Related Activities




- d. Retrofitting of a community center - replace inaccessible features with accessible ones for individuals with disabilities.
- e. New construction, rehabilitation, acquisition, or subsidized rental or purchase of housing intended to decrease the isolation and increase the integration of individuals with disabilities.
- f. Off-site infrastructure related to housing development.
- g. Providing housing services to resident families, including crime prevention and safety for residents.

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What is Not Program Income?


- Program income received in a single year by a recipient and all its subrecipients, which would otherwise be considered program income, does not exceed \$25,000.
- A portion of program income realized from an eligible activity funded with both grant funds as well as other non-grant funds then the amount of program income realized will be based on a percentage calculation that represents the proportional share of funds provided for the activity generating the program income.
- Costs incident to the generation of program income shall be deducted from gross income to determine program income.

180

What is not Program Income?

- Interest earned on planning and administration reserves.
- MH payoff proceeds unless MH home was substantially rehabbed with IHBG funds.
- Fees charged borrowers to issue or service loans.
- LIHTC developer fees earned by the recipient when acting as the developer [Section 104(4) of NAHASDA].
- Credits, such as purchase discounts, refunds, insurance proceeds.




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Program Income Vs Non-program Income 1937 Housing Act Mutual Help

1937 Housing Act Mutual Help Program **operated and managed with IHBG funds.**

- Administrative Charge (fee) – Recorded as “Other Revenue” and is Program Income
- Monthly Equity Payment Account (MEPA) – not program income. These are HB monthly contributions above the Administrative Fee that is used to pay off the unit. See “Proceeds of Sale” discussion.



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Rehabilitation Costs & Proceeds of Sale of 1937 Housing Act Mutual Help Unit


NORMALLY, **Proceeds Of Sale** (from 1937 Housing Act units are not considered either program or non-program income. They are a hybrid because they are not restricted to program-eligible activities only.

Note: Program Income from POS is not realized until sale of MH unit.

Treatment of Proceeds Of Sale (POS):

1. If MH is not substantially rehabilitated or HUD-funded rehab costs is < 40% of DC&E, POS may be used in accordance with Answer 42A (64 FR 15778).
2. If cumulative substantial rehab costs using IHBG funds for a MH unit > 40% of the MH's DC&E, POS is Program Income


[Review PIH Notice 2019-07](#)



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Substantial Rehabilitation of 1937 Housing Act Units

- Substantial Rehabilitation costs accumulate towards the 40% of DC&E of the unit. Once the total cumulative cost exceed the 40% of DC&E of the unit, all rental income from that unit become program income.
- What is Substantial Rehab?
 - PIH Notice 2019-07 provides some examples, but does not define substantial rehab costs.
 - It refers to CPD 16-02 for Tribes/TDHEs for guidance on what would be Substantial Rehab.
- Best Practices:
 - Review and update written Maintenance Policy and Procedures to define Maintenance Costs versus Substantial Rehabilitation Costs.
 - Items to consider:
 - Is the rehab work considered substantial that it will result in extending the useful life of the property and therefore, capitalizable?
 - Will the cost exceed the amount Tribe/TDHE establish for maintenance costs?



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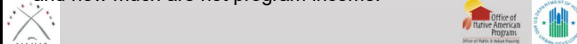
Substantial Rehabilitation Costs On 1937 Housing Act Rental Units

Program income may result from housing rehab, depending on the amount of IHBG funds used for rehab costs.

- Program Income from Rental Revenue is generated if:
 - IHBG funds used for rehab \geq than 40% of DC&E for the unit.

This is cumulative rehab costs using IHBG funds.

IMPORTANT: Track costs associated with units to assist in determining what portions of the rents are program income and how much are not program income.




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Program Income Vs Non-program Income 1937 Housing Act Rentals

# of 1937 Act Dwelling Units (a)	Tribes 46% of AEL benchmark (b)	Total Rent Collected in Month (c)	Non-Program Income (d)=(a)x(b)	Balance: Program Income (e)=(c)-(d)
100	\$200 x 46% = \$92	\$10,000	\$9,200 [100 units x \$92]	\$800

- 46% of AEL benchmark times # of units = Non-Program Income
- The balance of total rent collected = Program Income



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Reporting Program Income


The Tribe/TDHE is required to record and Track Program Income.

To ensure proper recording of program income, a recipient may use any of the following:

- Track program income with a separate program income “fund”.
- If program income is substantial, may consider having a program income bank account.
- Note: Don't forget to separately track IHBG Investment Income from other program income.

Accumulated program income should be reported as a “**restricted asset**” on the financial statements.

Refer to Program Guidance 2019-07




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IHBG Reporting Program Income on SF-425

SF-425 LINE 10 – PROGRAM INCOME			
Line	Program Income		
I.1	Federal program income earned –carryforward cumulative unexpended program income from prior year		\$28,000
I.2	Total Federal program income earned in current year		\$27,000
10 I	Total Federal program earned (I.1 plus I.2)		\$55,000
10 m	Program income expended in accordance with the deductive alternative		Not applicable
10 n	Program income expended in accordance with the addition alternative		\$20,000
10 0	Unexpended program income (line I minus line n)		\$35,000

Note: Line 10 m is not applicable because neither IHBG nor ICDBG requires program income to be used to reduce the grant amount [Program Guidance 2012-02]
Refer to page 122-123 manual



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Program Income when using NAHASDA to leverage Development

- Exercise: Tribe uses \$100,000 ICDBG funds to buy land and \$300,000 IHBG funds to construct a duplex. If the Tribe sold the duplex for \$300,000, how much of the sales proceeds is program income?

1 4 homes Funded with ICDBG and IHBG Funds			
Funds	Cost	Percent of Total	
ICDBG Funds	100,000	25%	
IHBG Funds	300,000	75%	
Total Project Cost	400,000	100%	

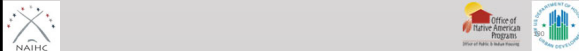
2 Sales proceeds received for all 4 units	\$	300,000
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3 Program Income attributed to ICDBG:			
ICDBG	\$300,000 x 25%	\$	75,000
IHBG	\$300,000 x 75%	\$	225,000
Total Sales proceeds	\$	\$	300,000



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**Section 7:
Recordkeeping, Reporting &
Monitoring**




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Recordkeeping, Reporting and Monitoring

200.302(b)(2): The financial management systems must provide...Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §200.327 Financial reporting and §200.328 Monitoring and reporting program performance.

24 CFR 1000 Subpart F: Recipient Monitoring, Oversight and Accountability

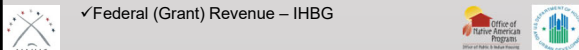


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Grants Management

Financial grants management includes understanding and accounting for:

- a) Grant purpose and eligible activities.
- b) Grant financial requirements, including requirements of grant analysis worksheet.
- c) Reconciling sub-ledgers and main accounts to ensure compliance with grant award and reporting requirements.
- d) Reconciling trial balance accounts and sub-ledgers to ensure accuracy of the IHBG grants for reporting purposes including:
 - ✓ Bank account - Where payments from eLOCCs and transfer of IHBG funds from the Investment account is deposited for payment.
 - ✓ Investment account – IHBG funds invested
 - ✓ Deferred Account or Refundable Advance Accounts
 - ✓ Grant Receivable – IHBG
 - ✓ Federal (Grant) Revenue – IHBG





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Grants Analysis Worksheet

To ensure accuracy of grant information for quarterly reports (SF-425), and for audit purposes, track grant activities with a Grant Analysis Worksheet for each federal grant.

Information on the worksheet should include information:



- Granting agency name,
- grant number,
- Code of Federal Domestic Assistance (CFDA) number.
- Grant purpose
- Grant period
- Grant amount
- Total grant draws for the period and cumulatively
- Total expenses charged to the grant.

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Grant Analysis Worksheet			
12/31/20XX			
Grant Information			
General Ledger Fund Name: 2000000			
F. Fund Number:	12, Department of Housing & Urban Development		
G. Granting Agency:	IHBG 2000		
H. Grant Number:	10-01-01-00004		
I. Grant CFDA #:	14.867		
J. Grant Period:	9/30/2000 - 12/31/2000		
K. Grant Amount:	125,000		
Grant Description (Program):			
200X Expenditures and Cash Receipts			
Receivable (Deferred) received 1/1			Total
Receivable 01/01/20XX	\$		
Cash receipts during the year	\$	470,000.00	
Expenditures during the year	\$	530,622.00	
Ending receivable (Deferred) received 12/31/200X	\$	60,622.00	\$ 60,622.00
Cumulative Expenditures			
Total Grant Award		\$	
Expended in prior years	\$		
Expended during the year	\$		
Total funds expended to date	\$		
Funds left to be expended	\$		
Cumulative Cash Receipts			
Total Grant Award		\$	
Received in prior years	\$		
Cash receipts during the year	\$		
Total funds received to date	\$		
Funds left to be received	\$		
Ending A/R (Deferred) paid total	\$	60,622.00	\$ 60,622.00
Cash receipts during the year			
Year	Received	Disbursed	Balance
7/30/2000			\$ 100,000.00
10/31/2000			100,000.00
11/30/2000			125,000.00
12/31/2000			140,000.00
	Total		Total
		Total \$ 470,000.00	\$ 470,000.00



ACTIVITY:
Review Grant Analysis Worksheet and its relationship to SF-425.

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Reporting IHBG Funds

- Must be invested separately and accounted for separately from other funds. [§1000.58]
- Quarterly Reporting – SF 425:
 - Investment activity must be reported quarterly on SF-425, Line 12 OR
 - On an attached worksheet. [See SF-425 and Investment Worksheet handout]
 - Income from investment is PROGRAM INCOME – therefore, must report on line 12 of SF-425.
- Annual reporting – APR (Form HUD-52737)) to document compliance and are subject to compliance monitoring.
 - Income from investment is reported in Section 5 of Form HUD-52737 as IHBG Program Income. [See slide 97]
 - Investment income is included with other program income.
- Reference PG Notice 2014-07

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FEDERAL FINANCIAL REPORT SF-425

1. Federal Agency and Organizational Elements to Which Report is Submitted: Housing and Urban Development, Office of Native American Programs

2. Federal Agency or Other Reporting Member Assessed by Federal Agency (To report multiple grants, use FFR Attachment)

3. Report Title

4. FFR Attachment

5. Fiscal Year

6. Reporting Period (Start/End Date)

7. Reporting Period (Start/End Date)

8. Reporting Period (Start/End Date)

9. Reporting Period (Start/End Date)

10. Reporting Period (Start/End Date)

11. Reporting Period (Start/End Date)

12. Reporting Period (Start/End Date)

13. Reporting Period (Start/End Date)

14. Reporting Period (Start/End Date)

15. Reporting Period (Start/End Date)

16. Reporting Period (Start/End Date)

17. Reporting Period (Start/End Date)

18. Reporting Period (Start/End Date)

19. Reporting Period (Start/End Date)

20. Reporting Period (Start/End Date)

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Federal Financial Report SF-425

Program Year	Q1 Due Date	Q2 Due Date	Q3 Due Date	Q4 Due Date
Oct 1 – Sept 30	Jan 30	April 30	July 30	Dec 29
Jan 1 – Dec 31	April 30	July 30	Oct 30	Mar 31
Apr 1 – March 31	July 30	Oct 30	Jan 30	Jun 29
July 1 – June 30	Oct 30	Jan 30	April 30	Sept 29

- The fourth quarterly report is the final report for a Recipient's 12-month program year.
- The quarterly reports are due based on the Recipient's program year.

197

REFER TO HANDOUT



Let's Review!

FEDERAL FINANCIAL REPORT WORKSHEET

1. Federal Agency and Organizational Elements to Which Report is Submitted: Housing and Urban Development, Office of Native American Programs

2. Federal Agency or Other Reporting Member Assessed by Federal Agency (To report multiple grants, use FFR Attachment)

3. Report Title

4. FFR Attachment

5. Fiscal Year

6. Reporting Period (Start/End Date)

7. Reporting Period (Start/End Date)

8. Reporting Period (Start/End Date)

9. Reporting Period (Start/End Date)

10. Reporting Period (Start/End Date)

11. Reporting Period (Start/End Date)

12. Reporting Period (Start/End Date)

13. Reporting Period (Start/End Date)

14. Reporting Period (Start/End Date)

15. Reporting Period (Start/End Date)

16. Reporting Period (Start/End Date)

17. Reporting Period (Start/End Date)

18. Reporting Period (Start/End Date)

19. Reporting Period (Start/End Date)




20. Reporting Period (Start/End Date)

198

Annual Performance Report

Statutorily required under Section 404 of NAHASDA, §1000.502, §1000.238 and §1000.302.




- It is a progress report to track the Tribe/TDHE'S progress on the IHP.
- The IHP and the APR are reported on the same Form 52737.
- Public comment on the progress of its IHP activities.
- The APR is due no later than Ninety (90) days after the Recipient's fiscal year end.
- The Recipient may seek an extension of an additional thirty (30) days (§1000.514).

199

Annual Performance Report

- **Source Document for the Financial Section of the APR report** - The financial statements!
- Engage everyone in the data gathering and reporting process!
- **Reporting Due Date:** Ninety (90) days after the Tribe's fiscal year end. The Tribe may seek an extension of an additional 30 days.

200




Recordkeeping

- Good records and procedures allow the recipient to:
 - ✓ Establish fiscal control.
 - ✓ Monitor program performance.
 - ✓ Manage Indian Housing Block Grant activities.
 - ✓ Maintain records for required periods of time.
 - ✓ Easily prepare for audit.
- Insufficient documentation is likely to lead to audit or monitoring findings and these findings will be more difficult to resolve if records are missing, inadequate, or inaccurate.

201

Record Keeping




- Requirements in “Subpart F-Recipient Monitoring, Oversight, and Accountability” of NAHASDA regulations.
- Maintain records for a minimum of 3 years after the end of the program year that the funds were expended.
- If audit, litigation, or other action
 - Keep 3 years or end of action, whichever is longer.
- NAHASDA Section 408 requires recipient to make housing plans, policy, or annual report available to the general public.

202

What Records to Keep

- General Administrative - related to administration of IHBG program: IHPs, Agreements, Adopted Policies, APR, Organizational documents.
- Financial - meet audit requirements such as: Financial records, Grant Awards, Procurement, Contracts, and Budgets
- Project specific – should include: Program eligibility, Participant eligibility, Environmental, Procurement, Monitoring
- Other documents: May include documents to demonstrate compliance with other Federal requirements or other funding sources.

203

Monitoring and Reporting


SF 425 Report




- Accounts for funds received and disbursed
- Submit quarterly - due 30 days after end of quarter

Self-monitoring

It is required under §403(b) of 24CFR §1000.502 and the Uniform Guidance §200.328.

- HUD provides a guidebook for Self Monitoring: https://www.hud.gov/sites/documents/DOC_8747.PDF
- Reporting Due Date:
 - No due date imposed
 - Complete at least annually
 - Report the Self-Monitoring results in the APR



204

Monitoring responsibility of Recipient

All Recipient's of IHBG funds are required to monitor grant activities annually to comply with the monitoring requirements of NAHASDA (24 CFR §1000.502(a):

- Determine and ensure ongoing compliance with IHBG and other applicable Federal requirements.
- Evaluate effectiveness, performance progress, and management efficiency in implementing the Indian Housing Plan (IHP).



205

Monitoring Responsibility of Recipient

- The Tribe, as grant beneficiary, is responsible for monitoring the TDHE for compliance with all program requirements of the IHP and NAHASDA.
- To comply with this requirement, RECIPIENT is required to submit to the Tribe the following documents for the year's activities:

- 1) Periodic progress reports;
- 2) The annual Self-Monitoring assessment report;
- 3) The Annual Performance Report (APR); and
- 4) Independent auditor's report.



206

Monitoring Responsibility of Recipient for Subrecipients

Recipient is responsible for monitoring its subrecipients to ensure NAHASDA funds are:

- Used for authorized purposes;
- In compliance with the program requirements;
- Performance goals are achieved.

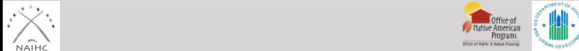


207

What if I Find Problems?

208

- Develop Management Improvement Plan
- Develop/revise policies
- Develop/revise Internal Control Procedures
- Request assistance/training from HUD




208

HUD Monitoring

HUD monitors to determine whether the Tribes:


- Have carried out their eligible activities in a timely manner.
- Have eligible activities and certifications in accordance with the individual program requirements and with other applicable laws.
- Have a continuing capacity to carry out those activities in a timely manner.



209

HUD Monitoring

- Review will cover current year and 2 prior years unless sampling reveals non-compliance.
- Monitoring will include sampling methods. For Examples:
- Sample –
 - Inspection – greater of 10 dwelling units or 10% of all units
 - Client files – greater of 10 files or 10% of all files
- Tribes/TDHE's may want to consider a Self-Monitoring Mutual Agreements (SMMA) with HUD.




210

Self-Monitoring Mutual Agreements


- Self-Monitoring Mutual Agreements (SMMA) intent: To promote effective self-monitoring in accordance with Section 403(b) of NAHASDA and the IHBG regulations at 24 CFR § 1000.502(a)
- Candidate for SMMA:
 - recipients that have well-established systems
 - are interested in improving their self-monitoring efforts
 - and accept the terms of the SMMA.
- Benefits of entering into such an SMMA:
 - ONAP's pledge to conduct on-site monitoring of the recipient less frequently.

• Reference: PG 2007-08



211

**Section 8:
Audit Requirement, Auditor and
Auditee Responsibilities**




212

**Audit Requirements, Auditor and Auditee
Responsibilities**

What is an Audit?

1) An examination of the Tribe/TDHE's financial statements by an independent auditor to ensure financial records:

- Are accurate and fairly represent the financial position of the Recipient
- Conform with Generally Accepted Accounting Principles (GAAP)
- Conform with Government Accounting Standards Board (GASB)






213

What is an Audit?

2) Recipients (States, local governments, Tribes and Not-for Profit Entities) that receive federal funds are subject to "Single Audits".

3) The single audit must be conducted:

- In accordance with generally accepted governmental auditing standards (GAGAS), commonly referred to as the "Yellow Book - standard used to perform financial and performance audits of federal awards.
- The audit must cover the entire operations of the Recipient (auditee).
- The financial statements and schedule of expenditures of Federal awards must be for the same audit period.








214

Why is a Single Audit Required?

a) NAHASDA program compliance requirement:

- NAHASDA Section 405(a)... *implemented by 2 CFR Part 200, subpart F, which require annual audits of recipients that expend federal funds equal to or in excess of an amount specified by the Office of Management and Budget (OMB), as set out in 2 CFR §200.501*
- *Equal to, or in excess of, \$750,000 of Federal Funds expended in the Tribe/TDHE's fiscal year*








215

Why is a Single Audit Required?

b) Federal agencies such as HUD, BIA, EPA, Federal Highways, rely on the single audit as part of their administrative responsibilities to ensure compliance with federal programs:

- Sound financial management system in place
- Federal funds are used for the grant purpose
- Costs are allowable, reasonable and necessary to accomplish grant objectives

216

Why is a Single Audit Required?



- c. Provide assurance to stakeholders such as HUD, banks, and other funders that the Tribe/TDHE's financial information reported are materially accurate.
- d. Audits may identify non-compliance and other issues that require you to strengthen your internal controls to lower the risk of future non-compliance








217

Allowable Audit Costs

Allowable audit costs specific to the NAHASDA program:

- a. The cost of a single audit.
- b. A proportionate share of the cost of a financial statement audit that is exempted from the requirements of Single Audit and Subpart F of the 2 CFR 200 is allowable – costs are included in the indirect cost pool for a cost allocation plan or indirect cost proposal and is attributable to NAHASDA funded activities.
- c. Periodic financial review for a Tribe/TDHE exempted from a single audit but chooses to obtain a periodic financial review (because Federal expenditures are less than \$750,000 during the fiscal year) (1000.546).
- d. Additional audits by federal granting agencies (OIG)
- e. Pass-through entities cost of agreed upon procedures to monitor subrecipients.








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Unallowable Audit Costs

The cost of an audit is not allowable if:

1. The Single Audit has not been conducted or has been conducted but not in accordance with 2 CFR 200 and the single audit.
2. Any costs of auditing a Recipient that is exempted from having a Single Audit (except as noted above).




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Auditor Responsibilities

Under the Single Audit Act, the Auditor will review:

1) Financial Statements to:

- Determine whether the financial statements of the auditee are presented fairly in all material respects in accordance with generally accepted accounting principles (GAAP).
- Determine whether the schedule of expenditures of federal awards is stated fairly in all material respects in relation to the financial statements taken as a whole.

220

Auditor Responsibilities




2) Internal Controls with respect to compliance requirements for EACH MAJOR PROGRAM, the auditor must perform:

A review on internal controls over Federal programs using the Compliance Supplement as guidance on the Recipient's internal controls over Federal programs to ensure compliance with:

- "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States (the "Green Book") OR
- The "Internal Control – Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Auditor test internal controls to assure:

- a) Effective and efficient operations
- b) Reliable financial reporting
- c) Compliance with applicable laws and regulations








221

Auditor Responsibilities

3) Compliance of Major Programs

The auditor must determine whether the Recipient has complied with Federal statutes, regulations, and the terms and conditions of Federal awards that may have a direct and material effect on each of its **major programs**.






222

Auditor Responsibilities

4) **Follow-Up On Prior Audit Findings:** The auditor must follow-up on prior year audit findings and must perform procedures to assess the reasonableness of the prior audit findings prepared by the Recipient (auditee).

5) **Complete And Sign Data Collection Form (SF-SAC):** The auditor must complete, and sign specified sections of the online data collection form (SF-SAC) – a form for Reporting on Audits of States, Local Governments, Indian Tribes and non-profits.



223


Major Program Determination § 200.518(a)

High-risk Type A and high-risk Type B programs are considered **major programs** and must be **audited**.

Auditor must use a risk-based approach to determine which federal programs are major programs, and considers:

- current and prior audit experience,
- oversight by federal agencies and pass-through entities, and
- the inherent risk of the federal program.

NOTE: The risk-based approach reflect the increased focus on oversight and greatest **risk** of waste, fraud, and abuse of taxpayer dollars.



224

Major Program Determination

Auditor must follow these steps to determine major programs to audit § 200.518(b) – (e)


Step 1: Identify Type A or Type B Programs
Type A: => \$750,000; Type B: below \$750,000

Step 2: Risk Assessment – Identify Type A programs which are not low-risk

Step 3: Risk Assessment - Identify high-risk Type B Programs


Step 4: Auditor must audit all major programs identified in Step 2 and Step 3:


- Percent of Coverage Rule
 - Low Risk Auditee - 20% of Federal Exp
 - Non-Low Risk Auditee – 40% of Fed Exp





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Auditee Responsibilities

 (a) Procure the single audit. Refer to 200.509 – Audit Selection

 (b) Prepare the schedule of expenditures of Federal awards (SEFA). Refer to 200.510 Financial Statements

 (c) Prompt follow-up and corrective actions on audit findings. Refer to 200.511 – Audit Findings Follow-up

 (d) Provide auditor with access to records (Personnel, records, etc.)



226

Auditor Selection

(a) In procuring an auditor, emphasis:
 “...the objective is to obtain high-quality audits.”

“...the objectives and scope of the audit must be made clear and the non-federal entity must request a copy of the audit organization's peer review report which the auditor is required to provide under GAGAS (generally accepted government auditing standards).

Reference § 200.509






227

Procure Audit Services

Procure auditor services competitively using the Request For Proposal (RFP) method. The following requirements must be observed [2 CFR §200.320(d) & §200.321]:

- Advertise the RFP and identify all evaluation factors;
- Solicit proposals from an adequate number of qualified sources;
- Have a written method for conducting technical evaluations of the proposals;
- Award contracts to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered;







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Procure Audit Services

- Consider qualifications of auditors to ensure the most qualified competitor is selected, subject to *negotiation* of fair and reasonable compensation; and
- Must actively take steps to solicit small and minority businesses, women's business enterprises, and labor surplus area firms §200.321

NAHASDA is subject to Indian preference under 7(b) of the Indian Self-Determination Act so must apply tribal employment and contract preference laws adopted by the Tribe or in the absence of the above, Indian Preference.




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Review & Evaluate Responses


Review Committee:

- Establish a review committee to evaluate and conduct the auditor selection process.
- The review of proposals should be thorough, uniform, and well documented – use an evaluation tool!
- Maintain independence – no conflict of interest.
- Use evaluation criteria that is not based solely on price.
- Retain the evaluation summary in procurement files.
- Obtain a signed written contract formalizing the agreement between the Tribe/TDHE and the auditor (Auditor Engagement Letter).




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Evaluation Criteria



Evaluate each proposal for:

- Responsiveness to the request for proposal
- Capacity and capability of staff: professional qualifications and technical abilities
- Peer and external quality control reviews
- Price
- Small businesses, minority-owned firms, and women's business enterprises (2 CFR §200.321)
- Tribal employment and contract preference, if applicable, or Indian Preference under the Indian Self Determination and Education Assistance Act (25 U.S.C. 450e(b))

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Auditor Selection Evaluation Tool

REFER TO HANDOUT

CRITERIA	MAXIMUM POINTS TO AWARD
Qualifications of the firm's staff as it relates to this project. This list shall include the entire audit team, including partners, managers, and audit staff, and shall specify qualifications (CPA, CPA candidate, and experience the senior and manager) have on performing the audit of similar size and entity type.	15
Alaska Native/American Indian owned business preference (if applicable) OR Small/Minority/Women-Owned/ Section 8 Business Concern (if applicable) (Maximum points shall be 15)	15 OR 15
Experience auditing Tribes, federal grants, including NAHAGDA, For profit, Not-for-profit and companies involved in social enterprises. Provide a list of clients served in the last five years by the above categories.	20
Technical assistance team: This tribe is seeking qualified and experienced staff that can answer technical questions regarding accounting, presentation and audit of various business types, including capital development, property management, social enterprise, and general governmental, for-profit, not-for-profit companies.	20
Price: Include price for audit of combined financial statements, statement of cash flow, notes to financial statements, and supplemental information, including the management discussion and analysis, as well as stand alone financial statements and tax returns. If price is subject to change based on major programs with regard to state and federal single audit requirements, price structure must be clearly defined. In addition, price structure should reflect experience of senior and manager of audit team.	25

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Procure Audit Services

Exercise:

Review handout on sample request for proposal Audit services

233

Engagement Letter

The engagement letter is a written contract between the auditor and auditee:

- The purpose of the engagement
- Specifically what the Auditor "will and won't do" (the scope of the audit)
- Management's (Tribe/TDHE) responsibilities
- Reliance on facts the client gives the CPA
- Audit fee estimates and out of pocket expense
- Request for the client's signature
- Instructions to return the signed engagement letter

• Review sample Engagement Letter handout


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Prepared By Client List (PBC)

- The PBC list is the auditor’s list of documents to be prepared by the client before the site visit start date
- It is not all inclusive – it is just the start of what the auditor will test
- To be “audit ready” you can start with the PBC

Review sample PBC

BEST PRACTICES: Prepare an Audit “Binder” that contains the adjusted trial balance with documents supporting the accounts. Section ____ includes sample workpapers in preparation for an audit.




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Financial Statements

AUDITEE responsibilities:

1. **Financial Statements** – must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited.
2. **Schedule of Expenditures of Federal Awards (SEFA)** – must prepare for the same period as the financial statements and must include total federal awards expended as noted in 200.502.

Reference: § 200.510





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Schedule Of Expenditures of Federal Awards (SEFA)

Prepared by Client: SEFA is a summary document of all federal grant awards It includes:

- a. Federal agency (HUD)
- b. Grant award (Indian Housing Block Grant)
- c. Grant number
- d. Catalog of Federal Domestic Assistance Number (CFDA)
- e. Grant Award amount
- f. Eligible expenditures

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UPONOROTH TRIBE
Schedule of Federal Awards
Year Ended December 31, 2016



Federal Grant or Contract Title	Amount Number	FYDA	Total Grant Amount	FYDA	Expenditures
U.S. Department of Housing and Urban Development (HUD):					
Indian Housing Block Grant	0012200000	14,867	125,000	5	530,822
Indian Community Development Block Grant	0000000000	14,867	150,000		150,000
Loan Guarantees:					
Title VI Loans	None	14,869	850,000		850,000
Total U.S. Department of Housing and Urban Development:			1,525,000		1,530,822
U.S. Department of Transportation					
Tribal Transportation Plan	0000000001	20,205	200,000		200,363
Total U.S. Department of Transportation:			200,000		200,363
U.S. Department of Health and Human Services:					
Passed Through Native Tribal Health Corporations					
Clean Water and Sewer Infrastructure	0000000002	93,047	88,500		88,500
Disease Eradication Program	0000000004	93,047	20,000		13,514
Total U.S. Department of Health and Human Services:			181,594		102,014
U.S. Department of the Interior:					
Passed Through Bureau of Indian Affairs:					
Wild Tribal Self-Determination	0000000003	15,032	100,000		100,000
Total U.S. Department of the Interior:			100,000		100,000
Total All Federal Financial Assistance:			\$ 1,906,500		\$ 1,836,242

Note 1. Basis of Presentation.
The accompanying Schedule of Federal Awards (this "Schedule") includes the federal award activity of Uponoroth Tribe under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S.C. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Uponoroth Tribe, it is not intended to and does not represent the basic financial statements of Uponoroth Tribe.

Note 2. Summary of Significant Accounting Policies.
Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Uponoroth Tribe has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Pass Through Awards.
Pass through entity identifying numbers are presented where available. No amounts were passed through to subgrantees.



Note 4. Federal Loan Program.
The Title VI loan program listed above is administered directly by Uponoroth Tribe, and balances and transactions relating to these programs are included in Uponoroth Tribe's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented at December 31, 2016. The ending balance of Title VI Loans at December 31, 2016 was \$767,031.



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EXERCISE



Review - Sample Audit Workpapers in preparation for the audit.



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Section 9:




Grant Compliance Requirements



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Compliance Requirements

- The Compliance Supplement is an annual document that is issued by the OMB (available at www.omb.gov).
- This document serves to identify compliance requirements that the Federal government expects to be considered as part of an audit required under the Single Audit Act.
- Auditors utilize the Compliance Supplement as the primary tool in determining the Recipient's compliance requirements on programs undergoing single audit.
- The compliance supplement is modified each year; the 2019 Compliance supplement is effective after June 30, 2019.


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EXERCISE


Review and Navigate the Compliance Supplement for the IHB Grant.

2 CFR PART 200, APPENDIX XI

COMPLIANCE SUPPLEMENT



JUNE 2019
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET






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Testing 2019 Compliance Supplement Requirements

	A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y
Allowable Principles	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y
Cost Management	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y
Eligibility	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y
Equipment/Real Property Management	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y
Level of Effort/Matching	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y
Period of Performance	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y
Subrecipient Debarment & Suspension	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y
Program Income	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y
Reporting	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y
Subrecipient Monitoring	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y
Significant Terms and Provisions	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y




There are 12 types of compliance requirements for the IHBG Program – only 6 will be tested in 2019.

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Program Compliance

- **Allowable and Unallowable Activities** – Auditor will test whether Tribe/TDHE’s activities are eligible activities of the NAHASDA Program.
- **Allowable Costs/Cost Principles** – Auditor will test whether all expenses charged to the IHBG grant are allowable costs.
- **Reporting:**
 - **Financial Reporting (SF-425) and Performance Report (APR):** Were they accurate and filed timely?
 - **Section 3:** If construction cost >\$200,000 in the program year, did the Recipient hire Section 3 residents?
- **Wage Rate Requirements:** Comply with Davis Bacon or Tribally Designated wage rate that is not less than prevailing wage rates for the area?








244

Program Compliance- Procurement

Must procure to encourage full and open competition in the use of Federal funds.

- **EXCEPTION** NAHASDA allows for de minimus procurement; purchases under \$5,000 are exempt from the competitive procurement process. (Section 203(g) of NAHASDA) and 24 CFR §1000.26(11)(iii).
- Indian Preference applies. 24 CFR 1000.52 (except for purchases under \$5,000) (§1000.52(d).
- **CAUTION 1:** If you purchase from the same vendor more than once in a day and the amounts of each invoice is less than \$5,000, but when combined, exceed \$5,000, the transaction to the vendor no longer meets the de minimus procurement test and must be competitively procured.
- **CAUTION 2:** Must update Procurement Policy and Procedures to apply the new de minimis and small purchase threshold.






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Program Compliance - Procurement




PROCUREMENT GENERAL STANDARDS

Procurement "Claw" (Section §200.318-326)



General Standards

- A. Documented Policies
- B. Necessary
- C. Full & Open Competition
- D. Conflict of Interest
- E. Documentation
 - I. Cost & Price Analysis
 - II. Vendor Selection

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Program Compliance - Procurement

PROCUREMENT THRESHOLD REQUIREMENTS

NOTE: Micro-purchase and de minimis exemptions are two different methods for simplifying purchasing.

1. Micro-purchase threshold (\$10,000): **NATIVE PREFERENCE APPLIES**
2. IHBG De Minimis Procurement Exemption: \$5,000: **NATIVE PREFERENCE DOES NOT APPLY**

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Program Compliance – Environmental Review

ENVIRONMENTAL REVIEW DOCUMENTATION:

- ❖ **Must be completed for ANY NAHASDA** assisted activities not excluded from review under 24 CFR 50.19(b).
- ❖ **Must document Environmental Review BEFORE** the recipient may acquire, rehabilitate, convert, lease, repair or construct property, or commit HUD or local funds used in conjunction with such NAHASDA assisted activities with respect to the property (1000.20(a)).
- ❖ **CANNOT SPEND ONE DOLLAR OF NAHASDA** in a project (even with mixed funding), without an approval and release of funds has been received from HUD.

Reference: Environmental Review: 24 CFR Part 58; 24 CFR Part 1000.20(b)(3)
<https://hudexchange.info/program/environmental-review/>
 2012 HUD Environmental Review Compliance Guidebook (Part 58)

248

Program Compliance - Investments

Investment of IHBG Funds:

- Was HUD approval obtained prior to establishing the investment?
- Does the Recipient have an investment policy and procedure that conforms with HUD's investment guidelines?
- Are the funds kept in a separate account and are the accounts subject to an agreement prescribed by HUD (52736-A for bank accounts or HUD-52376-B for brokers and dealers?)

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Program Compliance – Useful Life

Recipient Guidance No 2014-09(R) Useful Life and Binding Commitments, dated August 13, 2014

- Housing units built with NAHASDA funds must remain affordable for the useful life of the asset.
- The Tribe sets the useful lives.
- Binding Agreements with the HUD.
- Report on the IHP/APR:

HUD Form 52737 IHP/APR Section 6 Other Submission Items:

(1) **Useful Life/Affordability Period(s)** (NAHASDA § 205, 24 CFR § 1000.142) (Identify the useful life of each housing unit to be constructed, acquired, or rehabilitated with IHBG funds in the 12 month period. Exclude Mutual Help units.










250

Program Compliance - Insurance

INSURANCE
PIH Guidance No. 2014-03 (R) on March 20, 2014




- 1. REQUIRED:** for housing units that are owned, operated, or assisted with IHBG funds.
- 2. NOT REQUIRED:**
 - if amount of (grant) assistance is less than \$5,000; OR
 - if there is no risk of loss or exposure to the Tribe.

251

Section 10:




Audit Report, Auditor Opinion and Reporting

252

HOORAY!!

You made it through your audit and now you are ready for the results!



253

Independent Audit Report

The auditor's report(s) may be in the form of either combined or separate reports and must state that the audit was conducted in accordance with 2 CFR Part 200, subpart F and include the following:

1. an opinion or disclaimer of an **opinion on the financial statements** and
2. an opinion or disclaimer of an **opinion on whether the schedule of expenditures (SEFA)** is fairly stated in all material respects in relation to the financial statements as a whole.
3. a report on internal control over financial reporting and compliance.
4. a report on compliance for each major program and a report on internal control over compliance.
5. a schedule of findings and questioned costs.

Reference: § 200.515



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Audit Opinion - Unmodified

The auditor will issue a report and express an opinion on the financial statements **taken as a whole**

A) **Unmodified Opinion** is what you want to receive!
An unmodified opinion means that the:

- Financial statements conform with GAAP; and
- Financial statements present the entities financial accounts fairly


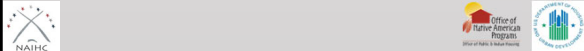
255

Audit Opinion - Modified

B) a **Modified Opinion** is not a “clean” or unmodified opinion.

There are three types of modified opinions:


1. Qualified opinion
2. Adverse opinion
3. Disclaimer opinion

256


Modification of Audit Opinion

Nature of Matter Giving Rise to the Modification	Auditor's Judgment About the Pervasiveness of the Effects or Possible Effects on the Financial Statements	
	Material but Not Pervasive	Material and Pervasive
Financial statements are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion



257

Qualified Opinion




1. Qualified Opinion

- The auditor concludes that there is evidence of misstatements that are material, but not pervasive, or
- The auditor is unable to obtain sufficient appropriate audit evidence on which to base an opinion

Examples:

- ✓ The report misstates or misclassifies accounting entries.
Example: capital asset purchases were posted as supplies and were not capitalized on the fixed assets schedule
- ✓ Financial entries for accrued payroll and leave liability were not booked in the current period resulting in under-reporting of expenses and liabilities





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Adverse Opinion

2. Adverse Opinion
 The auditor concludes that the misstatements are **BOTH material and pervasive** and leads the auditor to conclude that the financial statements:
 ✓ Do *not* fairly represent the entity's accounts, and
 ✓ The audited statements do not comply with GAAP

- Auditor provides specific reasons for the opinion; specify accounting errors or departures from GAAP
- May trigger additional audits from HUD, Office of Inspector General, banks, and investors
- If the audit reveals illegalities, corporate officers may be held personally accountable

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Disclaimer Of Opinion

3. Disclaimer Opinion:

- The auditor cannot obtain sufficient appropriate audit evidence on which to base an opinion
- The effects of undetected misstatements, if any, could be both material and pervasive and therefore, they believe they cannot audit *impartially*
- With the disclaimer, auditors *recuse* themselves

Examples:

- The auditor's scope is limited. Auditors receive financial data that they cannot audit because the source documents are not available to audit
- Auditors have other doubts about the reports. For example: Reports may seem to violate accounting principles such as the *matching concept*
- Auditors cannot confirm the classification of certain revenues and expenses



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Audit Findings – Auditor Responsibility

Audit findings – reported in the Schedule of Findings and Questioned Costs

The auditor must report the following as audit findings:




1. Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs
2. Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program

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Audit Findings – Auditor Responsibility

3. Known questioned costs for a **MAJOR** program that **ARE OR LIKELY greater than \$25,000;**
4. Known questioned costs for a **NON-MAJOR** program that **ARE greater than \$25,000;**
5. Known or likely fraud affecting a federal award, if the fraud has not already been included in the audit finding in the schedule of findings and questioned costs for Federal awards;
6. Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresent the status of any prior audit finding




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What are Significant Deficiencies?

Significant Deficiency: Deficiency in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance


Examples:

- Incomplete grant files – lacked required evidence of quarterly reports, no evidence of IHBG draws from eLOCCS
- Board of Commissioner/Tribal Council minutes files were incomplete and missing minutes
- Disbursement controls are lacking over invoices (lack of documentation, lack of approval)

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What are Material Weaknesses?



Material Weaknesses: Deficiency in internal controls or compliance such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected on a timely basis.

Examples:

- Lack of General Ledger Maintenance and Monitoring
- Annual single audit is not timely completed and submitted as required by Subpart F, 2 CFR 200
- Ineligible participants in the program
- Activities and charges to the program were unallowable costs








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Audit Findings – Auditee Responsibility

a. AUDITEE'S general responsibilities:

- follow-up and corrective actions on all audit findings (compliance and financial statement audit).
- prepare the summary schedule of prior audit findings.
- prepare a corrective action plan for current year audit findings.
- must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs.
- must include reference numbers the auditor assigns to audit findings, and the fiscal year in which the finding initially occurred.
- **the corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS, § 200.511(a)**








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Audit Findings - Auditee Responsibility

b. AUDITEE responsibilities for PRIOR AUDIT FINDINGS:

1. Fully corrected: list the audit findings and state that corrective action was taken.
2. Not corrected or only partially corrected: describe the reasons for the finding's recurrence and planned corrective action...
3. Not valid: if audit findings are no longer valid, state reasons.




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Audit Findings – Auditee Responsibility

c. AUDITEE responsibilities for CORRECTIVE ACTION PLAN:

1. at the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 audit findings, a corrective action plan to include in the current year auditor's report.



Reference § 200.511(b & c)

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Client Responsibilities for Audited Financial Report

- It is the Tribe/TDHE's responsibility to follow up and take corrective action on all audit findings and questioned costs. [2 CFR §200.511]
- Prompt follow-up and prepare **CORRECTIVE ACTION PLAN** audit findings Report on both Current and **PRIOR AUDIT** findings separately from the auditor's report of the findings – own letterhead.
- Provide explanations on questioned costs to support grant eligibility.






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Corrective Action Plan

- Name of non-federal entity and person responsible for corrective action: **name, address, and contact information**
- Finding number and title: **2019-01 allowable costs**
- Description of the finding and recommendation (by the auditor): **NAHASDA funds used for unallowable activities.**
- Did you agree with the finding? if no, provide an explanation and specific reasons. **concur**
- Planned correction plan:
 - outline proposed milestones and assign completion date for each
 - **implement written authorization and approval procedures for allowable costs.**
- Due date to complete the implementation of the corrective action plan: **June 30, 2020**

Reference: § 200.511(c)



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Audit Report Submission And Distribution

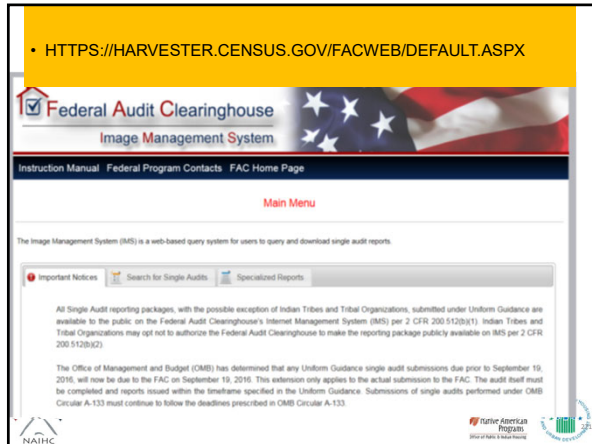
A copy of the recipient audit under the Single Audit Act relating to NAHASDA activities is only required to be submitted to the Federal Audit Clearinghouse (FAC) pursuant to 2 CFR Part 200, subpart F

- *A copy of the audit is NOT required to be submitted to HUD [24 CFR §1000.548 & 2 CFR §200.512].*
- *Tribes can opt out of making its audit publicly available on FAC.*

If the TDHE is a recipient, it must submit a copy of its audit to the Indian Tribe (beneficiary) [24 CFR §1000.550]

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Reporting Exception For Indian Tribes & Tribal Organizations

200.512(b)(2) INDIAN TRIBES AND TRIBAL ORGANIZATIONS

- May choose not to authorize the FAC to make the reporting package publicly available on a Web site, by excluding the authorization for the FAC publication.
- If this option is exercised, the auditee becomes responsible for submitting the reporting package:
 - directly to any pass-through entities through which it has received a Federal award , and
 - To pass-through entities for which the summary schedule of prior audit findings reported the status of any findings related to Federal awards that the pass-through entity provided.
- Must make copies of the report package available for public inspection.

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Audit Report Submission And Distribution

The audit must be completed, and the data collection form and reporting package described must be submitted:

- Within the earlier of 30 calendar days after receipt of the auditor's report(s), or
- Nine (9) months after the end of the audit period.
 - **If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day**

Unless restricted by Federal statutes or regulations, the auditee:

- Must make copies available for public inspection
- Auditees and auditors must ensure that their respective parts of the reporting package do not include **protected personally identifiable information**


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Audit Deadline Changes Due to COVID-19

Annual Audit Deadlines to Submit to FAC Six Month (180 Day) Extensions

FYE	Original Date Audit Due to FAC	Extended Due Date per OMB M-20-17
6/30/2019	03/31/2020	09/30/2020
9/30/2019	06/30/2020	12/31/2020
12/31/2019	09/30/2020	03/31/2021
3/20/2020	12/31/2020	06/30/2021
6/30/2020	03/31/2021	09/30/2021

Contact your Area ONAPs with questions. Additional guidance is forthcoming.

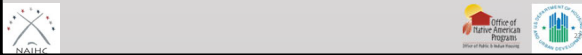


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Management Decision and Time Requirements

1. The federal awarding agency or pass-through entity is responsible for issuing a management decision and must do so within six months of acceptance of the audit report by the FAC.
2. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

Reference: § 200.521(d)

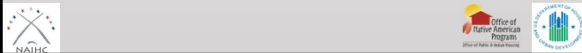


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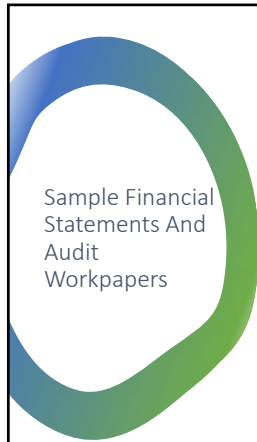
Audit Record Retention

All financial and programmatic records, supporting documents, and statistical records of the recipient which are required to be maintained by the statute, regulation, or grant agreement:

- **Must be retained for 3 years from the end of the tribal program year during which the funds were expended**
- If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.



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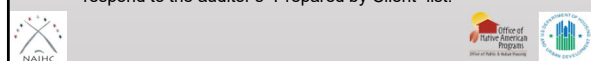
Sample Financial Statements And Audit Workpapers

- The following financial information and supporting schedules are included in this Section:
 - Statement of Net Position*
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows
- Audit Work Book consisting of the Adjusted Trial Balance and Supporting Lead Sheets as of December 31, 20XX:
 - A1: 1111: Bank Reconciliation
 - A2: 1112: Investment Account Reconciliation
 - A3: 1150: Security Deposit Ledger
 - A4: 1120: Petty Cash Reconciliation Report
 - A1: 1160: MEPA Investments
 - B1: 1310: Tenant Accounts Receivable
 - B1-B2: 1310, A/R Aging Summary: Bad Debt Expense and Allowance for Doubtful Accounts
 - 1400: NAHASDA Grant receipts and Receivables
 - B3: Grant Analysis Worksheet – NAHASDA
 - SF-425: IHBG Funds
 - C1: 1501: Prepaid Expense
 - D1 – D8: 1901-1950: Fixed Asset Accounts reconciliation
 - Fixed Asset Schedule
 - Depreciation Schedule
 - E1: Accounts Payable Aging Detail
 - E2: 2201: Credit Card
 - F1-F5: Accrued Payroll
 - F6: Compensated Absences
 - H: Notes Payable Footnote
 - H1 & H2: Notes Payable Supporting schedules: Principal and Interest

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Want a Successful Audit?


1. Audit preparations do not start at the end of the year – ask questions during the year; give your auditor a call and discuss new transaction.
2. Use a calendar reminder for deadlines submission of reports with deadlines: Do not be late in filing your quarterly SF 425, IHP and APR, audit reports and other required reports (Payroll reports).
3. Review transactions and ensure you have supporting documents – remember- document, document, document!
4. Account reconciliations should be performed every month or quarter, depending on the transactions; do not wait until the end of the fiscal year!
5. Engage the auditor early so that you have time to review and respond to the auditor’s “Prepared by Client” list.



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Want a Successful Audit?

6. Review your accounting software to ensure it is set up to separately track all revenues and expenses of the each grant award.
7. Make sure you have accurate, financial statements. Prepare final adjusted trial balance and the SEFA.
8. Create an audit workpaper folder and up back-up workpapers to support your trial balance numbers to ensure accuracy.
9. Review policies and procedures (financial and procurement) and ensure they are updated with 2 CFR 200 and NAHASDA regulations.
10. Perform accounting in accordance with GAAP and GASB!



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THANK YOU

Thank you
For participating in the Intermediate Financial
Management and Audit Preparation Training



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Questions?



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