




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.

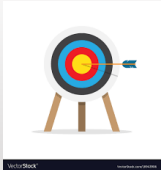
Training Purpose







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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

https://www.hud.gov/program_offices/public_indian_housing/ih/codetalk/onap/ihbgformula




- 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."

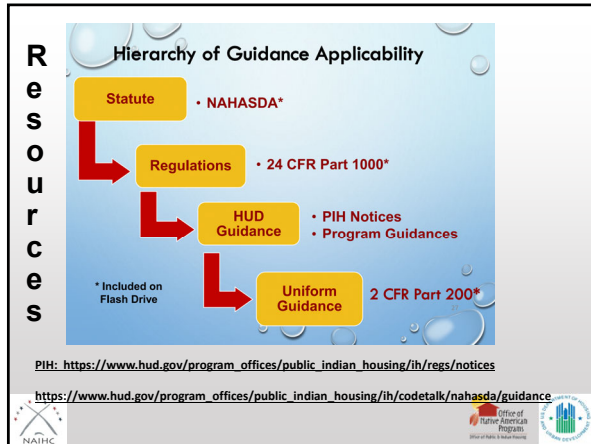
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NAHASDA Key Points – Cont'd

- **Distributes the grant through an allocation formula developed under negotiated rule making.**
https://www.hud.gov/program_offices/public_indian_housing/ih/codetalk/onap/ihbgformula
- **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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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>

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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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

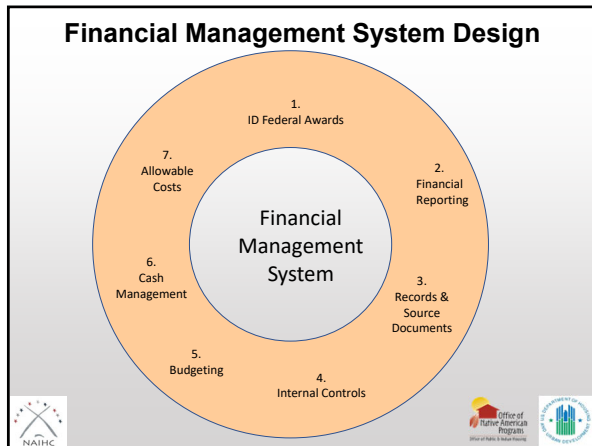
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Financial Management System Elements §200.302(b)

- 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: Identify Federal Awards Received

Must maintain SEPARATE records 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 data** and disclosure of the financial results of each Federal award or program to enable preparation of necessary financial and progress reports to HUD.

- **Accurate:** Actual amount of grant revenue and costs of the grant – no estimates!
- **Current:** All income and costs must be recorded and posted within the accounting period in your accounting system.
- **Complete:** Record all transactions – even unallowable grant costs.

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

- **§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 – approvals
 - Obligations – payable, contracts, subrecipients made
 - Unobligated balances – grant funds on hand, including obligated grant on hand, but not yet paid
 - Assets – Capitalization of assets with useful life > 1 year.
 - Expenditures – grant funds expended on eligible activities of IHBG
 - Income – All program revenues and program income
 - Interest – earnings from invested IHBG
 - Supported by source documentation.



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

c. 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 – IHBG CARES Fund
- Class 800 – IHBG Competitive Grant

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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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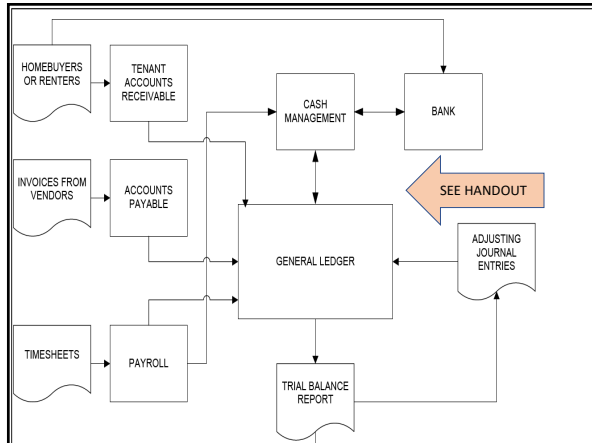
The Accounting Flowchart

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. |

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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 97-41

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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 [FDIC]

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



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.



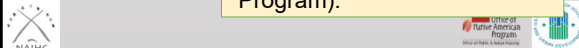
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Regulations governing IHBG Allowable Costs

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- 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).

LET'S REVIEW!



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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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Factors Affecting Allowability Of Costs (§200.403)

Costs are chargeable if...

- Necessary, reasonable, allocable
- Conform to grant award purpose
- Consistent with policies and procedures
- Accorded consistent treatment – allowable or allocable.
- Generally GAAP
- Cannot use as cost sharing or matching requirement

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.

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

Xreference – Sec 3 BUDGETS

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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 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

- 1. COSTS THAT REQUIRE HUD PRIOR APPROVAL:**
 - Depreciation method other than Straight Line
 - Cost of Housing
- 2. UNALLOWABLE COSTS:**
 - Penalties, damages, fines and other settlements
- 3. 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



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**Section 3:
IHP Budget and Accounting**



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§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 | 147,151.3 | 47,365.26 | 534,410.0 | 27.54% | 387,258.61 | |
| Total Revenue | 56,262.26 | 175,124.0 | 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 | 121,412.0 | 23.22% | 93,220.95 | |

IHP/APR

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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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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 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:

- a) Identify housing need.
 - Single family housing, senior housing, homebuyer assistance, etc.
- b) Identify sources of funds.
 - IHBG and other funds that are combined with IHBG funds.
 - Program Income
- c) Identify uses of funds.
 - Eligible activities – NAHASDA Sec 2020.
 - Required IHBG activity – Maintain and operate 1937 Housing Act
- d) Ensure Capacity to carry out the activities and build into the budget if needed.
- e) Management oversight of budget to actual expenses, including amendments to the budget, as necessary.
- f) 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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CHANGES DUE TO COVID-19

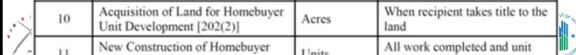
- Review PIH 2020-13 Attachment for IHBG CARES grant
- IHBG CARES – Implementation Training:
 - https://www.hud.gov/sites/dfiles/PIH/documents/IHBG_CARES_RECIPIENT_TRAINING_4.27.2020%20v3.pdf
- Effective Date: When Tribe/TDHE began preparing for COVID-19.
- Abbreviated IHP submission deadline: none
- Period of Performance: 9/30/2025 – highly encouraged to spend...
- Limited use of IHBG CARES funds to these activities:
 - Prepare
 - Prevent
 - Respond



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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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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 to be expended during 12-month program year | (E) Estimated unexpended funds remaining at end of program year (C minus 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 unexpended funds remaining at end of 12-month program year (H minus I) | (K) Actual unexpended funds remaining but not expended at end of 12-month |
| 1. IHBG Funds | 100,000 | 525,000 | 625,000 | 590,564 | 34,436 | | | | | | |
| 2. IHBG Program Income | 0 | 34,420 | 34,420 | 34,420 | 0 | | | | | | |
| 3. Title VI | 0 | 316,000 | 316,000 | 316,000 | 0 | | | | | | |
| 4. Title VI Program Income | 0 | 0 | 0 | 0 | 0 | | | | | | |
| 5. 1937 Act Operating Expenses | | | | | | | | | | | |
| 6. Carry Over 1937 Act Funds | | | | | | | | | | | |
| LEVERAGED FUNDS | | | | | | | | | | | |
| 7. IC29G Funds | | | | | | | | | | | |
| 8. Other Federal Funds | | | | | | | | | | | |
| 9. IHTC | | | | | | | | | | | |
| 10. Non-Federal Funds | | | | | | | | | | | |
| TOTAL | 100,000 | 874,420 | 974,420 | 929,984 | 34,436 | 100,000 | 1,073,380 | 1,117,380 | 1,023,000 | 34,378 | |

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 O 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)(ii)

(3) 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 to be expended during 12-month program year | (E) Estimated unexpended funds remaining at end of program year (C minus 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 unexpended funds remaining at end of 12-month program year (H minus I) | (K) Actual unexpended funds remaining but not expended at end of 12-month |
| Source: IHBG CARES FUNDS | | | | | | | | | | | |

ONE SOURCE OF FUNDS: IHBG CARES FUNDS

SOURCE: IHBG_CARES_RECIPIENT_TRAINING_4.27.2020 v3.pdf

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| | NAHASDA | | | | | NAHASDA | | | Total NAHASDA Budget |
|---|-----------------|--------------------|-------------------------------|-------------------|----------------------|---------------|----------------|----------------|----------------------|
| | 1937 Act Budget | Housing Dev Budget | Modernization Services Budget | MH Program Budget | Tile VI Admin Budget | TBRA Budget | NAHASDA Budget | NAHASDA Budget | |
| Income | | | | | | | | | |
| 4000 - Rental Income | 8,400 | 23,100 | 7,000 | 4,320 | | | | 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 | |
| 4801 - 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 | 11,980 | 86,200 | 22,500 | 43,600 | 11,980 | | 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 | | | 6,300 | | | | 14,064 | 20,364 | |
| 5200 - Travel | 8,000 | | 2,500 | | | | 2,500 | 5,000 | |
| | 6,000 | | | 4,000 | | | 1,200 | 13,200 | |
| | 6,000 | | | 3,000 | | | 1,600 | 10,600 | |
| | 560 | | | 6,300 | | | 2,233 | 14,533 | |
| | | | | | | | 4,700 | 5,200 | |
| | | | | | | | 3,000 | 3,000 | |
| | | | 2,000 | | | | 4,003 | 6,003 | |
| | | | | | | | | 0 | |
| 5615 - Grounds (snow removal) | | | | 3,600 | | | | 6,100 | |
| 5700 - Program (non-emergency) | | | | 2,000 | | | | 5,000 | |
| 5710 - Child Care Assistance | | | | | | | 5,000 | 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 | |
| 5490.99 - Contra Exp-Principal Payments | | | | | | | | 0 | |
| Total Expense | 40,173 | 565,000 | 37,350 | 51,448 | 33,013 | 98,000 | 110,000 | 939,884 | |
| Net Income | 8,400 | 0 | 0 | 0 | 0 | 0 | 0 | 8,400 | |

Budget Setup Allows for Tracking by Eligible Activities

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Shows IHBG as one of many budgets

| UPNORTH TRIBAL HOUSING 20XX BUDGET | | | | | | Total NAHASDA Budget | TOTAL BUDGET |
|---|-----------------|----------------|---------------|-----------------|----------------|----------------------------|------------------|
| | ANTHC Budget | BIA Budget | CCS Budget | ICDBG Budget | IRR Budget | | |
| 4000 - Rental Income | | | | | | 38,500 | 38,500 |
| 4310 - Administrative Exp | | | | | | 4,200 | 4,200 |
| 4300 - Federal Grants | 38,500 | 125,000 | 20,000 | 150,000 | 265,000 | 590,564 | 1,189,064 |
| 4500 - Proceeds from Debt | | | | | | 315,000 | 315,000 |
| 48801 - Interest Income | | | | | | 0 | 0 |
| Total Income | 38,500 | 125,000 | 20,000 | 150,000 | 265,000 | 948,364 | 1,546,864 |
| Expense | | | | | | | |
| 5000 - Salaries & Wages-Tribe Paid | | 80,000 | | 145,350 | | 241,220 | 466,570 |
| 5005 - Benefits | | 14,400 | | 26,183 | | 43,420 | 83,983 |
| 5130 - Legal | | 9,000 | | 30,000 | | 0 | 39,000 |
| 5135 - Accounting/Auditing | | 4,720 | 967 | 10,250 | | 20,364 | 36,301 |
| 5200 - Travel | | 5,500 | | 5,700 | | 5,000 | 16,200 |
| 5406 - Utilities - Fuel | | 1,000 | 200 | 800 | | 13,200 | 15,200 |
| 5407 - Utilities - Water/Sewer | | 1,000 | 200 | 800 | | 10,600 | 12,600 |
| 5408 - Utilities - Electri | | 1,500 | 200 | 800 | | 14,533 | 17,033 |
| 5505 - Telephone & Communications | | 2,500 | 700 | 2,500 | | 5,260 | 10,960 |
| 5550 - Insurance-general liability | | 1,500 | 200 | 2,500 | | 3,000 | 7,200 |
| 5600 - Supplies | | 2,780 | 1,533 | 25,137 | | 6,003 | 35,453 |
| 5605 - Fuel Operations | | 250 | | | | 0 | 250 |
| 5610 - R&M/Buildings | | | | | | 6,100 | 6,100 |
| 5615 - Grounds/keepings/snow removal | | | | | | 5,000 | 5,000 |
| 5700 - Program Assistance-Emergency | | 3,850 | | | | 5,000 | 8,850 |
| 5710 - Child Care Assistance | | | 16,000 | | | 0 | 16,000 |
| 5780 - Interest Expense | | | | | | 36,000 | 36,000 |
| 5800 - Capital Assets-Building | | | | | | 454,754 | 454,754 |
| 5800.99 - Contra Exp-Buildings | | | | | | 0 | 0 |
| 5803 - Land Improvements | | | | 150,000 | | 0 | 150,000 |
| 5803.99 - Contra Exp-Land | | | | | | 0 | 0 |
| 5804 - Capital Infrastructure | 38,500 | | | | | 0 | 38,500 |
| 5804.99 - Contra Exp-Infrastructure | | | | | | 0 | 0 |
| 5805 - Capital Assets - Equipment | | | | 15,000 | | 0 | 15,000 |
| 5805.99 - Contra Exp - Equipment | | | | | | 0 | 0 |
| 5890 - Principal Payments on Loan | | | | | | 70,500 | 70,500 |
| 5890.99 - Contra Exp-Principal Payments | | | | | | 0 | 0 |
| Total Expense | 38,500 | 125,000 | 20,000 | 150,000 | 265,000 | 939,364 | 1,538,464 |
| Reserves | 0 | 0 | 0 | 0 | 0 | 9,000 | 9,400 |

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IHP Due Dates



| FISCAL YEAR | Original IHP Due Date (75 days prior to start of Program Year) | Waiver Extension (Not more than 90 days from original due date) | IHP Submission Extension deadline due to COVID (PIH 2020-13) |
|-------------------------|--|---|---|
| Apr 1, - Mar. 31, 2020 | January 17, 2020 | April 15, 2020 | 10/16/2020 |
| Jul. 1, - June 30, 2020 | April 17, 2020 | July 15, 2020 | 10/16/2020 |
| Oct. 1 - Sept. 30, 2020 | July 18, 2020 | October 15, 2020 | 1/17/2021 |
| Jan. 1, - Dec. 31, 2020 | October 18, 2020 | January 15, 2021 | N/A |
| Apr 1, - Mar. 31, 2021 | January 17, 2021 | April 15, 2021 | N/A |
| Jul. 1, - June 30, 2021 | April 17, 2021 | July 15, 2021 | N/A |

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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.

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Section 4: Basics of Governmental Accounting

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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.








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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



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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



- **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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Governmental Financial Statement reporting is by Major Fund:

Major Funds

SEE SEC 4- GOVERNMENTAL FUND F/S

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

Proprietary Funds

SEE SEC 4- PROPRIETARY FUND FS

- 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).



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

Basis of Accounting - When to Record a Transaction?

- 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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POLL QUESTION



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 brought 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 record the transaction as an expenditure?

- a. June 15
- b. July 2
- c. July 15

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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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POLL QUESTION



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?

- a. Do nothing; wait until payment is made on July 1.
- b. Debit Supplies; Credit Accounts Payable.

2) What is the accounting entry for July 1?

- a. Debit Supplies; Credit Cash
- b. Debit Supplies; Credit Accounts Payable
- b. Debit Accounts Payable; Credit Cash






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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.

1. **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)?)
2. **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 requires 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 for investment purposes– recorded as **“UNEARNED REVENUE OR REFUNDABLE ADVANCE”**; NOT AS A GRANT REVENUE.



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Measurement Focus

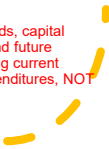
WHAT

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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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**

Measurement Focus

What Transactions To Record?

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Example 1 – Governmental Fund vs Proprietary Fund

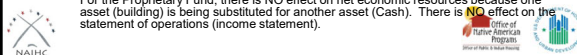
Tribe/TDHE purchases a \$350,000 duplex for its rental program.

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.

1. 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. | | |
2. 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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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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Which Fund Type are you using?

A) GOVERNMENTAL (Tribe & TDHE)

OR


B) 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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SAMPLE TRIAL BALANCE

| TRIAL BALANCE | | |
|--|---------------|---------------|
| MARCH 31, 202X | | |
| Description | Debits | Credits |
| 01-00 111100 00 000 000 General Account | 750,563.21 | 0.00 |
| 01-00 112200 00 000 000 Tenant Receivable | 1,255.14 | 0.00 |
| 01-00 112210 00 000 000 Allowance for Doubtful Accts | 0.00 | 575.00 |
| 01-00 112300 00 000 000 Mutual Help Homebuyers | 50,215.63 | 0.00 |
| 01-00 112310 00 000 000 Allowance for Doubtful Accts | 0.00 | 45,000.00 |
| 01-00 112900 00 000 000 Accounts Receivable-Other | 1,218.23 | 0.00 |
| 01-00 114500 00 000 000 Interest Receivable | 16,478.40 | 0.00 |
| 01-00 116100 00 000 000 GF Investment | 4,510,565.78 | 0.00 |
| 01-00 116200 00 000 000 General Fund Inv CDs | 2,792,025.41 | 0.00 |
| 01-00 116210 00 000 000 Security Deposit Trust | 33,000.00 | 0.00 |
| 01-00 116350 00 000 000 MH Equity (MEPA/VEPA) | 86,499.94 | 0.00 |
| 01-00 117300 55 000 000 IHBG Investment | 10,733,934.69 | 0.00 |
| 01-00 121100 00 000 000 Prepaid Insurance | 25,048.07 | 0.00 |
| 01-00 211100 00 000 000 Accounts Payable | 0.00 | 102,863.21 |
| 01-00 211200 00 000 000 A/P Inventory | 0.00 | 397.92 |
| 01-00 211400 00 000 000 Tenants Security Deposits | 0.00 | 30,409.00 |
| 01-00 217100 00 000 000 MEPA | 0.00 | 84,051.41 |
| 01-00 226000 55 000 000 Deferred Revenue-IHBG | 0.00 | 10,721,624.08 |
| 01-00 281000 00 000 000 Unrestricted Net Assets | 0.00 | 7,538,239.19 |
| 01-00 282000 00 000 000 Restricted Net Assets | 0.00 | 263,575.83 |
| 01-00 291200 00 000 000 Refundable MH Reserve | 0.00 | 13,500.00 |
| 01-00 291400 00 000 000 Unrefundable MH Reserve | 0.00 | 45,000.00 |
| 01-10 311000 11 000 000 Dwelling Rents | 0.00 | 211,037.83 |
| 01-10 390010 00 055 000 IHBG 1537 Acct Operating | 0.00 | 650,000.20 |
| 01-11 523000 28 055 000 Housing Services | 54,196.00 | 0.00 |
| | 66,875,867.08 | 66,875,867.08 |

See AUDIT WORKBOOK

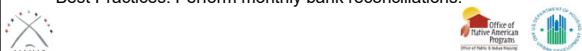


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Cash and Investment Accounts

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 (Monthly Equity Payment Account)
 - Program Income
 - Other Grants
- Best Practices: Perform monthly bank reconciliations.





111

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.



112

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 FIRST 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 | 276,550 | 277,123 | 276,909 | 282,330 | 284,129 | 289,589 |
| Deposits/Withdrawals | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends reinvested | 346 | 348 | 348 | 353 | 355 | 362 |
| Security sales | 1,000 | 1,200 | 2,000 | 1,000 | 5,000 | 1,367 |
| Realized gains/(losses) | 560 | 290 | -125 | 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 | 4,583 |
| 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 | -607 | -1,533 | 4,197 | -4,432 |
| Ending Investment Value | 298,334 | 300,969 | 361,734 | 365,178 | 366,300 | 372,355 | 372,355 |

| | |
|------------------------|---------------|
| Total Dividends | \$ 4,583.10 |
| 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 findings
 - 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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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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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.






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.






(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 Help 1937 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 Account | 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 |




128

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



129

Capital Assets

Capital assets: Tangible or intangible assets having a useful life of more than one year; capitalized in accordance with GAAP and 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.

| 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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Accounting for Capital Assets using IHBG funds

- Record capital asset as historical cost.
- Cost includes purchase price or construction cost, but also ancillary costs incurred that are necessary to place the asset in its intended location and in condition where it is ready for use.

- REPORT IN GOVERNMENTAL FUND:**
 - Report the capital asset as capital EXPENDITURE of the IHBG fund.
 - NOTE: The capital EXPENDITURE is not reported as a capital assets in the governmental balance sheet but is reported as a CAPITAL ASSET in the government-wide financial statements.
- REPORT IN THE PROPRIETARY FUND:**
 - Initially report the capital asset as a capital EXPENDITURE of the IHBG fund to track as an IHBG expenditure.
 - Do NOT report as an EXPENSE in the Statement of Revenues, Expenses and Changes in Net Position.
 - Report it as a CAPITAL ASSET in the Statement of Net Position.

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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 to 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.




132

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)

133

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 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 IHBC.
- 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).






135

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




136

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 |

POLL QUESTION – WHAT AMOUNT IS PROGRAM INCOME?



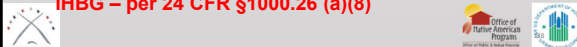
137

Equipment



- Intangible personal property – includes information technology systems (IT):
- A useful life > One year AND
- Exceeds the lesser of Tribe/TDHE's capitalization level, or \$5,000.
- 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)




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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)




139

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)



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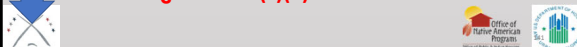
Equipment

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)




141

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

Update equipment/property management policies to include:

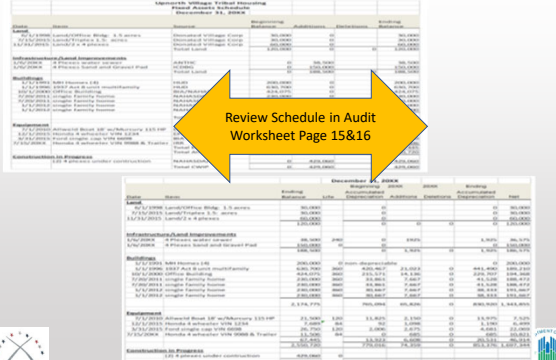



- conditional title conditions in this section.
- priority use language if this provision is used.
- depending on anticipated use of equipment by other federal programs or non-federally funded programs, develop appropriate use fees for use.






145

Fixed Asset and Depreciation Schedule





146

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



151

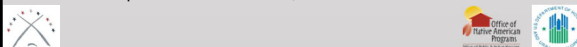
**Section 6:
Program Income**



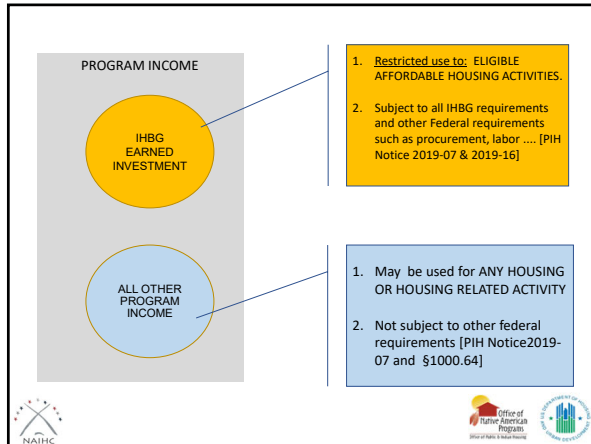
152

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.

At the bottom left is the NAHDC logo, and at the bottom right are the logos for the Office of Native American Programs and the Department of Housing and Urban Development.

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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).

At the bottom left is the NAHDC logo, and at the bottom right are the logos for the Office of Native American Programs and the Department of Housing and Urban Development.

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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.

158

What is not Program Income?

- Interest earned on planning and administration reserves. *It can only be used for affordable housing activities – specifically, for planning and admin expenses. [PG 2014-10(R)]*
- 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 generated from 1937 Housing Act Units

The amount of Program Income or Non-Program Income generated from rental income collected from 1937 Housing Act rental unit depends on:

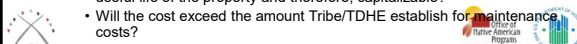
1. Was there Substantial Rehab was performed on the unit?
2. Is the cumulative Substantial Rehab cost of the unit under or does it exceed 40% of the DC&E of the unit size for the cost area as defined by HUD (See Appendix to PIH Notice 2019-07)?
3. As long as a rental unit does's substantial rehab does not exceed 40% of the DCE for the unit, less Program Income generated (and more NON-Program Income generated.)



160

Substantial Rehabilitation of 1937 Housing Act Rental Units

- Substantial Rehabilitation costs accumulate towards the 40% of DC&E of the unit. **Once the total cumulative cost of the unit 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. Instead, it refers to **CPD 16-02** for Tribes/TDHEs for guidance on what would be considered 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?



161

Example 1: Calculating Program Income from 1937 Housing Units

No substantial rehab with IHBG funds


Tribe has 100 2 BR FCAS rental units

Step 1: Look up Tribe's Allowable Expense Level attached as an Appendix to PIH Notice 2019-07. Tribe's AEL = \$150.

Step 2: 46% of AEL (\$150) = \$69

Step 3: Determine the amount of rent to be excluded as Program Income from this project:

- a. Calculate Unit months: Total units (100) x 12 months = 1200 unit months.
- b. Calculate Annual PI Exclusion for FY: 1200 unit months x \$69 = **\$82,800**
- c. Tribe/TDHE's annual rent collected = \$75 x 12 mths x 100 units = \$90,000
- d. **Non-Program Income** = \$82,800
- e. **Program Income** = \$90,000 - \$82,500 = \$7,200.



162

Example 1: Calculating Program Income from 1937 Housing Units
Substantial Rehab with IHBG funds


- Tribe has 100 2 BR FCAS rental units.
- 10 units have substantial rehab costs exceeding 40% DC&E for the unit type.

- Tribe's AEL = \$150.
- 46% of AEL (\$150) = \$69

Step 1: Determine number of rental units subject to Program Income exclusion: 100 units less 10 units = 90 units.

Step 2: Determine the amount of rent to be excluded as Program Income from this project:

- a. Calculate Unit months: Total units (90) x 12 months = 1080 unit months.
- b. Calculate Annual PI Exclusion for FY: 1080 unit months x \$69 = **\$ 74,520**
- c. Tribe's annual rent collected = **\$73,000**
- d. Amount of **NON-Program Income** from rent = **\$73,000** because the amount collected does not exceed 46% of AEL or \$74,520 of unit months or the PI Exclusion.
- e. **Program Income generated** = Rent from substantially rehabbed units (10 units).




163

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):

- If MH is not substantially rehabilitated or IHBG-funded rehab cost does not exceed 40% of DC&E, POS is NOT PROGRAM INCOME and may be used for any housing activity, community facility or economic development activity that benefits the community.
- If cumulative substantial rehab costs using IHBG funds for a MH unit exceeds 40% of the MH unit's DC&E, POS is PROGRAM INCOME.

 [Review PIH Notice 2019-07](#)  

165

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






166

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






167

Program Income when using NAHASDA to leverage Development

Program income from proceeds from leveraged IHBG funds in a project is equal to the proportionate amount of IHBG funds used. For example:
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 | | |
| 3 Program Income attributed to ICDBG: | | |
| ICDG | \$300,000 x 25% | \$ 75,000 |
| IHBG | \$300,000 x 75% | \$ 225,000 |
| Total Sales proceeds | \$ 300,000 | |





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EXERCISE


Winnebago Tribe (Nebraska) has 2 bedroom , 100 Low Rent units.
In FY 2020, Tribe collected \$100,000 from the low rent units.

1. AEL for Tribe = ?
2. 40% of AEL for Tribe = ?
3. 46% of DC&E limit for 2-BR = ?
4. What is the Program Income Exclusion for the Tribe?
5. How much of the \$100K collected is Program Income?
6. Assume 20 units were substantially rehabbed. Rents collected is \$70,000
 - a. What is the Program Income Exclusion?
 - b. How much is Program Income?



169

**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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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.

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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.
- Consider a Records and Retention Program to manage records.
- Safeguard protected personally identifiable information.



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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.





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Annual Performance Report (APR)

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).

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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 for the APR section are for the 12-month program year.)

| PROGRAM NAME (Use to program names in Section 3 above) | IHP | | APR | | | |
|---|----------------|----------------|---|---|---|----------------|
| | (A) (B) (C) | (D) | (E) (F) (G) (H) | (I) | (J) | (K) |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| | Actual | Planned | Total IHDG (only) funds expended in 12-month program year | Total all other funds expended in 12-month program year | Total funds expended in 12-month program year (CHP) | |
| 202X-01 Senior Low Rent (1937 Act Housing) | | | 27,995 | 0 | 27,995 | |
| 202X-02 Development - Family Housing | 290,000 | 315,000 | 595,000 | 225,608 | 314,980 | 540,288 |
| 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 | 21,481 | 11,330 | 33,011 | 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 | 939,584 | 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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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: 0999999A | | | |
| F. Fund Number: | 12, Department of Housing & Urban Development | | |
| G. Granting Agency: | IHBG 20XX | | |
| H. Grant Number: | 10-01-01-00000 | | |
| I. Grant CFDA #: | 14-867 | | |
| J. Grant Period: | 9/30/20XX - 12/31/20XX | | |
| K. Grant Amount: | 125,000 | | |
| Grant Description (Program): | | | |
| 20XX Expenditures and Cash Receipts | | | |
| Receivable (Deferred) received in prior year | | | Total |
| September 30, 2019 | \$ | | |
| Cash receipts during the year | \$ | 470,000.00 | |
| Expenditures during the year | \$ | 530,622.00 | |
| Ending receivable (Deferred) received 9/30/20XX | \$ | 60,622.00 | \$ 60,622.00 |
| Cumulative Expenditures | | | |
| Total Grant Award | | \$ | |
| Expended in prior years | | \$ | |
| Expended during the year | | \$ | |
| Total funds expended to date | | \$ | |
| Grants left to be expended | | \$ | |
| Cumulative Cash Receipts | | | |
| Total Grant Award | | \$ | |
| Received in prior years | | \$ | |
| Cash receipts during the year | | \$ | |
| Total funds received to date | | \$ | |
| Grants left to be received | | \$ | |
| Ending A/R (Deferred) prior total | | \$ | 60,622.00 |
| Cash receipts during the year | | \$ | 470,000.00 |
| Total | | \$ | 470,000.00 |
| Total | | \$ | 470,000.00 |



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

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Reporting IHBG Funds

- 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] – OPTIONAL, but highly encouraged to use!
- Income from investment is PROGRAM INCOME – therefore, must report on line 12 of SF-425 or on a page attached to the form. *NOTE: Remember = Investment income can only be spent on AFFORDABLE HOUSING ACTIVITIES, NOT RELATED HOUSING ACTIVITIES.*
- 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.
 - Investment income is included with other program income.
- Reference PG Notice 2014-07, PIH 2019-16, and PIH 2019-07

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Self-Monitoring

Tribe/TDHE is required to conduct a periodic assessment of its program to ensure:

- operated effectively and efficiently
- follow all program guidelines
- Achieved the goals they have established for their program.
- No due date imposed, but must complete at least annually
- HUD does not mandate how the self-monitoring process is to be done.
- Report the Self-monitoring results in the APR.

Reference:




- §403(b) of 24CFR §1000.502 and the Uniform Guidance §200.328.
- HUD handbook at :https://www.hud.gov/sites/documents/DOC_8747.PDF

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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, TDHE 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.








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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.






189

What if I Find Problems?

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




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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.



191

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.




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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



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




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**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)






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What is an Audit?

2) Recipients that receive and EXPEND \$750,000 or more in federal funds are subject to a Single Audit.

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.



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Why is a Single Audit Required?

a) NAHASDA program compliance requirement under Section 405(a).

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


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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.








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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).




200

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.

201

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



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Auditor Responsibilities

3) Determine 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**.

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).

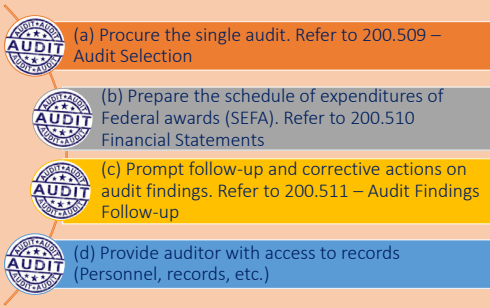
5) Complete And Sign Data Collection Form (SF-SAC):

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.




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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.)





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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






205

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, CMA, candidates, and experience the same or manager) have on performing the audits 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 5 |
| Experience auditing Tribes federal grants, including TANF/EDA, 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: The 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 audit 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 auditor and manager of audit team. | 25 |






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Procure Audit Services

Exercise:

Review handout on sample request for proposal Audit services




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Engagement Letter

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

1. The purpose of the engagement
2. Specifically what the Auditor “will and won’t do” (the scope of the audit)
3. Management’s (Tribe/TDHE) responsibilities
4. Reliance on facts the client gives the CPA
5. Audit fee estimates and out of pocket expense
6. Request for the client’s signature
7. 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



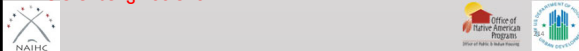
213

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:

- Federal agency (HUD)
- Grant award (Indian Housing Block Grant)
- Grant number
- Catalog of Federal Domestic Assistance Number (CFDA)
- Grant Award amount
- Eligible expenditures

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REFER TO HANDOUT

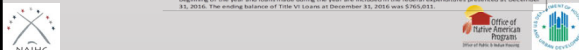
| Federal Grant or Contract Title | Award Number | CFDA | Total Grant Award | Eligible Expenditures |
|--|--------------|--------|---------------------|-----------------------|
| Federal Grant or Contract Title | | | | |
| U.S. Department of Housing and Urban Development (HUD) | | | | |
| Indian Housing Block Grant | 01YFZ0000 | 14.862 | 129,000 | \$ 330,622 |
| Indian Community Development Block Grant | 000000000 | 14.862 | 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 | | | 1,529,000 | 1,330,622 |
| U.S. Department of Transportation | | | | |
| Tribal Transportation Plan | 000000001 | 20.205 | 200,000 | 200,363 |
| Total U.S. Department of Transportation | | | 200,000 | 200,363 |
| U.S. Department of Health and Human Services | | | | |
| Funded through Alaska Native Tribal Health Corporation | | | | |
| Clean Water and Sewer Infrastructure | 000000002 | 93.047 | 38,500 | 38,500 |
| Direct Care Program | 000000002 | 93.047 | 20,000 | 12,513 |
| Total U.S. Department of Interior | | | 58,500 | 51,013 |
| U.S. Department of the Interior | | | | |
| Funded through Bureau of Indian Affairs | | | | |
| Wk Tribal Self Government | 000000003 | 15.032 | 100,000 | 100,409 |
| Total U.S. Department of the Interior | | | 100,000 | 100,409 |
| Total All Federal Financial Assistance | | | \$ 1,929,500 | \$ 1,826,212 |

Note 1. Basis of Presentation
The accompanying schedule of federal awards (the "schedule") includes the federal award activity of Miamokah Tribe for the year ending on or about December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. 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 Miamokah Tribe, it is not intended to and does not present the basic financial statements of Miamokah Tribe.

Note 2. Summary of Significant Accounting Policies
Accounting reported on this schedule are prepared 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. Miamokah 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 entry identifying numbers are presented where available. No amounts were passed through to subrecipients.


Note 4. Federal Loan Program
The Title VI Loan program listed above is administered directly by Miamokah Tribe, and balances and transactions relating to these programs are included in Miamokah 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 \$763,031.



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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

August 2020
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

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Testing 2020 Compliance Supplement Requirements

| | A | B | C | E | F | G | H | I | J | L | M | N |
|--|---|---|---|---|---|---|---|---|---|---|---|---|
| Activities Allowed or Unallowed | | | | | | | | | | | | |
| Allowable Costs/Principles | | | | | | | | | | | | |
| Cost Management | | | | | | | | | | | | |
| Eligibility | | | | | | | | | | | | |
| Equipment/Real Property Management | | | | | | | | | | | | |
| Matching, Leave of Effort, Lumpsumming | | | | | | | | | | | | |
| Period of Performance | | | | | | | | | | | | |
| Procurement, Suspension & Debarment | | | | | | | | | | | | |
| Program Income | | | | | | | | | | | | |
| Reporting | | | | | | | | | | | | |
| Subrecipient Monitoring | | | | | | | | | | | | |
| Special Provisions | | | | | | | | | | | | |

There are 12 types of compliance requirements for the IHBG Program – only 6 will be tested in 2020

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Program Compliance

1. **Allowable and Unallowable Activities** – Auditor will test whether Tribe/TDHE’s activities for the fiscal year are eligible activities of the NAHASDA Program.
2. **Allowable Costs/Cost Principles** – Auditor will test whether all expenses charged to the IHBG grant are allowable costs.
3. **Eligibility for Individuals** - Auditor will review Tribe/TDHE has written A&O Policy governing eligibility, admission and occupancy of families, and will test for eligibility of individuals and families being served.

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Program Compliance



4. Reporting

a) Financial Reporting (SF-425):

- Auditor will test for COMPLETENESS, ACCURACY, AND TIMELINESS of submissions
- Auditor will review Box 12 (or attachment) of investment information for reasonableness of the investment status explanation.

b) Performance Reporting:

- APR – Form HUD 52737:** Auditor will review APR for COMPLETENESS, ACCURACY, AND TIMELINESS of submission.
- Section 3:** If construction cost >\$200,000 in the program year, did the Recipient hire Section 3 residents?






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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**

Procurement "Claw" \$200.320

The diagram shows a 'claw' shape representing procurement thresholds. At the bottom is the 'Micro-purchase Threshold (\$10,000)'. Above it are '1. Micro Purchases' (up to \$5,000), '2. Small Purchases' (\$5,000 to \$25,000), '3. Sealed Bids' (\$25,000 to \$200,320), '4. Competitive Proposals' (\$25,000 to \$200,320), and '5. Sole Source' (above \$200,320). Notes include: 'No cost or price analysis' for micro-purchases; 'RFP with evaluation method' for sealed bids; 'Fixed price or cost reimbursement' for competitive proposals; and 'Unique', 'Public emergency', 'Authorized by agency (or PFI)', and 'No competition' for sole source.

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Special Tests and Provisions (1) Wage Rate Requirements

1. **Wage Rate Requirements:** Section 104(b) of NAHASDA requires that prevailing wage rates as determined by the Secretary of Labor (commonly known as Davis-Bacon wage rates) be paid to all laborers and mechanics employed in the development of affordable housing and that HUD-determined prevailing wage rates be paid to all maintenance laborers and mechanics employed in the operation of affordable housing.
2. **Application of Tribal Law:** (1) above does not apply long as Tribe adopts a Tribally Designated Wage Rate (TDW) laws or regulations that requires the payment of not less than prevailing wages, as determined by the Tribe.

Reference: PG 2003-04

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Special Tests and Provisions (2) 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)

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**Special Tests and Provisions
(3) Investment of IHBG Funds**


Auditor will review whether :

- HUD provided prior written approval for establishing the investment.
- Tribe/TDHE has an investment policy and procedure that conforms with HUD's investment guidelines?
- 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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**Section 10:
Audit Report, Auditor Opinion
and Reporting**



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HOORAY!!

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





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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




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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

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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 |



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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 over 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)**
- PROMPT FOLLOW UP ON FINDINGS!



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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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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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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

**For participating in the Intermediate
Financial Management and Audit
Preparation Training**





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Questions?
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Please feel free to contact me with questions!



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