




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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A slide titled "REVIEW AGENDA" with a large green arrow pointing to a box labeled "INTERMEDIATE FINANCIAL MANAGEMENT AND AUDIT PREPARATION AGENDA". Logos for NAHSC, Office of Native American Programs, and the State of North Dakota are at the bottom.

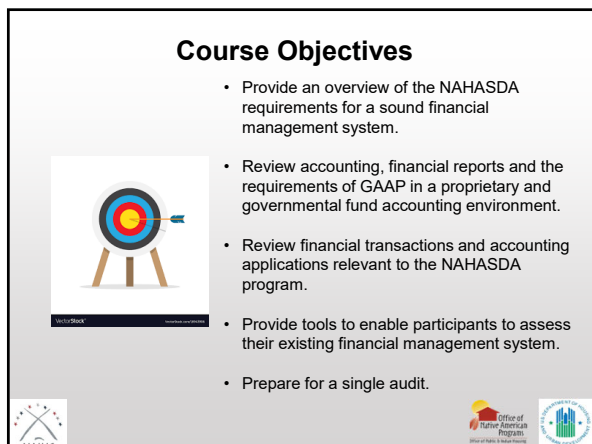
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Slide titled "Training Purpose" with a list of bullet points and a background image of houses. Logos for NAHSC, Office of Native American Programs, and the State of North Dakota are at the bottom.

- 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.

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Slide titled "Course Objectives" with a list of bullet points and a target icon. Logos for NAHSC, Office of Native American Programs, and the State of North Dakota are at the bottom.

- 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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1937 Housing Act → NAHASDA


- Housing Act of 1937
 - Competitive and prescriptive
 - Many decades of HUD rules
 - Traditionally, programs included:
 - Low Rent Units (30% of income as rent)
 - Mutual Help Program (15% of income as housing payment)
 - Rehab, Modernization:
 - CIAP, Comprehensive Grant
 - Youth/Drug Programs



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1937 Housing Act → NAHASDA

- Passage of NAHASDA (1996).
- Eliminated separate programs and **replaced them with the IHBG Formula** - Intent: Make equitable distribution of annual appropriation.
- **Allocation is basis of your annual budget**
- Increased flexibility in use of funds; NAHASDA encourages leveraging.
- Greater local decision-making. Tribe identifies **affordable housing activities** in an annual "Indian Housing Plan" to address Tribal housing needs.
- Tribes can designate an Indian Housing Authority as their **Tribally Designated Housing Entity (TDHE)**. Defines TDHE - as the existing IHA under the Housing Act of 1937...and is not an Indian Tribe."




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Funding Formula Components

Four components make up formula:

1. Formula Current Assisted Stock (FCAS)
2. Need
3. 1996 Minimum
4. **NEW** -Undisbursed IHBG Funds Factor (UDFF) [§1000.310 and 342]

Reference: NAHASDA Regulations, Subpart D §1000.301-§1000.342



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Component 1: FCAS [§1000.312]

A. Formula Current Assisted Stock (FCAS) is:

1. Housing developed under the 1937 Act (before NAHASDA) called Current Assisted Stock (CAS):
 - Low Rent
 - Mutual Help
 - Turnkey III
2. 1937 units in the development pipeline (after NAHASDA)
3. Section 8 – expired but still managed like Sec 8 program

B. Two elements of FCAS in formula

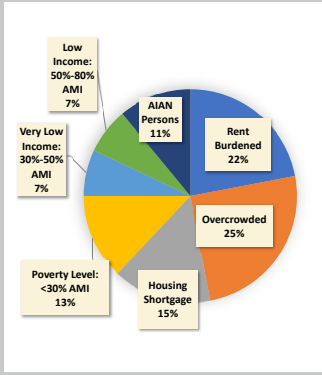
- Operating subsidy
- Modernization allocation



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Component 2: NEED

- Need Component Weights [§1000.324]:
- Seven Weighted variables
- Based on Decennial Census and American Community Survey (ACS) 5-year data
- Adjusted for local development costs
- Reference: PIH Notice 2017-14 and §1000.330(b)(1) and (b)(2)



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**Component 3:
1996 Hold Harmless
[§1000.340(b)]**

- A tribe's IHBG funding is never reduced below its FY 1996 funding level.
- This is the amount the tribe's IHA received in FY 1996 for operating and modernization subsidy.
- IHBG funding is adjusted to the amount received in FY 1996.
- This is a statutory requirement.


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Component 4: Undisbursed IHBG Funds Factor [§1000.342]

- *New formula factor*
- Provides adjustments for tribes with:
 - Initial allocation of \$5 million or more
 - Have undisbursed IHBG funds greater than the sum of their prior 3 years' initial allocation
- Initial allocation will be reduced and any amounts recovered will be redistributed

NOTE: WAIVED FOR FY2021 ONLY DUE TO COVID [PIH 2020-27]




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Formula Response Form (FRF)

Form recipients use to report changes to their FCAS, formula area, and other formula related information before each year's formula allocation [§100.302].

- Sent each year around June 1
- Submit responses by August 1. [For FY2021, new submission deadline moved to Sept 1]
- Final Allocations: Completed after the budget is appropriated

https://ihbgformula.com/fy2021/?utm_medium=email&utm_source=govdelivery



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ACTIVITY: Find your formula amount

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



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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 AWARDS
 • <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



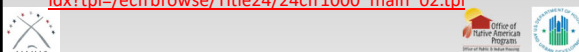
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Administrative Requirements For NAHASDA

§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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Uniform Guidance: What is it?

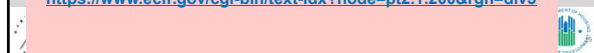
Code of Federal Regulations: 2 CFR Part 200

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>




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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**

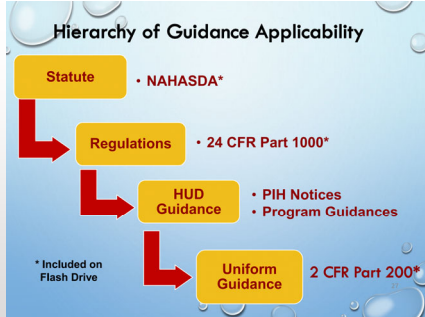
<https://www.ecfr.gov/cgi-bin/text-idx?node=pt2.1.200&rgn=div5>



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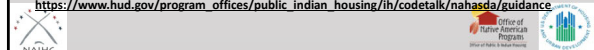
Hierarchy of Guidance Applicability

R
e
s
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r
c
e
s



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



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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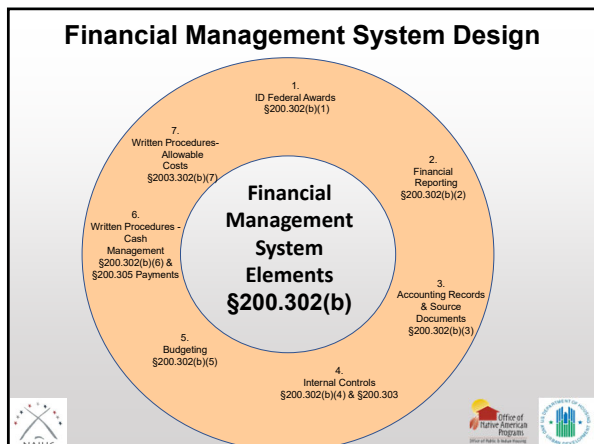
Overview of Financial Management System

- 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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\$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 https://www.hud.gov/program_offices/public_indian_housing/

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| Grant Analysis Worksheet | | | |
|--|--|------------|---------------|
| 12/31/20XX | | | |
| Grant Information | | | |
| 1. Grant Number | NAHASDA | | |
| 2. Granting Agency | U.S. Department of Housing & Urban Development | | |
| 3. Grant Name | IHBG 20XX | | |
| 4. Grant Number | 55-IH-02-XXXX | | |
| 5. Grant Cycle # | 18.000 | | |
| 6. Grant Period | 01/01/20XX - 12/31/20XX | | |
| 7. Grant Amount | \$ | 525,000 | |
| Grant Development (Percent) | | | |
| | | | Total |
| 20XX Expenditures and Cash Receipts | | | |
| Receivable (deferred revenue) as of September 30, 20XX | \$ | | |
| Cash receipts during the year | \$ | 470,000.00 | |
| Expenditures during the year | \$ | 320,822.00 | |
| Ending receivable (deferred revenue) 9/30/20XX | \$ | 40,822.00 | \$ 40,822.00 |
| Cumulative Expenditures | | | |
| Total Grant Award | \$ | | Total |
| Expended to date | \$ | | |
| Expended during the year | \$ | | |
| Total funds expended to date | \$ | | \$ |
| Funds left to be expended | \$ | | |
| Cumulative Cash Receipts | | | |
| Total Grant Award | \$ | | Total |
| Receivable prior to year | \$ | | |
| Cash receipts during the year | \$ | | |
| Total funds received to date | \$ | | \$ |
| Funds left to be received | \$ | | |
| Ending A/R (Deferred profit loss) | \$ | 40,822.00 | \$ 40,822.00 |
| Cash receipts during the year | | | |
| Year | Balance | Receipts | Amount |
| 12/31/20XX | | | \$ 100,000.00 |
| 12/31/20XX | | | \$ 100,000.00 |
| 12/31/20XX | | | \$ 100,000.00 |
| 12/31/20XX | | | \$ 100,000.00 |
| Total | | | \$ 400,000.00 |
| Total | \$ | 470,000.00 | \$ 470,000.00 |

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

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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.



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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



Must be supported by source documentation



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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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Tracking IHBG Using your Accounting System

SUB-CLASS EXAMPLES – TO TRACK IHP ACTIVITIES

- Sub-Class 50 – Planning and Administration
- Sub-Class 100 – 1937 Housing Act-Low Rent
- Sub-Class 150 – Mutual Help Program
- Sub-Class 200 – Development
- Sub-Class 250 – Modernization/Rehab
- Sub-Class 300 – Housing Services
- Sub-Class 350 – TBRA Program
- Sub-Class 400 – COVID-Prepare
- Sub-Class 500 – COVID-Prevention
- Sub-Class 600 – COVID-Respond






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Tracking IHBG Using your Accounting System

EXAMPLE 2: ACCUFUND ACCOUNTING SYSTEM



| XX | XX | XXXXXX | XX | XXX | XX |
|------|---------------------|---------------------|-------------------|----------------|----------------------|
| FUND | FUNCTION | OBJECT | LOCATION | GRANT | IHP ACTIVITY |
| 01 | General Fund | 10 Operations | 1XXXX Assets | 20 Reservation | 70 IHBG 2020-1 |
| 02 | Loan Program | 11 Housing Services | 2XXXX Liabilities | 21 Downtown | 80 ICDBG IHBG 2020-2 |
| 03 | Market Rent | 12 Housing Mgt Svcs | 3XXXX Equity | 22 Town A | 19 CARES 2020-3 |
| 04 | Hsg Home Rehab Prog | 13 Downpayment Asst | 4XXXX Revenues | 23 Town B | |
| 05 | GFAG | | 5XXXX Expenses | | |

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TRIAL BALANCE 12/31/202X

| Account | Description | Debits | Credits |
|-------------------|----------------------------------|---------------------|---------------------|
| 1 0 11100 0 0 0 | General Checking Account | 550,237.53 | 0.00 |
| 1 0 11220 0 0 0 | Tenant Receivable | 35,623.51 | 0.00 |
| 1 0 11221 0 0 0 | Allowance for Doubtful Accts | 0.00 | 26,109.48 |
| 1 0 11230 0 0 0 | Mutual Help Homebuyers | 60,251.45 | 0.00 |
| 1 0 11231 0 0 0 | Allowance for Doubtful Accts | 0.00 | 57,424.87 |
| 1 0 11290 0 0 0 | Accounts Receivable-Other | 354.20 | 0.00 |
| 1 0 11610 0 0 0 | GF Investment | 1,524,501.50 | 0.00 |
| 1 0 11621 0 0 0 | Security Deposit Trust | 20,000.00 | 0.00 |
| 1 0 11635 0 0 0 | MH Equity (MEPA/VEPA) | 103,500.24 | 0.00 |
| 1 0 12110 0 0 0 | Pre-paid Insurance | 24,392.38 | 0.00 |
| 1 0 12130 0 0 0 | Workers Comp Deposit | 28,879.00 | 0.00 |
| 1 0 12150 0 0 0 | Pre-paid Expenses | 210.00 | 0.00 |
| 1 0 12700 0 0 0 | Inventory | 138,500.99 | 0.00 |
| 1 0 21120 0 0 0 | A/P Inventory | 0.00 | 3,899.86 |
| 1 0 21140 0 0 0 | Tenants Security Deposits | 0.00 | 29,667.00 |
| 1 0 21190 0 0 0 | Accounts Payable | 0.00 | 6,568.00 |
| 1 0 21350 0 0 0 | Salary and Wages Accrual | 0.00 | 20,917.84 |
| 1 0 21351 0 0 0 | Accrued Annual Leave | 0.00 | 95,951.04 |
| 1 0 21710 0 0 0 | MEPA | 0.00 | 103,941.15 |
| 1 0 28100 0 0 0 | Unrestricted Net Position | 0.00 | 3,520,502.30 |
| 1 0 29120 0 0 0 | Refundable MH Reserve | 0.00 | 11,000.00 |
| 1 0 29140 0 0 0 | Unrefundable MH Reserve | 0.00 | 30,000.00 |
| 1 25 36100 0 0 0 | Interest on Gen Fund Investments | 0.00 | 42,000.50 |
| 1 25 39001 0 70 0 | IHBG 1937 Act Operating | 0.00 | 482,874.93 |
| 1 25 44600 0 70 0 | Facilities Staff Training/Travel | 2,800.00 | 0.00 |
| 1 26 39001 0 70 0 | IHBG Housing Services | 0.00 | 275,619.13 |
| 1 26 41100 0 70 0 | Administrative Salaries | 8,962.78 | 0.00 |
| 1 26 41100 0 70 0 | Fringe Benefits | 3,470.88 | 0.00 |
| 1 26 41400 0 70 0 | Staff Training | 11.70 | 0.00 |
| TOTAL | | 6,617,267.65 | 6,617,267.65 |

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

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

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


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Internal Controls – What is it?

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

- Control risks to an organization.
- Provide reasonable assurance that the Recipient's objectives are achieved related to operations, reporting, and compliance.
- Detect and prevent fraud and protect the organization's assets.
- Provide consistency and compliance for operations and operating systems that all employees must 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
- Payroll preparation and distribution duties and approving, writing and signing checks should also be done by different people.

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Preventative Controls

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 | Review and reconcile other balance sheet accounts (Refundable advances, Payroll liability accounts, etc. | Self-monitoring |
| | Conducting physical inventory | |

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Review The Accounting Flowchart...


- 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.



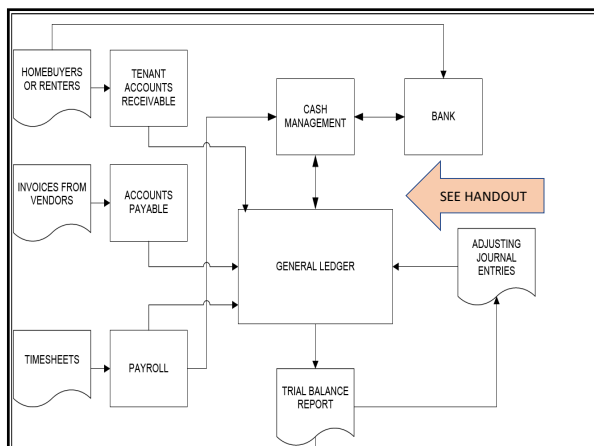
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The Accounting Flowchart

- 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 [§200.303]


a. Establish and maintain effective internal controls over the IHBG funds that **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**.

Reference: Internal Control Questionnaire and Assessment



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Internal Controls – Recipient Responsibility [§200.303]

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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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 Communicate info to right people | • 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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Designing Internal Controls

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

| | |
|---|----------------------|
| <p>a. President</p> <ul style="list-style-type: none"> i. Reviews and approves all grant expense reports; ii. Approves and reviews all Grant applications; and iii. Signs checks for all transactions over a certain limit | APPROVES |
| <p>b. Tribal Administrator</p> <ul style="list-style-type: none"> i. Reviews final bank reconciliations; ii. Second signer on all checks; iii. Reviews and approves payroll before final processing; iv. Approves payment of all payroll liabilities; v. Reviews and approves accounts payable before checks are cut; vi. Reviews and approves all financial reports; vii. Approves all journal entries (or JE's over a certain dollar amount); viii. Approves all credit card payments; and ix. Reviews and approves bank deposits and bank reconciliations. | REVIEWS & APPROVES |
| <p>c. Bookkeeper</p> <ul style="list-style-type: none"> i. Processes payroll and payroll liabilities; ii. Processes accounts payable and prepares checks; iii. Reconciles general ledger monthly; iv. Reconciles bank accounts; v. Prepares grant expense reports; and vi. Reconciles credit card payments. | PROCESS & RECONCILES |
| <p>d. Office Assistant/ Receptionist</p> <ul style="list-style-type: none"> i. Opens all mail; ii. Prepares cash receipts log and invoice log; iii. Mails checks for payment; and iv. Processes all travel requests and reviews travel vouchers for accuracy. | PROCESSES |

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POLL QUESTION

Exercise: Tribe/TDHE has applied to its bank for a company credit card to issue to employees. Credit cards were issued to managers without written policies and procedures. Which of the five components of COSO did the Tribe/TDHE overlook?



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

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

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

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

52



§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






53

§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


54

§ 200.305(b)(1&2) Payments

PIH 97-41 & HUD Letter 12/17/1998

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).
- Timing and amount must be **as close as is administratively feasible to the actual disbursements. [3 working days]**
- Must be consolidated to cover anticipated cash needs for all federal awards made by the federal awarding agency to the recipient.
- **When electronic fund transfers are not used**, non-federal entities are authorized to submit requests for advance payments and reimbursements at least monthly.



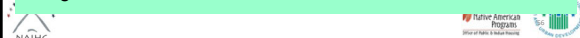
55

§ 200.305(b)(3) Payments

REIMBURSEMENT PAYMENTS is the preferred method when:

1. the requirements in paragraph 200.305(b) for advance payment and **cannot** be met.
2. when the federal awarding agency sets a specific condition per §200.207.
3. or, when the non-federal entity requests payment by reimbursement.

Note: federal awarding agency or pass-through entity must make payment within 30 calendar days after receipt of the billing.




56

§ 200.305(b)(5) Payments

(5) ... the non-federal entity **must disburse funds** available from **program income**...before requesting additional cash payments.

Does not apply to IHBG, per program specific requirement of 24 CFR 1000.26(a)(3). HUD shall **not** require a recipient to expend retained program income before drawing down or expending IHBG funds.

PIH NOTICE 2019-07
<https://www.hud.gov/sites/dfiles/PIH/documents/PIH2019-07.pdf> & with attachments a-d

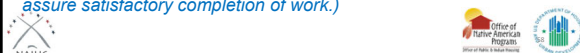


57

§ 200.305(b)(6) Payments

Conditions under which payment to a non-federal entity may be withheld:

- failure to comply with the project objectives, federal statutes, regulations, or the terms and conditions of the federal award.
- delinquent in a debt to the united states.
 - *funds would be released upon subsequent compliance.*
- where contractor intends to withhold payment to contractors to assure satisfactory completion of work. *(Note: A payment must be made when the non-Federal entity actual disburses the withheld funds to the contractors or to escrow accounts established to assure satisfactory completion of work.)*




58

§ 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 (FDIC) accounts, whenever possible**

REFER TO:
 PIH 2014-21
<https://www.hud.gov/sites/documents/pih2014-21.pdf> with attachments




59

§ 200.305(b)(8) Payments


Advance payments **must be in interest-bearing accounts unless:**

- **total federal awards for year are less than \$120,000, or**
- **anticipated interest earnings are less than \$500 per year, or**
- **minimum balance requirements of bank make it not feasible**





60

§ 200.305(b)(9) Paymer



- Interest up to **\$500** per year can be retained for administrative expense.
- Any additional interest earned on federal advance payments deposited in interest-bearing accounts must be remitted annually to the **department of health and human services payment management system (pms)**.

[NOTE: Does not apply to IHBG recipients who have been approved to invest IHBG funds per 24 CFR § 1000.58].



61

§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 NOTICES
 PIH 2019-16 <https://www.hud.gov/sites/dfiles/PIH/documents/PIH-2019-16.pdf>
 PIH 2014-21 <https://www.hud.gov/sites/documents/pih2014-21.pdf> with attachments



62

§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.

63



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.

64

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.







65

Regulations governing IHBG Allowable Costs

➔

- 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).



66

Cost Principles §200.402 Composition Of Cost

TOTAL COSTS IS THE SUM OF

ALLOWABLE DIRECT COSTS + ALLOCABLE INDIRECT COSTS - APPLICABLE CREDITS

NATHC Office of Native American Programs

67

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

NATHC Office of Native American Programs

68

§ 200.412 Classification Of Costs

YOU decide and consistently treat each item of cost for the same purpose as Direct or Indirect because...

- There is no universal rule for classifying certain costs as either direct or indirect (F&A).
- A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective

NATHC Office of Native American Programs




69

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.








70

§ 200.413(b & C) Direct Costs

Application to federal award: Identification with the federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect (f&a) costs of federal awards.

| EXAMPLE | |
|--|--|
| <p>TYPICAL DIRECT COSTS</p> <p>Compensation of employees, related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award.</p> | <p>TYPICAL INDIRECT COSTS TREATED AS DIRECT COSTS</p> <p>An accountant's wages, normally an indirect cost, may be treated as a direct cost if the accountant's time is exclusively assigned to a development or project activity.</p> |








71

§ 200.413 (D) & (E) Direct Costs

(d) **direct cost of a minor amount** – may be treated as an indirect (F&A) cost for reasons of practicality.


(e) **cost of certain activities are not allowable as charges to federal awards...** but must be allocated their share of the non-federal entity's indirect costs.

72

**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.
- Remember: 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.




73

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



74


**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!**



75

Practice Exercise

TDHE used IHBG grant to rehab a low-income housing property it owns. Which of the following are direct or indirect costs of the IHBG award?

- The cost of the architect's fees who was hired to work on a project.
- A staff managing the TDHE's property portfolio consisting of 1937 housing low rent units, LIHTC units and market rate rentals units.
- The cost to move the families to another location while their building is being rehabbed.
- A staff responsible for the IHP and APR reporting.
- The salary costs of the grants manager who is responsible for multiple state, federal, and foundation grants.



76

Cost Principles – General Provisions for Selected Items of Cost

Subparts E of 2 CFR §200.420 - 475



77

§ 200.420- § 200.475 Subpart E – Cost Principles Selected Items Of Costs

This section provides principles to be:



- Applied in establishing the allowability of certain items involved in determining cost.
- Apply whether a particular item of cost is properly treated as direct cost or indirect cost.



78

§ 200.420- § 200.475
Subpart E – Cost Principles
Selected Items Of Costs

Program Specific Requirement at 24 CFR §1000.26(a) states that recipients shall comply with the requirements and standards of 2 CFR Part 200, "uniform administrative requirements, **cost principles**, and audit requirements for federal awards"....with certain exceptions...





79

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)



80

§ 200.430(a) Compensation – Personal Services

All remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the federal award, including but not necessarily limited to wages and salaries (*example – fringe benefits*).

Allowable if:

- reasonable and **conforms to established written policy** and consistently applied to both federal and non-federal activities. (*example – personnel policy and written job description*)
- meets requirement of federal award.
- meets requirements of **200.430(i)** standards for documentation of personnel expenses.

81

§ 200.430(i) Standards For Documentation Of Personnel Expenses

(1) Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must:

- (i) Be supported by a **system of internal control**; provides reasonable assurance that the charges are accurate, allowable, and properly allocated (*example - employee certification and supervisor approval*);
- (ii) Be incorporated into the official records of the non-federal entity (*payroll records*);
- (iii) Reasonably reflect the employee's total activity.



82

§ 200.430(i) Standards For Documentation Of Personnel Expenses, cont'd

- (iv) Provide a time or percentage breakdown on all activities for federally funded and non-federally funded activities.
 - (v) Comply with the established accounting policies and practices of the non-federal entity.
 - (viii) **Budget estimates alone do not qualify as support for charges to federal awards but may be used for interim accounting purposes – must have system of internal controls to review and adjust final amount charged to the federal award is accurate, allowable, and properly allocated.**
- (3) Charges for the salaries and wages of **nonexempt** employees, in addition to the supporting documentation **must also be supported by records indicating the total number of hours worked each day.**



83

§ 200.430(f) Compensation – Personal Services

Incentive compensation – allowable

Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., **allowable if:**




- the overall compensation is reasonable and;
- are paid or accrued **pursuant to an agreement** entered into in good faith between the non-federal entity and the employees **before the services were rendered...**



84

§ 200.430(i)
Standards For Documentation
Of Personnel Expenses **NEW**




Conduct an evaluation of your current system and personnel policies and procedures for documenting personnel expenses against the standards described §200.430 (i); adjust system as needed.

85

§ 200.431(f) Compensation – Fringe Benefits




AUTOMOBILES –that portion of automobile costs furnished by the entity that relates to personal use by employees (including transportation to and from work) is **UNALLOWABLE** as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees.

86

§ 200.431 Compensation – Fringe Benefits **NEW**

- Evaluate status of vehicles assigned to staff to determine level of personal use. Amend vehicle use policies to prohibit personal use of vehicles.
- As part of the requirement of §200.302 (b) (7), recipient must have written procedures for how the determination of allowable costs are made. Ensure written procedures are updated to ensure new language for determining allowable costs for fringe benefits.
- Provide training to staff on your procedures.


87

§ 200.432 Conferences

CONFERENCE COSTS – ALLOWABLE:

“...unless further restricted” by award terms/conditions:

- cost of identifying, but not providing, locally available dependent care resources are **allowable**.
- conference hosts/sponsors must exercise discretion...conference costs are appropriate, necessary, and managed to minimize costs.
- federal awarding agency may authorize exceptions where appropriate for programs including Indian tribes, children, and the elderly.

88

§ 200.432 Conferences





- As part of the requirement of §200.302 (b) (7), recipient must have **written** procedures for how the **determination of allowable costs** are made.
- Update written procedures to ensure new language for allowable costs for conferences is included.
- Provide training to staff on your procedures.




89

§ 200.435 Defense And Prosecution Of Criminal And Civil Proceedings, Claims, Appeals And Patent Infringements

- Overall basic intent:
 - **ALLOWABLE** - legal expenses for administration of federal programs.
 - **UNALLOWABLE** - legal expenses for prosecution of claims against the federal government.
- § 200.435 (e): describes strict criteria for how unallowed cost may be allowed.

90

§ 200.436(a) Depreciation

DEPRECIATION is the **method** for allocating the cost of fixed assets to periods benefitting from asset use (over the useful life of the asset).

The non-federal entity may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with GAAP, provided that they are used, needed in the non-federal entity's activities, and properly allocated to federal awards.



91

§ 200.436 Depreciation (Cont'd)

- (c) Donated Asset:
 - acquisition cost is valued at fair market value
 - depreciated or claimed as matching, but not both

- (d)(2) Computing depreciation:
 - preferred depreciation method: straight line
 - a change in the depreciation method **requires HUD pre-approval** [program specific regulations at 1000.26(b)(1)(i)[IHBG]



92

§ 200.437 Employee Health And Welfare Costs

ALLOWABLE: costs incurred in accordance with the non-federal entity's **documented policies** for the improvement of working conditions, employer-employee relations, employee health, and employee performance.

UNALLOWABLE: costs associated with "EMPLOYEE MORALE".


Ensure cost allowability procedures does NOT include activities that are associated with "employee morale".




93

§ 200.438 Entertainment Costs

UNALLOWABLE – HOWEVER, Allowable Under Certain Circumstances



“...where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the federal award or with prior written approval of the federal awarding agency.”




94

§ 200.441 Fines, Penalties, Damages And Other Settlements

UNALLOWABLE:
Refer to Program Specific Regulations: IHBG 24 CFR §1000.26(b)(1)(ii):

“Penalties, damages, fines and other settlements are unallowable costs to the IHBG program.”




95

EXERCISES

TDHE has been fined \$1,000 for a zoning violation for a project funded with IHBG grant. Which of the statements are true or false?



- A. The fine is allowable because TDHE was not aware of the zoning violation. ____
- B. It is not allowable because fines are unallowable costs under the IHBG program. ____
- C. The fine is allowable because it was incurred as a result of compliance with specific provisions of the federal award. ____
- D. The fine is allowable because it is a minimal amount. ____
- E. The fine is allowable because TDHE has prior written approval of the IHBG award. ____



96



EXERCISE

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

97

Section 3: IHP Budget and Accounting





98

§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 | 175,324.0 | 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 | 121,432.0 | 23.22% | 93,230.95 | |



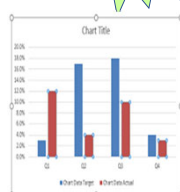





Chart Title

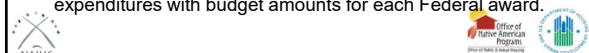



99

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.




100

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?



101

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



102

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.








103

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 eLOCs 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.

104

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

105

| | 1937 Act | NAHASDA | Housing | Moderna | MH | Title VI | NAHASDA | TBRA | Total |
|---|---------------|----------------|---------------|---------------|---------------|---------------|----------------|--------------|----------------|
| | Budget | Dev | Services | son | Program | Admin | Budget | Budget | NAHASDA |
| | Budget | Budget | Budget | Budget | Budget | Budget | Budget | Budget | Budget |
| Income | | | | | | | | | |
| 4000 - Rental Income | 8,400 | | 23,100 | | 7,000 | | | | 38,500 |
| 4010 - Administrative Exp - MH | | | | | 4,320 | | | | 4,320 |
| 4300 - Federal Grants | 40,173 | 250,000 | 14,250 | 51,448 | 21,693 | 98,000 | 110,000 | 5,000 | 590,564 |
| 4500 - Proceeds from Debt | | 315,000 | | | | | | | 315,000 |
| 48901 - Interest Income | | | | | | | | | 0 |
| Total Income | 48,573 | 565,000 | 37,350 | 51,448 | 33,013 | 98,000 | 110,000 | 5,000 | 948,384 |
| Expense | | | | | | | | | |
| 5000 - Salaries & Wages-Tribe Paid | 11,960 | 86,200 | 22,500 | 43,600 | 11,960 | | 65,000 | | 241,220 |
| 5005 - Benefits | 2,153 | 15,516 | 4,050 | 7,848 | 2,153 | | 11,700 | | 43,420 |
| 5130 - Legal | | | | | | | | | 0 |
| 5135 - Accounting | | | 6,300 | | | | 14,064 | | 20,364 |
| 5200 - Travel | 8,000 | | 2,500 | | | | 2,500 | | 5,000 |
| 5409 - Utilities - Fuel | 6,000 | | | 4,000 | | | 1,200 | | 13,200 |
| 5407 - Utilities - Water/Sewer | 6,000 | | | 3,000 | | | 1,800 | | 10,800 |
| 5408 - Utilities - Electri | 6,000 | | | 6,300 | | | 2,233 | | 14,533 |
| 5500 - Telephones & Communications | 500 | | | | | | 4,700 | | 5,200 |
| 5550 - Insurance-general liability | | | 2,000 | | | | 3,000 | | 3,000 |
| 5600 - Supplies | | | | | | | 4,003 | | 6,003 |
| 5605 - Fuel Operations | | | | | | | | | 0 |
| 5610 - R&M Buildings | 2,500 | | | 3,600 | | | | | 6,100 |
| 5615 - Groundskeeping/snow removal | 3,000 | | | 2,000 | | | | | 5,000 |
| 5700 - Program Assistance-Emergency | | | | | | | 5,000 | | 5,000 |
| 5710 - Child Care Assistance | | | | | | | | | 0 |
| 5780 - Interest Expense | | | | | | 36,000 | | | 36,000 |
| 5800 - Capital Assets-Building | | 454,784 | | | | | | | 454,784 |
| 5800.99 - Contra Exp-Buildings | | | | | | | | | 0 |
| 5803 - Land Improvements | | | | | | | | | 0 |
| 5803.99 - Contra Exp-Land | | | | | | | | | 0 |
| 5804 - Capital Infrastructure | | | | | | | | | 0 |
| 5804.99 - Contra Exp-Infrastructure | | | | | | | | | 0 |
| 5805 - Capital Assets - Equipment | | | | | | | | | 0 |
| 5805.99 - Contra Exp - Equipment | | | | | | | | | 0 |
| 5890 - Principal Payments on Loan | | 8,500 | | | 62,000 | | | | 70,500 |
| 5890.99 - Contra Exp-Principal Payments | | | | | | | | | 0 |
| Total Expense | 40,173 | 565,000 | 37,350 | 51,448 | 33,013 | 98,000 | 110,000 | 5,000 | 939,984 |
| Net Income | 8,400 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,400 |

Budget Setup Allows for Tracking by Eligible Activities

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| | UPNORTH TRIBAL HOUSING 20XX BUDGET | | | | | Total | TOTAL |
|---|------------------------------------|----------------|---------------|----------------|----------------|----------------|------------------|
| | ANTHC Budget | BIA Budget | CCS Budget | ICDBG Budget | IRR Budget | NAHASDA Budget | BUDGET |
| Income | | | | | | | |
| 4000 - Rental Income | | | | | | 38,500 | 38,500 |
| 4010 - Administrative Exp | | | | | | 4,320 | 4,320 |
| 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 |
| 48901 - Interest Income | | | | | | 0 | 0 |
| Total Income | 38,500 | 125,000 | 20,000 | 150,000 | 265,000 | 948,384 | 1,546,884 |
| Expense | | | | | | | |
| 5000 - Salaries & Wages-Tribe Paid | | 80,000 | | 148,300 | | 241,220 | 466,070 |
| 5005 - Benefits | | 14,400 | | 26,163 | | 43,420 | 83,983 |
| 5130 - Legal | | 6,000 | | 30,000 | | 0 | 36,000 |
| 5135 - Accounting/Auditing | | 4,720 | 967 | 10,261 | | 20,364 | 36,311 |
| 5200 - Travel | | 5,500 | | 5,700 | | 5,000 | 16,200 |
| 5409 - 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 | 17,633 |
| 5500 - Telephones & Communications | | 2,500 | 700 | 2,800 | | 5,200 | 10,960 |
| 5550 - Insurance-general liability | | 1,500 | 200 | 2,600 | | 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 - Groundskeeping/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 | | | | | | 454,784 | 454,784 |
| 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 | 88,500 | 125,000 | 20,000 | 150,000 | 265,000 | 939,984 | 1,538,284 |
| Net Income | 0 | 0 | 0 | 0 | 0 | 8,400 | 8,400 |

Shows IHBG as one of many budgets


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| Revenue and Expense September 30, 202X | | | | | |
|---|-------------------|---------------------|---------------------|-------------|-----------------------|
| Account Number & Description | Period to | Year to | Annual Budget | % Used | Budget Variance |
| | Date Actual | Date Actual | | | |
| 311000 11 000 000 Dwelling Rents | 17,855.00 | 120,509.95 | 235,769.00 | 51.11 | (115,259.05) |
| 369000 00 070 000 Other Revenues | 3,708.80 | 3,708.80 | 0.00 | 0.00 | 3,708.80 |
| 390100 00 070 000 IHBG Grant Revenue | 263,876.20 | 1,613,308.15 | 3,807,579.00 | 42.37 | (2,194,270.85) |
| Total Revenue | 320,551.93 | 1,977,507.80 | 4,556,945.00 | 0.43 | (2,579,437.20) |
| 411000 00 070 000 Administrative Salaries | 75,566.86 | 284,994.66 | 587,175.00 | 48.54 | 302,180.34 |
| 411001 00 070 000 Fringe Benefits | 31,026.09 | 118,959.23 | 270,716.00 | 43.94 | 151,756.77 |
| 413000 00 070 000 Legal Expense | 0.00 | 630.00 | 180.00 | 350.00 | (450.00) |
| 414000 00 070 000 Staff Training | 8,608.00 | 40,320.31 | 112,320.00 | 35.90 | 71,999.69 |
| 417000 00 070 000 Auditing Fees | 43.80 | 18,010.92 | 17,885.00 | 100.70 | (125.92) |
| 419020 00 070 000 Membership Dues | 0.00 | 4,150.20 | 4,530.00 | 91.62 | 379.80 |
| 419030 00 070 000 Office Supplies | 3,066.71 | 8,902.62 | 20,440.00 | 43.55 | 11,537.38 |
| Total Expenditure | 118,267.46 | 453,947.80 | 1,182,366.00 | 0.38 | (728,418.24) |
| Excess Revenue over (under) Expenditures | 0.00 | 0.00 | 0.00 | 0.00 | (230,449.42) |


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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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Objectives of 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:** account for revenues legally restricted to expenditures for a specific purpose.
- **Capital projects fund:** account for financial resources to be used for acquisition and construction of capital assets and facilities.
- **Debt service fund:** account for accumulation of resources for and payment of long-term debt principal and interest.

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Major Funds

SEE SEC 4-GOVERNMENTAL FUND F/S

Governmental Financial Statement reporting is by Major Fund:

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

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Proprietary Funds

SEE SEC 4- PROPRIETARY FUND FS

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

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

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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.



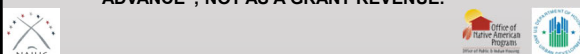
129

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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Measurement Focus

What
Transactions To Record?

Proprietary Fund Expenditures focus is on:
Flow of Economic Resources




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

• Long term assets and long-term liabilities are reported on the balance sheet

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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 63]

1. Deferred outflows and Deferred inflows of resources
 - transactions made in the current period that will affect cash flows in future periods.
2. Recognition of deferred inflows or revenues and expenses is deferred until the future period to which the inflows and outflows are related.
3. 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.
4. **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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EXAMPLES OF ACCOUNTING TREATMENT UNDER MODIFIED ACCRUAL VS FULL ACCRUAL



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Inventories and Prepaid Items

1. **MODIFIED ACCRUAL BASIS:**
GAAP allows option to use either:
 - a. **PURCHASE METHOD** or
 - b. **CONSUMPTION METHOD**
2. **FULL ACCRUAL:**
Use **CONSUMPTION METHOD**



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Inventories and Prepaid Expenses

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

Governmental Fund

| Annual Insurance paid in June. Recipient's fiscal year end is December 31, 20X2 | | | |
|--|----------|----------|--|
| Description | Debit | Credit | |
| Insurance Expense | \$24,000 | | Record the entire amount of insurance paid as an expense. |
| Cash | | \$24,000 | |
| Adjustment at December 31 to record the amount of insurance attributable to the following fiscal year (prepaid insurance): | | | |
| Prepaid Expense-Insurance | \$12,000 | | Record 6 months of insurance that has not been "consumed". |
| Insurance Expense | | \$12,000 | |

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Inventories and Prepaid Expenses

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

Proprietary Fund

| (Annual Insurance paid on June 30 for calendar year 20X2. Recipient's year end is December 31, 20X2 | | | |
|---|----------|----------|--|
| Description | Debit | Credit | |
| Prepaid Expense | \$24,000 | | Record prepaid expense as an asset at time of purchase |
| Cash | | \$24,000 | |
| Recognize insurance expense each month | | | |
| Insurance Expense | \$2,000 | | to record monthly insurance expense (1/12th of \$24,000) |
| Prepaid Insurance | | \$2,000 | |

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Inventories and Prepaid Expenses

For Inventory:



- The consumption method does not eliminate the requirement of a physical inventory.
- The value of the physical inventory is used to adjust the balance of the inventory asset. Therefore, **the value of the inventory 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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Accounting for Transfer of Assets within a Government

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

See Sec 5-Accounting for Transfer of Assets



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EXAMPLE 1: TRANSFER CAPITAL ASSET FROM A GOVERNMENTAL FUND TO A PROPRIETARY FUND

| 1-a | Entry in the GWFS | DEBIT | CREDIT |
|-----|--|-------|--------|
| | Transfer Out | XXX | |
| | Accumulated Depreciation | XXX | |
| | Capital Asset | | XXX |
| | To remove Capital Asset transferred from Governmental Fund | | |
| 1-b | Entry in the Proprietary Fund | DEBIT | CREDIT |
| | Capital Asset | XXX | |
| | Accumulated Depreciation | | XXX |
| | Capital Contribution | | XXX |
| | To add transferred Capital Asset from the governmental fund to the Proprietary Fund | | |

EXAMPLE 2: TRANSFER OF CAPITAL ASSET FROM A PROPRIETARY FUND TO A GOVERNMENTAL FUND



| 2-a | Entry in the GWFS | DEBIT | CREDIT |
|-----|--|-------|--------|
| | Capital Asset | XXX | |
| | Accumulated Depreciation | | XXX |
| | Transfer In | | XXX |
| | To add capital to the Governmental fund transferred from Proprietary Fund | | |

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Accounting for Capital Assets using IHBG funds

- REPORT IN GOVERNMENTAL FUND:**
 - Report the purchase as capital EXPENDITURE of the IHBG fund at acquisition date.
 - 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 purchase 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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Capital Asset Example 1 – Governmental Fund vs Proprietary Fund

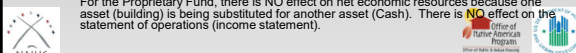
Tribe/TDHE purchases a \$350,000 duplex for its rental program.

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 (Asset) | \$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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Capital Assets 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 | | \$230,000 |
| Building | | \$350,000 |
| To record sale of building | | |

The Proprietary Fund would reflect the net economic gain of \$230,000.




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Tenant Accounts Receivable

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

• Refer to Audit Workbook Pages 8 & 9






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Accounts Receivables – Governmental Fund vs Proprietary Fund

For both Governmental Fund and Proprietary Fund, Receivables from rental owned and operated by the Tribe/TDHE is deemed collectible. Tenant has a rent agreement to pay rent of \$250.00 per month. Therefore, Accounts Receivable recorded at the beginning of the month under each fund is the same:

| | | |
|-----------------------------|----------|----------|
| Accounts Receivable (debit) | \$250.00 | |
| Rent Revenue (credit) | | \$250.00 |

To record rent receivable for the month.

151

Treatment of Bad Debt – Governmental Fund vs Proprietary Fund

Assume tenant's accounts receivable is 60 days overdue and deemed uncollectible:

1. Governmental Fund Entry:




| | | |
|---|----------|--|
| Rent Revenue (credit) | \$250.00 | |
| Allowance for Doubtful Account (credit) | \$250.00 | |

To reduce revenue for uncollectible rent amount.

2. Proprietary Fund:

| | | |
|--|----------|--|
| Bad Debt Expense (debit) | \$250.00 | |
| Allowance for Doubtful Accounts (credit) | \$250.00 | |




To record bad debt expense for uncollectible rent.

152

Compensated Absences Governmental Fund vs Proprietary Fund

| Governmental Fund | Proprietary Fund |
|--|--|
| Expenditure: Recognizes the expenditure for current year compensated absence accrued in fiscal year. | Recognize the expense in the fiscal year in which the Tribe/TDHE incurs the liability. |
| Does not recognize the liability in the current year unless the employee takes leave or terminates employment. | Recognize the liability in the fiscal year as long-term liability. |

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Which Fund Type are you using?

A) GOVERNMENTAL (Tribe & TDHE)

OR




B) PROPRIETARY (TDHE)?

POP QUIZ



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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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| TRIAL BALANCE | | | | 12/31/202X | |
|-------------------|----------------------------------|--------------|--------------|------------|--|
| Account | Description | Debits | Credits | | |
| 1 0 11100 0 0 0 | General Checking Account | 550,237.53 | 0.00 | | |
| 1 0 11220 0 0 0 | Tenant Receivable | 35,623.51 | 0.00 | | |
| 1 0 11221 0 0 0 | Allowance for Doubtful Accts | 0.00 | 26,183.48 | | |
| 1 0 11230 0 0 0 | Mutual Help Homebuyers | 60,251.45 | 0.00 | | |
| 1 0 11231 0 0 0 | Allowance for Doubtful Accts | 0.00 | 57,424.87 | | |
| 1 0 11290 0 0 0 | Accounts Receivable-Other | 354.20 | 0.00 | | |
| 1 0 11510 0 0 0 | GF Investment | 1,524,501.50 | 0.00 | | |
| 1 0 11621 0 0 0 | Security Deposit Trust | 20,000.00 | 0.00 | | |
| 1 0 11635 0 0 0 | MH Equity (MEPA/VEPA) | 103,500.24 | 0.00 | | |
| 1 0 12110 0 0 0 | Prepaid Insurance | 24,392.38 | 0.00 | | |
| 1 0 12130 0 0 0 | Workers Comp Deposit | 28,879.00 | 0.00 | | |
| 1 0 12150 0 0 0 | Prepaid Expenses | 210.00 | 0.00 | | |
| 1 0 12700 0 0 0 | Inventory | 138,500.99 | 0.00 | | |
| 1 0 21120 0 0 0 | A/P Inventory | 0.00 | 3,899.86 | | |
| 1 0 21140 0 0 0 | Tenants Security Deposits | 0.00 | 29,667.00 | | |
| 1 0 21190 0 0 0 | Accounts Payable | 0.00 | 6,568.00 | | |
| 1 0 21350 0 0 0 | Salary and Wages Accrual | 0.00 | 20,917.84 | | |
| 1 0 21351 0 0 0 | Accrued Annual Leave | 0.00 | 95,951.04 | | |
| 1 0 21710 0 0 0 | MEPA | 0.00 | 103,941.15 | | |
| 1 0 28100 0 0 0 | Unrestricted Net Position | 0.00 | 3,520,502.30 | | |
| 1 0 29120 0 0 0 | Refundable MH Reserve | 0.00 | 11,000.00 | | |
| 1 0 29140 0 0 0 | Unrefundable MH Reserve | 0.00 | 30,000.00 | | |
| 1 25 36100 0 0 0 | Interest on Gen Fund Investments | 0.00 | 42,000.50 | | |
| 1 25 39001 0 70 0 | IHBG 1887 Act Operating | 0.00 | 482,874.93 | | |
| 1 25 44600 0 70 0 | Facilities Staff Training/Travel | 2,800.00 | 0.00 | | |
| 1 26 39001 0 70 0 | IHBG Housing Services | 0.00 | 275,619.13 | | |
| 1 26 41100 0 70 0 | Administrative Salaries | 8,962.78 | 0.00 | | |
| 1 26 41100 0 70 0 | Fringe Benefits | 3,470.88 | 0.00 | | |
| 1 26 42400 0 70 0 | Staff Training | 11.70 | 0.00 | | |
| TOTAL | | 6,617,267.65 | 6,617,267.65 | | |

**SAMPLE
TRIAL
BALANCE**

157

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.

158

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.


159

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
And SAMPLE AUDIT WORKPAPERS



160

SAMPLE: INVESTMENT ACCOUNT RECONCILIATION
1112 FIRST TOWN BANK INVESTMENT

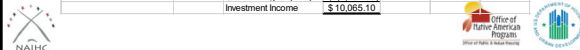
This account is a separate account for eligible investments of funds advanced to UpNorth Tribal Housing from the Office of Lands, Federal Highways Tribal Transportation Program.

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 | 276,850 | 277,123 | 276,909 | 282,330 | 284,129 | 289,589 |
| Deposits/Withdrawals | 0 | 0 | 0 | 0 | 0 | 0 |
| dividends reinvested | 346 | 346 | 346 | 353 | 355 | 362 |
| security sales | 1,000 | 1,200 | 2,000 | 1,000 | 5,000 | 1,367 |
| Realized gains/(losses) | 560 | 290 | -126 | 1,196 | 2,605 | 2,655 |
| Unrealized gains/(losses) | -1,333 | -2,050 | 3,200 | -750 | -2,500 | 1,360 |
| Ending Investment Value | 277,123 | 276,909 | 282,330 | 284,129 | 289,589 | 295,333 |

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

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




161

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.

• Reference: PIH 2019-16 Administrative Requirements for Investing IHBG funds.



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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)

165

Intercompany Transactions

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

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



166


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



167


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 |



168

Accounting for IHBG Reimbursement FROM Investment Fund

| Accounting Entry - Funds are in an approved investment account. | | | |
|--|--|----------|----------|
| Account | Description | DEBIT | CREDIT |
| 1111 | Bank-Operating | 3,621.37 | |
| 1112 | Investment Account | | 3,621.37 |
| To transfer NAHASDA grant funds from the investment account to the general cash account. | | | |
| 2500 | Unearned Revenue or Refundable Advance - NAHASDA | 3,621.37 | |
| 4300 | Federal Grant Revenue - NAHASDA | | 3,621.37 |
| To recognize NAHASDA funds expended in June. | | | |

169

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 amortized balance of the purchase price, the home is conveyed to the homebuyer.
- The homebuyer may choose to pay off the amortized balance of the home with a cash payment to accelerate the conveyance of the home.

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Accounts for Mutual Help1937 Housing Act Homeownership Program



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

171

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.

SEE SEC 4-PROPRIETARY FUND FS



172

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 |

173

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.




174

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)



175

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.



176

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).



177

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?

178

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)

179

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)

180

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)**



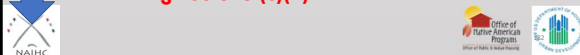
181

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)**




182

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)



183

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.







186

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




190

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 homebuyer’s monthly payment that exceeds the monthly administrative fee – reconciles to the MEPA investment account.

• Refer to earlier slides and discussions



191

Notes Payable

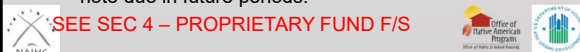
Notes payable are contractual obligations to repay a specific amount of debt over time.

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



192

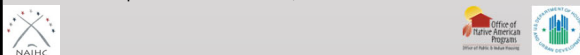
Section 6: Program Income



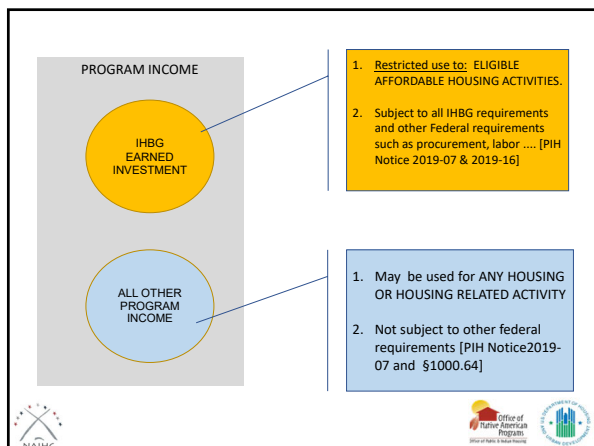
193

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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195

Program Income – Permissible Use

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

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




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

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Program Income –Examples of Permissible Uses




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

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Program Income –Example Of Housing Related Activities



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

198

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.

199

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.






200

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's substantial rehab does not exceed 40% of the DCE for the unit, less Program Income generated (and more NON-Program Income generated.)

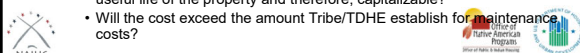
201

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?



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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:

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



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Example 2: Calculating Program Income from 1937 Housing Units

Substantial Rehab with IHBG funds

Tribe has 100 2 BR FCAS rental units.

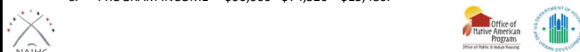
10 units have substantial rehab costs exceeding 40% DC&E for the unit type.

- 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:

- Calculate Unit months: Total units (90) x 12 months = 1080 unit months.
- Calculate Annual PI Exclusion for FY: 1080 unit months x \$69 = **\$74,520**
- Tribe/TDHE's annual rent collected = \$75 x 12 mths x 100 units = \$90,000
- NON-PROGRAM INCOME** = \$74,520
- PROGRAM INCOME** = \$90,000 - \$74,520 = \$15,480.




204

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.



205

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

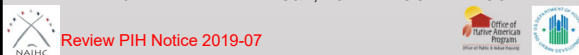
NORMALLY, **Proceeds Of Sale** (from 1937 Housing Act units are not considered either program or non-program income. They are a hybrid because they are not restricted to program-eligible activities only.

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](#)



206

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](#)




207

EXERCISE SOLUTION


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 = **\$140**
2. 40% of AEL for Tribe = **\$64**
3. 46% of DC&E limit for 2-BR = **\$21,923**
4. What is the Program Income Exclusion for the Tribe?
12m x 100 units x \$64 = \$76,800
5. How much of the \$100K collected is Program Income?
\$100,000 - \$76,800 = \$23,200
6. Assume 20 units were substantially rehabbed. Rents collected is \$100,000
 - a. What is the Program Income Exclusion?
12m x 80 units x \$64 = \$61,440
 - b. How much is Program Income?
\$100,000 - \$61,440 = \$38,560



211

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



212


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.

213

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 [§1000.552].
- 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**.



214

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.



215

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

- **§200.327:** Must use standard OMB approved reports & reporting frequency must be established by the federal award.
 - NAHASDA Program:
 - SF-425 - Quarterly
 - IHP/APR Report: Form HUD 52737 – Annually
- **§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





216

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).



REFER TO PIH 2018-15 – USE OF EPIC FOR SUBMISSION OF IHP/APR

217

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.






218

(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) Budget Authority | (B) Actual Expenditures | (C) Funds to be expended in 12-month program year | (D) Total IHDG (only) funds expended in 12-month program year | (E) Total all other funds expended in 12-month program year | (F) Total funds expended in 12-month program year (C+E) |
| 202X-01 Senior Low Rent (1937 Act Housing) | | | 13 | 27,995 | 0 | 27,995 |
| 202X-02 Development - Family Housing | 290,000 | 315,000 | 565,000 | 225,608 | 314,960 | 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 | 21,493 | 11,330 | 33,013 | 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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IHBG CARES ABBREVIATED APR

(2) Uses of Funding (NHASDA § 152(b)(2)(C)(ii)) (Note that the budget should not exceed the total funds on hand (Column C) and insert as many zeros as needed to include all the programs identified in Section 3. Actual expenditures in the APR section are for the 12-month program year)

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


SOURCE: IHBG_CARES_RECIPIENT_TRAINING_4.27.2020 v3.pdf



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APR Due Dates

| Recipient Fiscal Year) | APR Due Date (90 calendar days after the end of the FY) | APR Submission Extension deadline due to COVID (PIH 2020-13) |
|-------------------------|---|--|
| Oct. 1 – Sep. 30, 2019 | December 29, 2020 | N/A |
| Jan. 1, - Dec. 31, 2019 | March 30, 2020 | 9/27/2020 |
| Apr 1, - Mar. 31, 2020 | June 29, 2020 | 12/30/2020 |
| Jul. 1, - June 30, 2020 | September 28, 2020 | 12/30/2020 |




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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



222

§ 200.328 Monitoring And Reporting Program Performance



Applies → 200.328 (a) ... non-Federal entity must monitor its activities under Federal awards



The following do not apply to IHBG:

- 200.328(b): Non-construction performance report
- 200.328(c): Construction performance reports
- 200.328(d): Significant developments
- 200.328(f): Federal waiver on performance report

Applies → 200.328 (e) ...the Federal awarding agency may make site visits as warranted by program needs


 



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§ 200.329 Reporting On Real Property

Not excepted in §1000.26(a)

However, not applicable to ONAP Programs since property acquired through the use of federal grant funds is not federal property.



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Self-Monitoring Requirements

NAHASDA: Section 403(b), Periodic Monitoring

- Not less frequently than **annually**, each recipient **shall review the activities conducted** and housing assisted under this act to **assess compliance** with the requirements of this act.
- Review shall include **on-site inspection of housing** to determine compliance with applicable requirements.
- Include results in the APR submitted to the secretary under section 404 and made available to the public.


24 CFR 1000.502

- the recipient is responsible for monitoring grant activities to ensure compliance with the applicable federal requirements and monitoring performance goals under the IHP.


 

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Self-monitoring Overview




Observe/Review Activities Over The Course Of A Year





Detect Deficiencies And Take Steps To Correct Them



Record/Report Through The Annual Compliance Assessment And APR



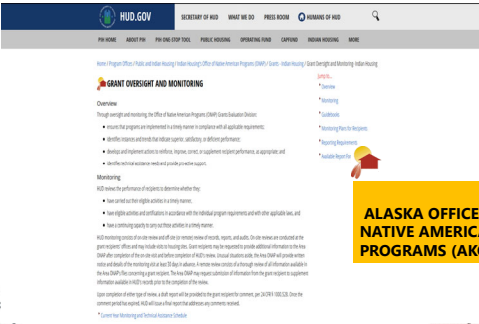
Assess Compliance With The IHP And NAHASDA, Statutes And Regulations






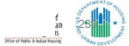
229

Self-monitoring Tools

• Self-Monitoring tools are available at:





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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) and 24CFR §1000.502
- 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.




232

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.



233

What if I Find Problems?

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



234

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.

235

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



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Why is a Single Audit Required?

- b. Federal agencies (HUD, BIA, EPA, Federal Highways), rely on the single audit.... to ensure compliance with federal programs.
- 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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§ 200.425 Audit Services

What are allowable audit costs?

- (a) a **reasonably proportionate share** of the costs of audits required by, and performed in accordance with, the single audit act.
- (b) a proportionate share of the financial statement audit cost of a non-federal entity exempted from single audit if included in a cost allocation plan or indirect cost proposal.
- (c) the cost of agreed upon procedures to monitor sub-recipients who are exempted from the single audit, if conducted in accordance with **GAGAS** attestation standards;

[note: IHBG program specific requirement for audits allows for "periodic financial review" at §1000.546]



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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 § 200.425(a)

Unallowable audit costs:

1. When audits are required by the single audit act and subpart f—audit requirements, but
 - the audits have not been conducted, or
 - have been conducted, but not in accordance with these requirements.
2. Auditing costs for audits exempted from the single audit act because its expenditures under federal awards are less than \$750,000.



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Auditor Responsibilities

Under the Single Audit Act, the Auditor will review:

1) Financial Statements to:

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

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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






250

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, CFE, etc.), and experience the same or manager(s) 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 stand alone financial statements and tax returns. If price is subject to change based on major programs with regard to state and federal single audit requirements, price structure must be clearly defined. In addition, price structure should reflect experience of 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



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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 | | | | | | | | | | | | |
| Cash Management | | | | | | | | | | | | |
| Eligibility | | | | | | | | | | | | |
| Equipment/Real Property Management | | | | | | | | | | | | |
| Matching, Leave of Effort, Lumpsumming | | | | | | | | | | | | |
| Period of Performance | | | | | | | | | | | | |
| Procurement, Suspension & Debarment | | | | | | | | | | | | |
| Program Income | | | | | | | | | | | | |
| Reporting | | | | | | | | | | | | |
| Subrecipient Monitoring | | | | | | | | | | | | |
| Special Federal Provisions | | | | | | | | | | | | |
| | Y | Y | N | Y | N | N | N | Y | N | Y | N | Y |




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






268

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" (Sections §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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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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Program Compliance – Useful Life


Recipient Guidance No 2020-02 Useful Life and Binding Commitments, dated September 9, 2020

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

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

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

A Little
Extra




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Program Compliance - Insurance

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

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

A Little
Extra





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Exercise

Review NAHASDA Compliance Requirements at CFDA 14.867

https://www.whitehouse.gov/wp-content/uploads/2020/08/2020-Compliance-Supplement_FINAL_08.06.20.pdf





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CG19

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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Slide 277



CG19 Added the Appendix to the ref docs
Cynthia Gurisko, 10/14/2020

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?
907-230-3697
maria.r.tagliavento@gmail.com
Please feel free to contact me with questions!



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