

Basic Finance and Recordkeeping Virtual Training

Presented by the U.S. Department of Housing and Urban Development, Office of Native American Programs, in cooperation with the National American Indian Housing Council.



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AGENDA (All Times PST)

8:00am - 2:00pm PST
11:00am - 5:00pm EST

Day 1:

8:00 – 8:15

Introduction

Introduce trainer and the purpose of the training; participants to introduce themselves and provide a brief background of their housing programs.

8:15 – 8:30

Orientation, Purpose, and Objectives

Provide a brief discussion on highlights of the materials that will be covered over the two days training. Provide a brief introduction to the 2 CFR Part 200 (“Uniform Guidance”) and how it applies to what you do.

8:30 – 9:00

Standards for Financial Management Systems

Discuss what a financial management system is, its importance, and components and standards of an effective financial management system. A discussion of the various control systems including Internal Controls, Budget Controls, Accounting Controls; also a look at Procurement

9:00 – 9:45

Overview of the NAHASDA IHBG Funds

Cover the Indian Housing Block Grant (“IHBG”) award process, the important timelines for submission of the Indian Housing Plan (“IHP”), and the documents to execute the grant agreements with HUD.

9:45 – 10:00

BREAK

10:00 – 10:45

Allowable Costs

We will review direct costs, allocable costs and applicable credits. We will discuss allocable costs and indirect cost expenses and costs allowable to be charged to the NAHASDA program to ensure they meet the eligibility requirements of NAHASDA and the allowability for expenditures of federal funds as outlined in the Uniform Guidance.

10:45 – 12:00

LUNCH BREAK

12:00 – 12:45

Budgeting

Discuss the budget process, how to set up the budget in your accounting system (using QuickBooks, as an example) and create the desired financial budget to actual report for the NAHASDA activities. Review a sample IHP/APR Form HUD-52737 to track how the IHP budget approved activities are set up in your accounting system.

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12:45 – 1:30

Cash Management of the IHBG Grant

Discuss HUD's requirement for drawing funds from eLOCCS, how to access the funds from eLOCCS and account for the funds when received as a draw down to pay/reimburse expenses. Review a sample written procedures on payments, as required by the Uniform Guidance.

1:30 – 2:00

Basics of Governmental Accounting

Cover the terminologies used in governmental fund accounting and what they mean, the types of financial statements your accounting system should be able to generate, and each financial statement's purpose.

Day 2:

8:00 – 8:15

Q&A from Day 1.

Review the schedule for Day 2 and will also address any open questions or concerns raised from Day 1.

8:15 – 9:00

Accounting for IHBG Fund

Present key accounting terms, basic financial statements, chart of accounts and the use of classes and sub-classes (QuickBooks) to track activities of the IHBG. Discuss common accounting terminologies, common working financial reports, journal entries and their purpose, overview of regularly used accruals and their treatment, recording a capital asset.

9:00 – 9:45

Accounting Systems and Internal Controls

Discuss a typical accounting flowchart to highlight the importance of internal controls that must be implemented to safeguard the integrity of the data in the accounting system, the importance of internal controls, and implement internal controls such as division of duties, including payroll and written policies and procedures for handling of cash receipts and disbursements. Capital assets and the Fixed Asset Schedule; payroll and payroll liabilities, including accounting for workers compensation.

9:45 – 10:00

BREAK

10:00 – 10:45

Program Income

General discussion on program income: what is it and how do you account for it? Go over recent HUD Guidance.

10:45 - 12:00

LUNCH BREAK

12:00 – 12:45

Audit Requirements

Discuss the Single Audit Act, implementation of the Uniform Guidance and important timelines, as well as the threshold changes on federal

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award expenditures, and including the Tribe's responsibilities, the Auditor's role, and compliance requirements the Tribe should be aware of in preparation for an audit.

12:45 – 1:30

Reporting and Monitoring

Overview of the SF-425 report and the APR report and their link to the financial statements. We will also discuss the tribe's responsibility for conducting annual self-monitoring.

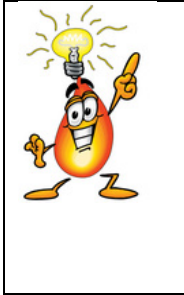
1:30 – 2:00

Record Keeping and Retention

Overview of the importance of recordkeeping and retention of records, and its emphasis in the Uniform Guidance.

SECTION I: Introduction, Training, and General Information

Learning Objective



Upon completing this section, you will learn:

- Training description and course purpose.
- Overview of Financial Management and why it is important.
- Eight elements of a Sound Financial Management System.

Training Description and Purpose:

The objective of this training is to highlight best practices and the development of a financial management system for a small to medium sized Tribe/TDHEs managing Indian Housing Block Grant (IHBG) funds. Usually, the Tribe/TDHE operates their housing programs with limited staff and may use contractors to assist with financial preparation and reporting, and audit preparation. With this in mind, the training serves as an orientation to basic standards of accounting and generally accepted accounting principles (GAAP), financial statements, and accounting transactions, and implementation of a strong financial management system and related internal controls to comply with the general provisions of 2 CFR Part 200.302 Financial Management, as well as compliance with the Native American Housing Assistance and Self-Determination Act (NAHASDA) statutes and regulations. This training will primarily focus on the fiscal and financial management and administration of the NAHASDA funds **AFTER** the Tribe/TDHE receives its approved Indian Housing Plan (IHP) and how it organizes and accounts for those activities in preparation for accurate reporting to HUD on its quarterly Federal Financial Report (SF-425) and on its annual program year with the Annual Performance Report (APR).

Additionally, this training will provide detailed processes and tools to be able to address the following:

- What the Tribe/TDHE is expected to do when they receive their NAHASDA grant funds and how they account for it.
- How to develop and implement a fiscal and financial management system to ensure that the NAHASDA grant funds meet the administrative requirements under 1000.26 of the NAHASDA regulations.
- Who is/are responsible for the safeguarding of the funds, compliance, and reporting on the use of the fund?
- When a financial and / or single audit is required and steps to be audit ready.

Course Objectives

- Provide an overview of accounting, financial reports and the requirements of GAAP in a governmental fund accounting environment.
- Present basic financial transactions and accounting applications relevant to the NAHASDA program.
- Improve the compliance, accuracy, and performance and functions of the participants in the management of the IHBG award.
- Provide tools to enable participants to assess their existing financial management system.

What This Course Is Not!


This course is not intended to teach you to be an accountant. Rather, it is to provide you with the financial management tools to help you manage, safeguard, and organize your NAHASDA grant fund activities in a manner that will allow you to provide accurate reports to your Tribal leadership, the United States Department of Housing and Urban Development (HUD), and other grantors, and to insure you are audit ready at all times.

In addition, HUD sponsors trainings for preparing an IHP and how to complete the APR, which the Tribe/TDHE reports its accomplishments and status of activities of its IHP. This training anticipates the participant has taken the following training:

- NAHASDA Essentials;
- IHP/APR Training; and
- Environmental Review Training.

SECTION II: Standards for Financial Management Systems

Learning Objective

	<p>Upon completing this section, you will learn:</p> <ul style="list-style-type: none">• What is a Financial Management System, benefits and importance?• Components and standards for an effective Financial Management System.
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Why is it Important?

Financial management is an important component of the Tribe/TDHE's overall organizational management. Financial management refers to the essential systems that contribute to overall organizational success. If you do not have a sound and effective financial management system, your Tribe/TDHE runs the risk of being out of compliance with grant programs (IHBG) and faces the likely disruption of housing program service delivery if the funder withholds your funding due to grant non-compliance. The trickle-down effect of not being in compliance with grant programs affects the reliability of your financial reports, which in turn, affects the outcome of the audit and funders' confidence in your organization. As a small Tribe/TDHE with limited staff, you are often required to be everything to everyone, so having a good sound financial management system in place is especially important for you and your Tribe/TDHE.

A good financial management system will help the Tribe/TDHE:

- Do long term financial planning - the Tribe/TDHE knows the financial condition of the organization at any given time.
- Accurately organize its grant activities.
- Make effective and efficient use of the NAHASDA funds it receives.
- Achieve program objectives outlined in the Tribe/TDHE's IHP.
- Prepare budgets and budget to actual financial reports.
- Be more accountable to the Tribal Council/Board of Commissioners and HUD
- Gain the respect and confidence of HUD, other funding agencies, partners and its Tribal members, and therefore, gain advantage in competition for scarce grant funds.

Standards for a Good and Effective Financial Management System.

A Tribe/TDHE's financial management system is tailored to their staffing and organizational structure, so no two organizations' financial management systems are alike. However, there are fundamental standards that should be followed to ensure that the administration of the Tribe/TDHE's IHBG funds meet program requirements.

This is outlined in NAHASDA regulation under **Section 1000.26: “What are the administrative requirements under NAHASDA?”** This section of the regulation specifically requires that the Tribe/TDHE must comply with the requirements of 2 CFR 200 Part 200 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.” The sections where NAHASDA regulations supersede the uniform guidance, therefore, it is important that a grantee receiving NAHASDA funds understand and apply NAHASDA regulations to the areas of procurement, program income, payment and cost sharing or matching.

To develop an effective financial management system, this training will refer to the Uniform Guidance standards for a sound financial management system found in 2 CFR 200.300-309 (with exclusions for NAHASDA). This section of the Uniform Guidance also highlights the importance of having a record management system in place that includes record retention.

A sound financial system should permit the preparation of the financial reports and allow you to trace revenue and expenditures to eligible program activities. HUD Office of Native American Programs (ONAP) will assess the soundness of a Tribe/TDHE’s financial management system during their on-site monitoring by following the Standards for Financial and Program Management found in 200.302(b), therefore, this training is focused on reviewing those standards, and will assist you in assessing whether you have financial management system in place that incorporates these standards for compliance with the NAHASDA program. Elements of a sound financial management system are:

Identification of Federal Awards: 200.302(b)(1)

- Do you maintain files for each Federal grant award?
- Do you maintain the CFDA title and number, the program name and title, and the program year for each Federal grant?
- Does your accounting system incorporate the federal award information?

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

- Using your accounting system, are you able to produce financial reports that are current, accurate, complete and timely?
- Are you able to produce reports in a variety of formats to verify expenses are applied to programs correctly and you are able to report grant activities to granting agencies?
- Are you able to easily produce 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 and Tribal Council?
- Are your annual audit reports completed and submitted timely?

Accounting Records: 200.302(b)(3)

- Do you have Policies and Procedures that are clearly documented AND followed?
- Are all transactions fully supported with proper authorization to charge to grant funds?

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- Are bank statements reconciled timely and free of discrepancies?
- Does the Tribe/TDHE have an adequate records system and a records retention policy?

Internal Controls: 200.302(b)(4) & 200.303

- Is there adequate control and accountability of all funds, property and assets?
- Is there adequate separation of duties?
- Are there policies and procedures in place and followed with respect cash control, procurement, expenditures and grant management
- Do all disbursements have adequate documentation and approvals?

Budgeting: 200.302(b)(5)

- Did the Tribal Council/Board of Commissioners approve the housing budget and the IHP budget?
- Is the staff involved in preparing budgets?
- Are budget variances analyzed on a regular basis?

Cash Management: 200.302(b)(6) & 200.305 Payments

- Are cash funds secured?
- Are deposits made at least weekly, or more often if necessary?
- Are receipts generated for all payments received?
- Is there written procedures for managing Federal award advances, reimbursement, investments, drawdowns and disbursements?

Allowable Costs: 200.302(b)(7) and Subpart E – Cost Principles

- Are disbursements only for allowable activities?
- Are all expenditures supported by invoices, contracts, purchase orders, etc.?
- Are all wages paid supported by approved timesheets?
- Are all expenditures approved in advance?
- Is there written procedures for determining allowable costs that assures consistent application?


During this training, we will use and refer to the standards above as our guiding principles to help you assess the soundness of your current financial management system. It can be a guide for developing a financial management system if you do not already have one in place.

REMINDER!

When HUD does its onsite monitoring of your NAHASDA program, these are the standards they will use to assess the dependability of your financial management system.

SECTION III: NAHASDA IHBG Funds

Learning Objective

	<p>Upon completing this section, you will learn:</p> <ul style="list-style-type: none"> • The award process for the IHBG funds. • Important timelines for submission of the IHP. • Documents required by HUD to execute the Grant Agreement.
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Identification of Awards

2 CFR 200(b)(1) requires that the recipient maintain information about the IHBG award they receive, the granting agency and be able to identify the Federal grant award by:

- CFDA title and number;
- The award identification number and year;
- The name of Federal granting agency; and
- Name of the pass-through entity, if any.

To comply, the Tribe/TDHE must have the Federal award information in their financial systems, and not just on their Schedule of Expenditures of Federal Awards (SEFA). This is a new general requirement, so you should review the various grants you currently administer and make sure you compile the information and include it in your financial system. This would be accomplished by maintaining a file for each grant that clearly has all the information pertinent to the grants, including all notices and communication, and grant agreements. For example, the information about the IHBG award that should be maintained for each award is noted below:

Grantor	HUD
Program Title and Name	Indian Housing Block Grant
CFDA Number	14.867
Grant Number	55-IH-02-01230
Grant Year	FY2016

Indian Housing Block Grant

To be able to manage and comply with the general requirements and program specific requirements of the IHBG grant funds, it is important that the accounting staff understand

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how the IHBG funds are made available to the Tribe/TDHE, and the sequence of activities that must take place before the funds are available for drawdowns for disbursements.

- a. Tribe/TDHE submits letter of intent to apply for NAHASDA funds.
- b. Tribe/TDHE prepares its IHP.
- c. Tribe/TDHE submits the IHP 75 days before the Tribe/TDHEs program year begins.
- d. If the IHP is in compliance with NAHASDA, HUD sends letter of determination.
- e. Tribe/TDHE executes the grant agreement package.

Submission of the Indian Housing Plan

IHPs submitted after May 1, 2018, MUST be submitted using the EPIC (Energy and Performance Information Center) system, unless internet access is insufficient and HUD has approved a waiver in which case a PDF fillable form can be used.

The IHP describes how the Tribe/TDHE plans to use the NAHASDA grant funds it is awarded, and includes the housing needs, planned activities to address housing needs, and the funds allocated to each activity. Information about the IHP is found in the NAHASDA regulation, 24 CFR Part 1000, Subpart C – Indian Housing Plan (IHP), under 1000.201 – 1000.246.

Two important things to remember about the IHP:

The IHP must be completed, submitted, and received by HUD 75 days before the beginning of a tribal program year; and

Unless the Tribe/TDHE's request is approved for an IHP submission waiver (1000.224 & 1000.227), a Tribe/TDHE that misses the deadline date will not be eligible for IHBG funds for that program year.

Indian Housing Plan Budget

Included in the IHP is a HUD prescribed form for submitting an **operating budget** specific to the NAHASDA funded programs and is a simple two-page table included as *Section 5 Budgets (a) Sources of Funding and (b) Uses of Funding* in the IHP/APR (Form HUD 52737), accessed through the EPIC system as described above. It is important to note that the accounting system should be set up to accurately capture each activity in the same format as the IHP activities as that is the required format for reporting IHBG funds expended and received .

NOTE: The IHP budget will be addressed more fully in the BUDGET section of this training.

The Grant Agreement Package

This is prepared by HUD and is sent to the Tribe/TDHE for signature and consists of the following documents:

1. HUD Form 52734-B: Funding Approval/Agreement form. Two (2) original documents are sent to the Tribe/TDHE and includes the amount of funds the Tribe/TDHE has been awarded and is signed by a HUD official.

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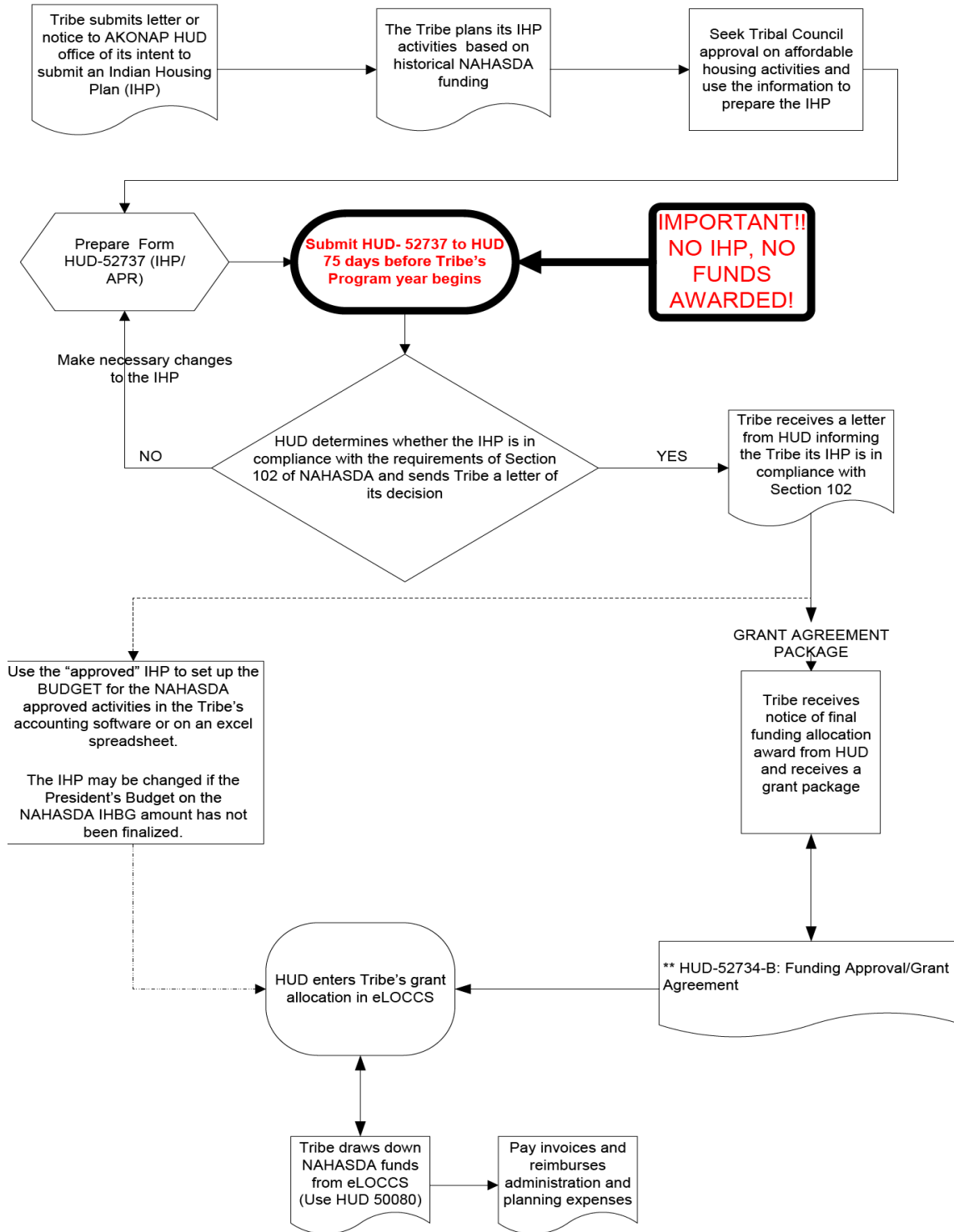
2. HUD Form 27054: A LOCCS-VRS form (Guidance No 2014-08(R) informs the Tribe/TDHE the requirements of eLOCCS.
3. HUD Form SF1199A: Direct Deposit Sign-up and Instructions (if the Tribe/TDHE does not have a bank account set up for direct setup).

Executing the Grant Agreement

- Sign both originals of HUD-52734-B. Retain one (1) original and return the other original to HUD.
- Retain a copy of the remaining documents 4-6 (described above) and submit the originals to HUD.


If you are new to the administration of the NAHASDA program, HUD's "Codetalk" website at https://www.hud.gov/program_offices/public_indian_housing/ih is an excellent resource site for the NAHASDA program, including but not limited to the most updated policy and regulation, PIH Notices, information about the formula, and environmental reviews.

How the Funds Are Made Available Under NAHASDA



SECTION IV: Allowable Costs

Learning Objective

	<p>Upon completing this section, you will learn:</p> <ul style="list-style-type: none">• What are common expenses that are determined allowable and disallowed costs for federal programs?• New reference: Uniform Guidance Subpart E – Cost Principles.
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Cost Principles Policy Guide

The NAHASDA regulations at 1000.26(b)(1) requires that the recipient (Tribe/TDHE) must also comply with **2 CFR 200 Subpart E – Cost Principles, Section 200.400 – 200.475.**

When a Tribe/TDHE builds the NAHASDA budget or any other federal grant budget, it must ensure that the expenses budgeted and charged to the grants are allowable costs that comply with the policy guide of the Uniform Guidance (2 CFR 200.400) that ensures Tribe/TDHEs (recipients):

- 1) Are responsible for the efficient and effective administration of the Federal award through the application of sound management practices.
- 2) Assume responsibility for administering the IHBG grant in a manner consistent with underlying agreements, program objectives and the terms and conditions of the grant.
- 3) Are responsible for employing whatever form of sound organization and management techniques that may be necessary to assure proper and efficient administration of the IHBG grant to meet their own unique needs.
- 4) Accounting practices must be consistent with Uniform Guidance cost principles and support the accumulation of costs as required by the principles and must provide for adequate documentation to support costs charged to the IHBG award.
- 5) Application of cost accounting principles is consistently applied to the treatment of a given cost item.
- 6) May not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award. (For example, Program income under NAHASDA).

Applicable section of the Uniform Guidance include:

Composition of Costs: 2 CFR 200.402 – 200.406

The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits.

There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. However, all costs charged to NAHASDA must be:

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- a) Necessary and reasonable to meet the objectives of the grant;
- b) Consistent with policies and procedures of the Tribe/TDHE; and
- c) Consistently applied across all grants. 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. Therefore, it is essential that each item of cost incurred for the same purpose, be treated consistently in like circumstances either as a direct cost or an allocable cost to correctly charge costs to NAHASDA relative to the benefits received.

Allocable Costs (2 CFR 200.405)

“A cost is allocable to a particular Federal grant or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefit received” (2 CFR 200.405(a)). If a cost benefits more than one grant award or cost objective, and it is necessary to the overall operation of the Tribe/TDHE then that cost may be allocated to the grants/cost objectives receiving the benefit of the cost. If a cost benefits two or more projects or activities in proportions that can be determined *without undue effort or cost*, the cost must be allocated to the projects (grants) based on the proportional benefit received. If a cost benefits two or more projects or activities and costs cannot easily be allocated or transferred to benefitted projects, then the costs can be allocated to those projects based on any reasonable documented basis. For example, you may want to allocate IT costs based on the number of computers for each program.

In addition, you cannot charge costs to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by the Federal award statutes, regulations, or terms and conditions of the awards. But, you can shift costs that are allowable under two or more Federal awards.

Applicable Credits (2 CFR 200.406)

Refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the IHBG award as direct or indirect (F&A) costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges.

<p>ALLOWABLE DIRECT COST plus ALLOCABLE INDIRECT COST less APPLICABLE CREDIT equals TOTAL COST</p>

Best Practices: Develop an allocation table for costs that are allocable to multiple cost objectives or grant awards based on proportional benefit. An example of a direct cost is the

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cost of maintenance staff who works on both NAHASDA funded units and other Tribal Programs such as the Housing Improvement Program or Weatherization. Staff time would be allocated to each cost center based on the amount of time spent on these projects. Another example is utilities for the Tribal Office, where the Tribe/TDHE operates multiple programs. Utilities would be allocated to multiple grants based on square footage or number of employees.

Direct Costs (2 CFR 200.413)

Costs that can be identified specifically with the federal grant such as an IHBG are allowable as direct costs. Examples of Direct Cost for IHBG are:

- Compensation for employees who work exclusively for the IHBG program.
- Cost of materials and supplies for the Housing Maintenance Program of NAHASDA Assisted Units.
- Administration of the IHBG.
- Cost for acquisition or development of rental housing.
- Tenant Based Rental Assistance using IHBG funds.
- Costs for rehabilitation of housing units

Indirect Costs (Facilities and Administration 2 CFR 200.414):

Indirect (F&A) costs are costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved (200.56). Where a Tribe/TDHE has multiple federal grants, it may choose to allocate the indirect costs normally charged to Federal awards by the use of an indirect cost rate. An indirect cost rate is a methodology for allocating indirect costs to all grants that benefit from those costs. Typical examples of indirect costs are:

- Facilities expenses such as the depreciation on buildings and equipment and the costs of operating and maintaining facilities.
- Administration expenses such as general administration and general expenses not categorized as direct expenses or facility expenses. They include expenses associated with the Directors Office, Accounting, and Human Resources.

To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of Indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. (Section 200.56).

Best Practices. If a Tribe/TDHE wishes to negotiate an indirect cost proposal with its cognizant agency:

- a. The Tribe/TDHE must follow the requirements outlined in 2 CFR 200, Paragraph D.1 of Appendix VII, States and Local Government and Indian Tribe/TDHE Indirect Cost Proposals. It states that an indirect cost rate proposal must be prepared if costs are to be claimed from a federal award.

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- b. 2 CFR 200, Paragraph F.1 of Appendix V defines the approving cognizant agency for IDC rates as the Federal agency with the largest dollar value of direct Federal awards with the Tribe/TDHE
- c. ONAP Program Guidance No. 2002-06 states that an approved indirect cost plan must be in place for distributing indirect costs before expenses may be charged to the Federal award.
- d. 2 CFR 200.414(f) states that any non-Federal entity that has never received a negotiated IDC rate, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely.
- e. 2 CFR 200.414(g) states that an entity that has a current federally negotiated indirect cost rate may apply for a one-time extension for up to 4 years, which they must re-apply to negotiate a rate. Subsequent one-time extensions (up to 4 years) may be permitted.

As identified above, all cost must receive consistent treatment, meaning that if a cost is treated as a direct cost then it is applied as a direct cost across all programs. An example of this is if accounting services are included in the Indirect Cost Pool, then they cannot also be charged as a direct cost to a specific cost center or federal award.

Allowable Costs to NAHASDA

Generally, costs are allowed if they meet the following tests (2 CFR 200.403):

- ✓ Necessary, reasonable, and allocable
- ✓ Conform to the grant award criteria (IHBG)
- ✓ Consistent with policies and procedures
- ✓ Generally, GAAP
- ✓ Cannot use as cost sharing or matching requirement

2 CFR 200 Subpart E – Cost Principles, outlines allowable, disallowed and allowable with prior Federal agency approval costs. NAHASDA allows all costs outlined in 2 CFR 200 Subpart E that require federal agency approval without prior approval of HUD except for program specific items of costs identified in the NAHASDA regulations founds at 1000.26(b)(1)(i-iii):

Costs that require prior approval are:

- Depreciation: Any change to the depreciation method for fixed assets.
- Housing Costs: Cost of housing, housing allowances and personal living expenses regardless whether reported as taxable income to the employees. .

Costs that are unallowable:

- Penalties, damages, fines and other settlements.

Written Procedures Requirement:

The Tribe/TDHE must have written procedures for determining allowable costs in accordance with the Uniform Guidance, Subpart E-Cost Principles (2 CFR 200.302(7)).

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Best Practices: The Tribe/TDHE should review its written accounting procedures on Allowable Costs to address how it is ensuring that costs charged to the IHBG grant are allowed under the NAHASDA program and in accordance with the cost principles established in the Uniform Grant Guidance.


EXERCISE:

Review the attached list of Specific Items of Costs from the Uniform Guidance for:

- Allowable or Unallowable Costs
- Direct vs Indirect Costs

SECTION V: Budgeting

Learning Objective

	<p>Upon completing this section, you will learn:</p> <ul style="list-style-type: none">• The importance of having a budget.• The budget process and how to build it.• Importance of setting up the budget in your accounting system to create the desired financial budget to actual reports.
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The Importance of Budgets

Budgeting is one of the most important financial planning and management tools for your Tribe/TDHE. Budgeting is financial planning, requiring you to think about what the Tribe/TDHE can expect in the future – what your revenue streams will be, what human resources will be needed to achieve your goals and objectives, as well as review and measure past performance – what goals and objectives did you achieve and were they planned or unplanned activities, revenue and cost attached to past performance? Additionally, the Uniform Guidance requires the Tribe/TDHE to prepare budgets and be able to compare expenses against budgets:

2 CFR 200.302(b)(5): The Tribe/TDHE’s financial records must be able to provide comparison of expenditures with budget amounts for each Federal award.

- **Budgets help set targets.** What does the Tribe/TDHE want to accomplish this program year?
- **Strategy requires funding.** You want to make sure you allocate the Tribe/TDHE’s resources to support your programs and desired outcomes.
- **Budgets communicate Tribal priorities.** The budget reflects the priorities for housing needs of your community.
- **Control spending.** Helps limit your spending to what is budgeted.
- **Measures performance:** Budgets allow you to directly see your actual activity against your planned activity and to manage your programs.

When the Tribe/TDHE designs a budget they are making a deliberate decision to plan their financial goals for the short and long term.

Budget Controls

Budget controls are procedures that Recipients should have in place to compare and control NAHASDA expenditures against the approved NAHASDA budget. Clear and comprehensive budget controls will also serve Recipients well during the annual reporting process when HUD requires information about budgeted and actual expenditures.

Purpose of Budget Controls

Budget controls allow an organization to answer the following types of questions:

- What is the likelihood that an activity can be completed within the amount budgeted for that activity?
- If the amount budgeted for an activity appears to be insufficient, what sources will the organization use to complete the expected project?
- Are activities and expenditures progressing as planned?
- Is the cost per unit in line within expectations?

Basic Elements of Budget Controls

The basic elements of budget controls include the following:

- Comparing actual expenditures-to-date against planned expenditures and against projected accomplishments for such outlays
- Reporting deviations from budget and program plans
- Requesting approval for budget and program plan revisions (project sponsors submit requests to grantees; competitive grantees submit requests to HUD)

The Budgeting Process

A good budgeting process should start early and engage everyone responsible for the budget and for implementing it. Housing staff, the Tribal Administrator, and the Tribal Council should be involved in the process. Before you put together your housing operational budget there are some upfront budgeting decisions you will need to address.

1. The process should start with strategic priorities of the housing program set by the governing body, such as the Tribal Council or the Board of Commissioners. The housing staff and the Tribal Administrator should work together to ensure the budget is aligned with the Tribe/TDHE's strategic goals and objectives. In addition, the budget should be realistic, consistent, flexible, and measurable.
2. Identify all sources of funds. What can realistically be accomplished with the resources you know you have on hand or anticipate receiving?
3. Review the current statement of activities (revenues and expenses) to determine whether you should budget operating expenses at the same levels as you did last year.
4. Build the budget to include your desired objectives for the upcoming year: Each program director should be involved with their part of the budget:
 - a. What are the needs of your Tribal members and how many families do you plan to serve?
 - b. Can you do the work with current staff or do you need to hire extra staff?
 - c. What administrative costs do you anticipate with the activities?
 - d. What sources of funds do you have or are expecting to get?

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- e. If you have costs you need to allocate across programs, such as payroll, you should begin to prepare the cost allocations model using an excel spreadsheet.

For example, if the activities will be paid with NAHASDA grant funds, you should know whether they are eligible affordable housing activities and are allowable and allocable costs.

DESCRIPTION	REFERENCE
Eligible affordable housing activities	<p>NAHASDA SEC. 202 outlines activities:</p> <ul style="list-style-type: none"> 1) Indian Housing Assistance 2) Development 3) Housing Services 4) Housing Management Services 5) Crime Prevention and Safety Activities 6) Model Activities 7) Community Development Demonstration Project 8) Self-Determination Act Demonstration Project 9) Reserve Accounts
Allowable and allocable costs	<ul style="list-style-type: none"> 1) 2 CFR Part 200, Subpart E – Cost Principles; and General Provisions for Selected Items of Cost: 200.420-200.475. 2) NAHASDA regulation 1000.26, and includes an exceptions list to allowable costs.

Build The Budget.

Once you know the Tribe/TDHE’s housing priorities (listed in the IHP), develop an expense (uses) and revenue (sources) budget for each of those activities. Remember that your expense budget should be realistic to match the NAHASDA funds you have and other funds that you expect to have in the budget year.

1. Determine direct costs to the IHP activities, consider administration and planning expenses, and develop your budget for each activity and Administration and Planning expense.
2. Create allocation models:
 - a. Allocate your staff payroll expense based on staff time spent in the various activities. For example, one employee’s time may be charged 100% to Administration and Planning because of their function. Another employee’s time may be split 50% of time performing duties in the Housing Rehab Program and 50% to another tribal non-housing related program.

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- b. Create an allocation table to decide a fair and equitable way to allocate direct program expenses that cannot be charged directly to one program because it benefits many different activities and programs. The table below provides a
- c. Below is a simple example of how you can create an allocation table based on the percent of payroll expenses charged to the various IHP activities. In the example below, the Rehab Program bears 14.7% of total wages; the Tribal Office Building Development will incur 8.8% of wages, and so on. Likewise, any overhead expenses will be allocated to the activities (Rehab Program, Tribal Office Building Development, etc.) using the same rates. This provides rational and consistent treatment of expense allocation across all the activities and programs.

SAMPLE PAYROLL AND OTHER OVERHEAD EXPENSES ALLOCATION TABLE										
COLUMN	1	2	3	4	5	6	7	8	9	10
	Employee A	Employee C	Employee D	Employee E	Total	% of Total	Fringe Benefits FICA/ Medicare/ESC	401K	Tele- phone	Office Supplies
FTE	1.00	0.50	1.00	1.00	3.50					
PROGRAM:										
Rehab Program	25,000	-		-	25,000	14.7%	2,068	2,000	324	1,324
SFH Construction					-					
Tribal Office Bldg Dev	15,000				15,000	8.8%				
Emergency Assist		10,000		-	10,000	5.9%	827	800	129	529
Youth Activity	-	5,000		-	5,000	2.9%	414	400	65	265
HB Assist Program					-	0.0%	-	-	-	-
Other Programs		2,000	29,485	30,000	61,485	36.2%	5,085	4,919	796	3,255
Planning & Admin	-	-	18,515	35,000	53,515	31.5%	4,426	4,281	693	2,833
Budget Totals	40,000	17,000	48,000	65,000	170,000	100%	14,059	13,600	2,200	9,000
The above schedule illustrates:										
1	Column 5: The Tribe Housing staff of 3.5 FTEs are directly charged to NAHASDA activities or other programs based on work they perform for those areas.									
2	Column 6: The % of Total column shows what percent of wages and salaries are being charged to the activities and other programs. For example, the Rehab Program bears 14.7% of the cost of wages. The percent establishes the rate to apply to associated expenses (payroll taxes and other expenses such as telephone charges, and office supplies).									

The IHP is a familiar example of a budget that the Tribe/TDHE has put together to plan out the delivery of their tribal housing needs. The below excerpt from the IHP document (HUD-52737) lists eligible activities under NAHASDA.

EXERCISE:

Review the IHP/APR FORM HUD-52737 (attachment)

It is important that you keep on file your budget work papers, including documentation of your expense allocation methodology such as shown in the example above. When HUD and your auditor reviews expenses you have allocated to the various NAHASDA activities and other programs, the document shows you applied a systematic and rational method to allocating those costs.

Approve And Implement The Budget.

Approval. The governing body, such as a Board of Commissioners or the Tribal Council, formally adopts the budget by resolution.

Implementation. Once the budget is approved, the next step for the housing staff, or a fee accountant, is to enter the budgets into the accounting software system. This allows:

- The Tribe/TDHE to track the financial activities with the budget to actual report of revenues and expenses printed from your accounting software.
- Allows regular review and analysis of financial performance. For example, if the Tribe/TDHE budgeted for Supplies, but no charge has been made to the Supplies account and it is known that the Tribe/TDHE paid for Supplies throughout the year, having a budget to actual report will highlight and alert the errors to correct.

Manage Actual Expenses and Revenues against the Approved Budget

Remember that the IHP budget is a specific budget for the NAHASDA program. The Tribe/TDHE may be managing multiple programs that are funded with different federal, state or foundation grants. Therefore, the annual budget you build should include budgets for all funding sources you plan to expend in the program year, including activities approved in the IHP. In other words, the Tribe/TDHE's Housing budget should encompass the entire activity of the Tribe/TDHE, and there should be tracking of the revenues and expenses against approved budgets for all programs for the entire organization.

As demonstrated in the following "Budget to Actual" report, the Tribe/TDHE's budget should be entered in the accounting system so Management is able to track revenues and expenses against the budgeted amounts. It is also important that the Tribe/TDHE's accounting system's account codes is set up in a manner that allows recording and review of details for each grant award, or program. In the example on "Budget to Actual" reports, the account code setup in the accounting system (QuickBooks software) with the use of jobs and classes allows generation of budget to actual reports for the housing program as a whole, and a generation of the IHP activities individually.

Best Practices: Set up your approved budgets in your accounting system to track your revenues and expenses, and set up the accounting system to easily track and report all

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approved activities of the IHP. A periodic review of the report is a good management tool that provides accountability to the budget set by the Tribal Council/Board, and will alert staff to investigate accounting entries of line items that show large budget to actual variances to ensure the accounting records are accurate.

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Accrual Basis

Uptown Village Tribal Housing BUDGET TO ACTUAL January 1 through December 31, 2014

	Other Programs	Total 600 NAHASDA	Total Actual	Budget	Budget Variance	% Used
Income						
4100. Other Foundations	110,000.00		110,000.00	150,000.00	(40,000.00)	73%
4230 · Rasmuson Foundation	-	25,000.00	25,000.00	25,000.00	-	100%
4520 · Federal grants - NAHASDA	-	300,000.00	300,000.00	400,000.00	(100,000.00)	75%
4520 · Federal grants - ICDBG	-	50,000.00	50,000.00	50,000.00	-	100%
5180. Rental Income	25,000.00		25,000.00	26,000.00	(1,000.00)	96%
5300. Fuel Income	85,000.00		85,000.00	75,000.00	10,000.00	113%
5310. Interest-savings	14,076.55		14,076.55	18,000.00	(3,923.45)	78%
Total Income	234,076.55	375,000.00	609,076.55	744,000.00	(134,923.45)	82%
Expense						
7220 · Salaries & wages - other	86,485.00	83,515.00	170,000.00	180,000.00	(10,000.00)	94%
7240 · Employee benefits - not pension	12,500.00	22,500.00	35,000.00	36,000.00	(1,000.00)	97%
7250 · Payroll taxes	9,740.00	8,190.00	17,930.00	20,000.00	(2,070.00)	90%
7520 · Accounting fees	-	7,500.00	7,500.00	7,500.00	-	100%
7540 · Professional fees - other	2,000.00	18,000.00	20,000.00	25,000.00	(5,000.00)	80%
7550. Homebuyer Assistance	-	25,000.00	25,000.00	30,000.00	(5,000.00)	83%
8110 · Supplies	1,704.85	13,295.15	15,000.00	9,000.00	6,000.00	167%
8130 · Telephone & telecommunications	500.00	2,000.00	2,500.00	2,200.00	300.00	114%
8140 · Postage, shipping, delivery	250.00	750.00	1,000.00	900.00	100.00	111%
8170 · Printing & copying	500.00	6,500.00	7,000.00	5,000.00	2,000.00	140%
8210 · Rent, parking, other occupancy	170.15	579.85	750.00	1,000.00	(250.00)	75%
8260 · Equip rental & maintenance	-	28,315.00	28,315.00	30,000.00	(1,685.00)	94%
8310 · Travel	500.00	4,500.00	5,000.00	6,000.00	(1,000.00)	83%
8320 · Conference, convention, meeting	-	3,000.00	3,000.00	3,500.00	(500.00)	86%
8450 · Deprec & amort - allowable	1,850.00	2,000.00	3,850.00	4,000.00	(150.00)	96%
8520 · Insurance - non-employee	1,050.00	2,250.00	3,300.00	3,500.00	(200.00)	94%
8570 · Advertising expenses	900.00	2,000.00	2,900.00	3,000.00	(100.00)	97%
8591 · Bank charges & credit card disc	-	105.00	105.00	200.00	(95.00)	53%
8600. Interest Expense	7,500.00		7,500.00	8,000.00	(500.00)	94%
9000. Office Building (temporary account)	-	145,000.00	145,000.00	145,000.00	-	100%
Total Expense	125,650.00	375,000.00	500,650.00	519,800.00	(19,150.00)	96%
Net Income	108,426.55	-	108,426.55	224,200.00	115,773.45	48%


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Accrual Basis		Uptown Village Tribal Housing NAHASDA PROGRAM BUDGET TO ACTUAL January 1 through December 31, 2014			
	NAHASDA @ 12/31/2014	NAHASDA BUDGET	BUDGET VARIANCE	% USED	
Income					
4100. Other Foundations					
4230 · Rasmuson Foundation	25,000.00	25,000.00	-	100%	
4520 · Federal grants - NAHASDA	300,000.00	300,000.00	-	100%	
4520 · Federal grants - ICDBG	50,000.00	50,000.00	-	100%	
5180. Rental Income			-		
5300. Fuel Income			-		
5310. Interest-savings			-		
Total Income	375,000.00	375,000.00	-	100%	
Expense					
7220 · Salaries & wages - other	83,515.00	80,000.00	(3,515.00)	104%	
7240 · Employee benefits - not pension	22,500.00	20,500.00	(2,000.00)	110%	
7250 · Payroll taxes	8,190.00	8,000.00	(190.00)	102%	
7520 · Accounting fees	7,500.00	7,500.00	-	100%	
7540 · Professional fees - other	18,000.00	22,000.00	4,000.00	82%	
7550. Homebuyer Assistance	25,000.00	30,000.00	5,000.00	83%	
8110 · Supplies	13,295.15	8,500.00	(4,795.15)	156%	
8130 · Telephone & telecommunications	2,000.00	1,800.00	(200.00)	111%	
8140 · Postage, shipping, delivery	750.00	800.00	50.00	94%	
8170 · Printing & copying	6,500.00	5,000.00	(1,500.00)	130%	
8210 · Rent, parking, other occupancy	579.85	800.00	220.15	72%	
8260 · Equip rental & maintenance	28,315.00	30,000.00	1,685.00	94%	
8310 · Travel	4,500.00	5,000.00	500.00	90%	
8320 · Conference, convention, meeting	3,000.00	3,500.00	500.00	86%	
8450 · Deprec & amort - allowable	2,000.00	2,500.00	500.00	80%	
8520 · Insurance - non-employee	2,250.00	2,200.00	(50.00)	102%	
8570 · Advertising expenses	2,000.00	1,800.00	(200.00)	111%	
8591 · Bank charges & credit card disc	105.00	100.00	(5.00)	105%	
8600. Interest Expense			-		
9000. Office Building (temporary account)	145,000.00	145,000.00	-	100%	
Total Expense	375,000.00	375,000.00	-	100%	
Net Income	-	-	-	-	

EXERCISE:
Budget to Actual Review (attachment)

SECTION VI: Accessing IHBG Funds

Learning Objective

 A cartoon character with a yellow body, a smiling face, and a single arm raised pointing upwards. A glowing yellow lightbulb is positioned above its head, with rays emanating from it, symbolizing an idea or learning objective.	<p>Upon completing this section, you will learn:</p> <ul style="list-style-type: none">• HUD’s “3 Day Rule” on Payments.• Managing and accounting for the IHBG funds.• Requirement for procedures for payment.• Access and draw funds from eLOCCs.
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Payment

To comply with 2 CFR 200.302 Financial Management, a Tribe/TDHE must have written procedures to implement the requirements of §200.305 Payment (2 CFR 200.302(b)(6)). A Tribe/TDHE draws its funds from eLOCCS either as a cash advance to pay for allowable NAHASDA program expenses, or to reimburse itself for paying allowable NAHASDA program expenses from non-NAHASDA funds. In both cases, there are requirements under the Uniform Guidance and NAHASDA specific program requirements or guidance for managing IHBG funds. 2 CFR 200.305 Payment provides procedures for cash management, which are outlined below.

1. The Tribe/TDHE must minimize the time elapsing between the transfer of funds from the United States Treasury and the disbursement of those funds, whether the payment is made by electronic funds transfer or by other means. *HUD has established that the minimum time requirements elapsing between the transfer of funds and their disbursement are no more than 3 working days (HUD’s “3 Day Rule”).*
2. The non-Federal entity (Tribe/TDHE) must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability.
3. Generally for Federal awards, any program income received must be disbursed before requesting cash advance payments. However, a program specific requirement of NAHASDA 24 CFR 1000.26(a)(3) does not require disbursement of Program Income before requesting drawdown from eLOCCS for cash payments or expending IHBG funds.
4. Payments to a Tribe/TDHE must not be withheld at any time during the period of performance unless the Tribe/TDHE:
 - a) Failed to comply with the program objectives of the IHBG award; or
 - b) Is delinquent in a debt to the United States as defined in OMB Guidance A-129, “Policies for Federal Credit Programs and Non-Tax Receivables.”

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5. A Tribe/TDHE cannot advance funds from eLOCCS for payment to a contractor and withhold payment to assure satisfactory completion of work. The Tribe/TDHE must make the payment to the contractor or to escrow accounts established to assure satisfactory completion of work once the funds are drawn from eLOCCS.
6. HUD cannot require the Tribe/TDHE to have separate depository accounts provided for different Federal grants, nor can HUD establish any eligibility requirements for depositories for funds provided. However, the Tribe/TDHE must be able to account for the receipts and expenditures of IHBG funds through its accounting system.
7. Advance payments of Federal funds (IHBG) must be deposited and maintained in insured accounts whenever possible.
8. The Tribe/TDHE is exempted from maintaining advance payments in interest bearing accounts if:
 - a) The Tribe/TDHE receives less than \$120,000 in federal awards per year;
 - b) You don't expect to earn interest in excess of \$500 per year; and
 - c) The depository requires an unreasonably high minimum average balance to have an interest-bearing account.

EXERCISE:

Review sample written procedures for payment that you may want to adopt in order to comply with the Standards for Financial Management systems in the Uniform Guidance under 200.302(b)(7). (attachment)

Best Practices

Set up your accounting system to accurately track all grant and program expenses against each Federal award, and account for all program income earned and cash advances received. Update your policies and procedures to include procedures required under §200.305, and insure that you clearly document all cash advance draw requests to support NAHASDA's "3-day rule".

Accessing IHBG Funds (eLOCCS)

All IHBG recipients are required to use the internet version of Line of Credit Control System called eLOCCS – this is the method for IHBG recipients (Business Partners) to manage and access (drawdown) their IHBG funds. eLOCCS is accessed through Secure Systems, which is the HUD WEB Portal for eLOCCS. HUD has developed an eLOCCS Registration Guide for the LOCCS to assist new users and administrators who will manage the eLOCCS system.

https://portal.hud.gov/hudportal/documents/huddoc?id=eloccs_registration_guide.pdf

1. To Access eLOCCS the Tribe/TDHE must first be registered in Secure Systems. The Tribe/TDHE must identify a "Systems Coordinator" who will be the Systems Administrator. There may be up to five assigned Coordinators.

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2. Each user must also be registered in Secure Systems – to access eLOCCS, a user must have a Secure Systems ID and password **and** a LOCCS ID and password.
3. The HUD-27054 LOCCS Access Authorization form is used to request the specific LOCCS Organization and HUD Program Area access.

Advance eLOCCS Request Reimbursement:

1. Make a list of vendor invoices and amounts to be paid. You may obtain this listing by running a NAHASDA Revenue and Expense report from your accounting system to find out how much of your IHBG funds you need to draw down.
2. Use the list and copies of the invoices as supporting documentation for the eLOCCS draw.
3. Draw down funds from HUD for the amount of invoices to be paid.
4. Staple support documentation to the HUD 50080 form that has the total amount requested, and file with the eLOCCS confirmation receipt.
5. Pay vendors within three (3) working days of receipt of the NAHASDA grant funds.

Accounting for an Advance Payment from eLOCCS

Provided below is a sample transaction for an IHBG fund draw in advance of payment of an invoice. The auditor submits an invoice for \$15,000 to the Tribe/TDHE for payment. The Tribe/TDHE has not been approved to invest its NAHASDA grant funds and typically draws funds from eLOCCS at month end to get reimbursed for allowable NAHASDA expenses for the previous month. However, due to the large amount of the invoice, the Tribe/TDHE decides to request an advance payment through eLOCCS. The transactions for this would be:

Account	Class	Account Description	DEBIT	CREDIT
7540	600	Smart Auditors - Audit Services	15000	
2000		Accounts Payable		15000
Invoice is posted and sitting in Accounts Payable until paid. It is coded to expense with the NAHASDA class				
Account	Class	Account Description	DEBIT	CREDIT
1010		Bank Cash - Operating	15000	
4520	600	Grant Revenue - Federal		15000
To record receipt of funds from HUD through eLOCCS drawdown				
Account	Class	Account Description	DEBIT	CREDIT
2000		Accounts Payable	15000	
1010		Bank Cash - Operating		15000
To record payment to Smart Auditors - Funds from e-LOCCS must be disbursed within 3 business days				

Basic Financial Management for Tribe/TDHE

EXERCISE:

Review the revenue expense report and journal entries for the cash draw in the example below:

Sample Revenue and Expense Report			
Class: 600 NAHASDA			
Sub-class: 200 Rehab Program			
Account	Description	6/30/2014 Month Activity	Balance as of 6/30/2014
4520	Federal Grants - NAHASDA		31,490.00
		-	31,490.00
7220	Salaries & wages - other	2,240.00	25,000.00
7240	Employee benefits- not pension	80.00	1,500.00
7250	Payroll taxes	175.00	2,000.00
8110	Supplies	300.00	2,500.00
8130	Telephone & Telecommunications	50.00	200.00
8260	Equipment	200.00	3,000.00
8310	Travel	15.00	50.00
8520	Insurance-non employee	50.00	350.00
	Total Expenses	3,110.00	34,600.00
	Net Revenues/Expenses)	(3,110.00)	(3,110.00)
Accounting Entry - Reimbursement from eLOCCS.			
		DEBIT	CREDIT
1010	Cash	3,110.00	
4520	Federal Grants - NAHASDA		3,110.00
To Account for reimbursement from eLOCCS.			
Accounting Entry - Funds are in an approved investment account.			
		DEBIT	CREDIT
1010	Cash	3,110.00	
1080	Investment		3,110.00
To move NAHASDA grant funds from the investment account to the general cash account.			
2350	Deferred Revenue - NAHASDA	3,110.00	
4520	Federal Grant Revenue - NAHASDA		3,110.00
To recognize NAHASDA funds expended in June.			

SECTION VII: Basics of Governmental Accounting

Learning Objective



Upon completing this section, you will learn:

- Terminologies used in Governmental Fund accounting.
- The different basis of accounting (cash, accrual, modified).
- The measurement focus: The flow of current financial resources and the flow of economic resources.
- Fund Types and those most used by Tribe/TDHEs to present financial reports.

200.302(b)(2): Provide accurate current, and complete disclosure of the financial results of the IHBG program in accordance with reporting requirements in 200.327 Financial reporting.

Remember that in the introductory section of this training, we emphasized that this training course is not intended to be an accounting course. Therefore, the following discussion about accounting is to familiarize you with the terms often used by HUD, your auditors and your fee accountant in regards to your financial reports, as well as provide you with industry “speak” when referring to the accounting of your programs.

In addition, to ensure your system is able to produce complete and accurate financial reports for reporting of NAHASDA program activities on the Form SF- 425 and the APR, it is essential that proper accounting of the NAHASDA grant funds is in place to demonstrate accountability, reporting accuracy and good stewardship of the funds.

Governmental Accounting and Reporting

Tribe/TDHEs account for and present their basic financial statements according to GAAP standards set by the Governmental Accounting Standards Board (GASB). Therefore, it is important to understand the terminology used in governmental fund accounting, and what type of governmental fund the Tribe/TDHE uses to present its financial activities.

What is a Fund?

The fund is a fiscal and accounting entity. Each fund is a separate self-balancing set of accounts, meaning that each fund has its assets, liabilities, and fund balances which are segregated for the purpose of carrying on specific purposes based on regulations and the objectives of the Tribe/TDHE. A major reason for funds is control (accountability both legal and fiscal) of revenues received and expenditures of those resources. The fund types used in governmental accounting and that are often used by Tribe/TDHEs to report their IHBG grants are:

Types of Funds

General Fund

There is only one general fund in a government. This is the primary fund of the government and is used to account for all the financial resources except those that are required to be accounted for in another fund. All activities of the government should be accounted for here, unless there is a legal or contractual requirement to use a different fund type.

Special Revenue Fund

Revenues that are legally restricted to expenditures for specific purposes are tracked using special revenue funds. If there is no legal requirement to use a special revenue fund, all activities should be accounted for in the general fund.

Capital Projects Fund

Financial resources that are restricted, committed or assigned to expenditures for the acquisition and construction of major capital facilities may use a Capital Projects Fund. However, if the capital project is financed in proprietary or trust funds, they are accounted for in those funds.

Debt Service Fund

The accumulation of resources that are restricted, committed or assigned for the payment of general long-term debt principal and interest, may use a Debt Service Fund.

Proprietary Funds

The proprietary funds account for business-like activities of the government, and account for activities similar to a business where full accrual basis of accounting is used and the measurement focus of the proprietary fund group is on the flow of economic resources. There are two fund types in this group:

- a) **Enterprise funds** – The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis is financed primarily through user charges. This fund is most often used by Tribe/TDHEs to account for their housing programs
- b) **Internal Service funds** – are funds that are used to bill departments, divisions or subsidiaries within an organization. An example would be a city government that bills the school for utilities. These charges are eliminated in the combined financial statements.

Which Fund Type to Use for the IHBG?

The Tribe/TDHE may choose to account for their IHBG activities in the general fund or special revenue fund within the Governmental Funds, or as an enterprise fund within the Proprietary Fund group.

Features of Government Accounting

The important distinguishing features of governmental accounting and financial reporting are:

- **Basis Of Accounting** - when to report the transaction: for example, cash vs modified accrual vs accrual; and
- **Measurement Focus** - what transactions to report: for example Flow of Current Financial Resources vs Flow of Economic Resources). They are not the same for the different government fund types.

Basis of Accounting – When to Record the Transaction

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

1. **Cash Basis** - This is NOT GAAP and is not the preferred method of accounting. The cash method of accounting is focused on inflows and outflows of cash. You simply record revenues when you make a deposit and incur an expense when you write the check. You are not concerned when the revenue is actually earned and when the expenses were actually incurred. **Disadvantage of this method:** Your financial records do not accurately reflect the real financial picture of your organization.
2. **Accrual Basis** - This is GAAP. Income and expenses are matched in the same fiscal period regardless of the timing of the receipt or disbursement of actual cash. This is the preferred method because it provides a better presentation of the financial condition and results of operations for the Tribe/TDHE.
 - a. Revenue is recognized when revenue is earned and realized or realizable (reasonable to expect cash will be received in the future). For example, at the end of April you invoice your tenants for May rents. You are reasonably assured you will receive your rent in future periods. The action gives rise to an increase in receivable from the tenants and recognition of rent revenue (even though you have not received the rent payment). When you receive the rent payment, you increase your cash and reduce your receivable for the same amount.
 - b. Expense is recognized in the period it is incurred. For example, if you order supplies with the issuance of a purchase order and you receive the supplies, the action becomes a liability by recording an accounts payable, and the expense is recorded when the goods are received. You record the supplies expense even though you have not yet paid cash for the item. When you finally make the payment, your cash and your accounts payable decreases.

A small Tribe/TDHE working with a fee accountant may decide it is easier to account throughout the year on a cash or modified accrual basis, and have the fee accountant convert to accrual accounting at the end of the year by making the necessary adjustments. Regardless whether you do your own accounting or you work with a fee accountant, the Tribe/TDHE is responsible for its financial records

and should be familiar with the table *Regularly Used Accruals and Their Treatment* on pages 56 - 57.

- 3. Modified Accrual Basis.** Governmental funds use the modified accrual basis of accounting, which is a combination of cash basis and full accrual basis of accounting. Recognition of revenue is the most important feature of the modified accrual basis.
 - a. Revenues are recognized when they are both measurable (can be reasonably estimated) and available (within 60 days). That is, revenues are recognized when they become susceptible to accrual, which is different from the accrual basis where revenues are accrued when earned.
 - b. Expenditures are recorded on a full accrual basis because they are always measurable when they are incurred. See discussion on capital assets in (D) below.

Measurement Focus – What Transaction to Record:

The transactions that will be recorded in a government's accounting system are determined by the measurement focus basis of accounting.

- 1. Flow of Current Financial Resources** – This measurement focus is used in the government financial statements. The flow of current financial resources focus is on the financial resources that are available for use in the near future. The operating statement and balance sheet of governmental funds reflect transactions that only involve current financial resources. Therefore, capital assets, which do not represent current financial resources available for expenditure, but instead are items for which current resources are being used for, are recorded as expenditures and not considered assets of the governmental fund, but assets of the government as a whole.
- 2. Flow of Economic Resources** – Proprietary funds use the flow of economic resources measurement focus. The measurement focus is generally the same as that used by commercial enterprises. The focus of the flow of economic resources is to determine if the proprietary fund is economically better off as a result of the events and transactions that have occurred during the fiscal period that is being reported. Transactions that improve the economic condition of the proprietary fund are called revenues or gains. Transactions that diminish the economic position are referred to as expenses or losses. Proprietary funds reflect transactions and events regardless of whether there are current financial resources. Long-term liabilities and assets will be reported on the balance sheet of the proprietary fund.

SECTION VIII: Accounting for IHBG Grant

Learning Objective



Upon completing this section, you will learn:

- The important Financial Statements.
- Commonly used accounting terms, what they mean and what they look like.
- Creating a chart of account this is meaningful to the Tribe/TDHE’s activities using the concept of Classes and Sub-Classes in QuickBooks.
- How to account for Capital Assets in your financial system for grant reporting.

200.302(b)(2): The financial management system must provide accurate current, and complete disclosure of the financial results of the IHBG program in accordance with reporting requirements in §200.327 Financial reporting.

200.302(b)(3): Maintain records that identify adequately the source and application of funds for IHBG funded activities. Records must contain information pertaining to the federal (IHBG) award, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

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 within the Proprietary Fund group. Proprietary fund accounting use *the flow of economic resources measurement focus* (full accrual accounting) — a focus similar to that used by for-profit entities. The determining criterion for use of the Proprietary fund accounting for housing is based on:

- Tribe/TDHE’s Housing Program activities are financed and operated in a manner similar to private business enterprises. For example, use of debt to finance development of housing projects.
- They are generally supported through charged fees for good(s) and services (for example, rent) to users (eligible Tribal members) that are external to the government;
- It is common practice to establish fees and charges to recover costs of the activities, such as charging rent for the Tribe/TDHE’s rental housing program.

Financial Statements

Financial statements used to present proprietary funds are:

Basic Financial Management for Tribe/TDHE

- Statement of Net Position (commonly referred to as the Balance Sheet).
- Statement of Revenues, Expenses and Changes in Net Position.
- Statement of Cash Flows (direct method).

Revenue Recognition

Revenue is recognized when earned.

Exception: Non-exchange transactions GASB 33: There are four types of non-exchange transactions, and one of them is Government mandated non-exchange transactions. The IHBG is a government mandated non-exchange transaction because the one party (IHBG recipient) is receiving something of value from the government, without the government getting something of value in return. This is reported as unearned revenue – a liability – until the Tribe/TDHE uses the grant fund to pay for allowable expenses that have been incurred.

Expense Recognition

Expenses are recognized when incurred (full accrual) and the subsequent amortization of the deferred outflows. Remember that the proprietary fund uses the flow of economic resources measurement (accrual basis) versus governmental funds that use the flow of current financial resources.

Capital Assets

Capitalization of purchases of equipment and property valued over \$5,000 and the subsequent depreciation of the capitalized costs.

Accruals

Accruals of revenues earned and expenses incurred to report in the correct period.

Financial Statement Format of a Proprietary Fund

The Tribe/TDHE's Financial Statements represent a formal record of the financial activities of the Tribe/TDHE. These records are either prepared by the Tribe/TDHE or are prepared by the Fee Accountant from the financial accounting records of the Tribe/TDHE. These reports are presented to the Tribal Council or the Board of Commissioners at board meetings, to the funders (HUD), and financing entities. In addition to these three (3) formal reports, there are other reports that the Tribe/TDHE would want to produce on a regular basis and review for accuracy. These financial statement reports are:

Statement of Net Position (commonly called, "Balance Sheet")

This statement shows the financial position at a point in time. It has these components:

1. **Assets.** Resources with present service capacity that the Tribe/TDHE presently controls. For example, cash, investments, and capital assets.
2. **Deferred outflow of resources.** A consumption of net assets by the Tribe/TDHE that is applicable to a future reporting period. For example, pension costs.

Basic Financial Management for Tribe/TDHE

3. **Liabilities.** Present obligations to sacrifice resources that the Tribe/TDHE has to pay. For example, all the debts the Tribe/TDHE owes, such as loans (notes payable), unpaid invoices (accounts payable), and accrued liabilities (for unpaid vacation leave or compensated balance). The IHBG funds advanced to Tribe/TDHEs before eligibility requirements are met (not time requirement), should be reported as a liability to the recipient.
4. **Deferred inflow of resources.** An acquisition of net assets by the Tribe/TDHE that is applicable to a future reporting period. For example, if a Tribe/TDHE receives a grant in advance and it has met the eligibility requirement for the use of the grant, but not the time requirement – that is, it must wait until the next fiscal year to use the funds, then the deferral is an inflow of resources for a future period and must be reported as a deferred inflow.
5. **Net position** is the sum of total assets plus deferred outflows less total liabilities less deferred inflows. The Net Position is displayed in three (3) components: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

$\text{Assets} + \text{Deferred Outflow of Resources} - \text{Liabilities} - \text{Deferred Inflows of Resources} = \text{Net Position}$

[See Statement of Net Position Page 41]

Statement of Revenues, Expenses and Changes in Net Position

Commonly called, “Income Statement” this reports Operating and Non-Operating activities:

Operating Activities:

- **Operating Revenues.** These are total revenues you earn from normal operations. They come from a variety of sources, such as grant funds (NAHASDA), donations, and earned revenues from rent received or other business enterprises.
- **Operating Expenses.** All expenses incurred to operate the Tribe/TDHE’s programs. If the expenses are related to a federal grant the Tribe/TDHE must account for the funds in accordance with grant requirements. NAHASDA Expenses must meet the test of eligibility as well as program specific requirements of the NAHASDA program.

Non-Operating Activities.

This is where the Tribe/TDHE accounts for revenues and expenses that are not directly related to the normal operations of the Tribe/TDHE, for example:

- Investment income
- Gain/loss on disposal of assets.

- Interest expense.

[See Statement of Revenues, Expenses, and Changes In Net Position on page 42]

Statement of Cash Flow

The statement of Cash Flow is only prepared for Proprietary Fund types, therefore, you will not see this report presented with Governmental Funds. However, if you use the full accrual basis of accounting under the Proprietary Fund, a Statement of Cash Flow report is required as part of the Financial Statements. The cash flow statement is an extremely useful report that tells you the inflows and outflows of cash. It also is a useful report in that it shows the Tribe/TDHE's cash activities such as cash sources and uses from operations, capital and financing activities and from investing activities. That is, what type of sources brought in cash for the Tribe/TDHE and what costs were paid that reduced cash. In our illustration, the cash flow is presented on the direct method with inclusion of a reconciliation of operating cash flows to operating income.

[See example of a Cash Flow Statement Page 43]

Basic Financial Management for Tribe/TDHE

Northeast Tribe Statement of Net Position As of December 31, 2014

EXAMPLE OF A "BALANCE SHEET"

ASSETS

Current Assets	
Cash and cash equivalents	45,000.59
Petty cash	500.00
Savings & short-term investment	430,000.00
Accounts receivable	855.00
Tribal rent receivable	2,500.00
Prepaid Expenses	12,000.00
Total Other Current Assets	490,855.59

Investments	202,000.00
Total Non-current Assets	202,000.00

Capital Assets	
Buildings, Furniture, fixtures, & equip	894,713.41
Accum deprec- furn, fix, equip	(30,950.00)
Total capital assets	863,763.41

Total Assets	1,556,619.00
---------------------	---------------------

Total Deferred Outflows of Resources	0.00
---------------------------------------------	-------------

Current Liabilities	
Accounts payable	37,000.00
National Bank VISA Gold	184.60
Accrued paid leave	7,061.34
Total Current Liabilities	44,245.94

Notes Payable	250,000.00
Refundable Advance	350,000.00
Total Non-Current Liabilities	600,000.00

Total Liabilities	600,000.00
--------------------------	-------------------

Total deferred inflows of resources	0.00
--------------------------------------------	-------------

NET POSITION

Invested in capital assets, net of related debt	658,946.51
Restricted	0
Unrestricted	253,426.55
Total Net Position	912,373.06

Accrual Basis

Uptown Village Tribal Housing
Statement of Revenues, Expenses and Changes in Net Position
 January 1 through December 31, 2014

Operating revenue:

4100. Other Foundations	110,000.00
4230 · Rasmuson Foundation	25,000.00
4520 · Federal grants	350,000.00
5180 · Rental Income	25,000.00
5300. Fuel Income	85,000.00

Total Income	595,000.00
--------------	------------

Expense

7220 · Salaries & wages - other	170,000.00
7240 · Employee benefits - not pension	35,000.00
7250 · Payroll taxes	17,930.00
7520 · Accounting fees	7,500.00
7540 · Professional fees - other	20,000.00
7550 · Homebuyer Assistance	25,000.00
8110 · Supplies	15,000.00
8130 · Telephone & telecommunications	2,500.00
8140 · Postage, shipping, delivery	1,000.00
8170 · Printing & copying	7,000.00
8210 · Rent, parking, other occupancy	750.00
8260 · Equip rental & maintenance	28,315.00
8310 · Travel	5,000.00
8320 · Conference, convention, meeting	3,000.00
8450 · Depreciation	3,850.00
8520 · Insurance - non-employee	3,300.00
8570 · Advertising expenses	2,900.00
8591. Bank charges & credit card disc	105.00

Total Operating expenses	348,150.00
--------------------------	------------

Total operating earnings	246,850.00
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Nonoperating revenue and expense:

8600. Interest expense	(7,500.00)
5310. Interest income	14,076.55
Tota nonoperating revenues	6,576.55

Increase in net position	253,426.55
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Net position at beginning of year	658,946.51
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Net position at end of year	912,373.06
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**EXAMPLE OF AN
"INCOME STATEMENT"**

Basic Financial Management for Tribe/TDHE

UpNorth Village Tribal Housing Statement of Cash Flows For the Year Ended December 31, 2014		HOW MUCH CASH DO WE HAVE?
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from grants	400,000.00	
Receipts from other grants	25,000.00	
Receipts from Others	155,499.41	
Payments to Vendors	(250,000.00)	
Payments to Employees	(165,000.00)	
Net Cash Provided by Operating Activities	165,499.41	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payment on debt	(10,000.00)	
Interest payment on debt	(7,500.00)	
Construction of capital assets	(145,000.00)	
Total Cash Used by Capital and related Financing Activities	(162,500.00)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts from interest and dividends	12,000.00	
Proceeds from sale/maturity of investments	405,000.00	
Purchase of investments	(400,000.00)	
Net Cash Provided (Used) by Investment Activities	17,000.00	
NET INCREASE (DECREASE) IN CASH	19,999.41	
CASH AT BEGINNING OF YEAR	25,001.18	
CASH AT END OF YEAR	45,000.59	Agrees to Cash balance in Balance Sheet
Reconciliation of operating earnings to net cash provided by operating activities:		
Operating earnings	246,850.00	
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	3,850.00	
(Increase) Decrease in:		
Accounts Receivables	2,000.00	
Prepaid Expense	(2,500.00)	
Increases in:		
Accounts Payable	(88,200.59)	
Accrued Expenses	3,500.00	
Total adjustments	(81,350.59)	
Net Cash provided by operating activities	165,499.41	
NOTE: CASH IS FOR ILLUSTRATION PURPOSES ONLY		

Other Commonly Used Accounting Terms:

Debits and Credits

The double-entry bookkeeping in accounting works on the principle that every entry in an account must have an opposite entry to offset it for the same amount. One side of the entry is always a DEBIT and the opposite side is always a CREDIT. The effects of the Debits and Credits on the account types look like this:

TYPE	ACCOUNTS DESCRIPTION	INCREASE	DECREASE
ASSETS	CASH	Debit	Credit
LIABILITIES	ACCOUNTS PAYABLE	Credit	Debit
REVENUES	NAHASDA GRANT	Credit	Debit
EXPENSES	PROGRAM ASSISTANCE	Debit	Credit
NET ASSET	CURRENT YEAR CHANGE IN NET ASSET (Net Position)	Credit	Debit

Chart of Accounts

Your accounting system’s chart of accounts is a list of account names and numbers that are organized in a manner that makes it easy for you to group your financial records into the categories in which they are reported. These are the numbers and the descriptions you see in the general ledger. The usual numbering system is:

- Assets: 1xxx
- Liabilities: 2xxx
- Net Assets: 3xxx
- Revenues: 4xxx
- Expenses: 5xxx – 9xxx

Note: Some accounting software have more than four digits in the account code. For our purpose, we use QuickBooks as a guide for helping you understand how you might want to set up your accounting codes.

Class Tracking

It is important to design your chart of accounts to capture the grants and the “programs” or “activities” of each of your grants. If you are using QuickBooks, use the “Classes” feature to track grant transactions – revenue and expenses. Without classes, it would be extremely difficult to produce financial reports for the different grants you are required to manage. Assigning a class to **EACH GRANT** allows you to easily determine total expenses charged to each grant and makes it easy to recognize revenue earned on the grant.

For example, if you have several grants you are tracking during the fiscal year, you would assign a CLASS NUMBER to each of the grants.

Class Example

- Class 600 – NAHASDA (IHBG)
- Class 660 – Indian Community Development Block Grant (ICDBG)
- Class 500 – Bureau of Indian Affairs Contract Funds (BIA TPA)
- Class 700 – Indian Reservations Roads (IRR)
- Class 800 – Rasmuson Foundation

You can further break down the account to add SUB-CLASSES to track expenses of the grant program by activity, which are a second set of numbers.

Sub-Class Example

Depending on which activities you incorporate into your IHP, you may want to further track these activities by using SUB-CLASSES. The use of sub-classes allows for ease in reporting by the required activities in your IHP. In our IHP example on page 50, we identified major activities that would assign a sub-class.

Sub-Class:

- Sub-Class 100 – Planning and Administration
- Sub-Class 110 – Rehab Program
- Sub-Class 120 – Development Construction
- Sub-Class 130 – Emergency Program
- Sub-Class 140 – Youth Activity
- Sub-Class 150 – Homebuyer Assistant Program
- Sub-Class 190 – Tribal Office

Therefore, if you want to know how much of the Supplies Expense of \$16,545 in the trial balance was actually charged to NAHASDA (IHBG) to an approved IHP activity for the Rehab program, you would run a Profit and Loss **REPORT BY CLASS**, selecting 600 – NAHASDA PROGRAM ACTIVITIES to generate a report of all activities associated with the NAHASDA program by Activity (110 – Rehab Program, 120 – Development Construction, etc.).

In summary, if you want to know how much of supplies were charged to the Rehab Program, you need to know the account code for Supplies and the Program Class and Sub-Class such as shown below:

Basic Financial Management for Tribe/TDHE

- NAHASDA Program Class: 600
- IHP Rehab Program Sub-Class: 110
- General account code for Supplies: 8110

IMPORTANT

Reconcile CLASSES to the General Ledger each month to ensure all activities have been assigned to a CLASS.

EXERCISE: Review NAHASDA Program Activities (next page)

Basic Financial Management for Tribe/TDHE

Upnorth Village Tribal Housing IHP/NAHASDA PROGRAM ACTIVITIES January 1 through December 31, 2014

Accrual Basis

	600		600		600		600		600		650		700													
	Class	200	210	220	300	305	400	100	600	600	220	220	220	220												
Sub-Class																										
	REHAB PROGRAM		Development Construction		Tribal Office		Emergency		Youth Activity		Homebuyer Assist		Planning & Admin		Tribal Office		Tribal Office		Rasmuson		Tribal Office		TOTAL			
	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	NAHASDA	
Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4230 · Rasmuson Foundation	50,000.00	-	-	-	20,000.00	15,000.00	25,000.00	120,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4520 · Federal grants - NAHASDA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4520 · Federal grants - ICDBG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Income	50,000.00	-	-	70,000.00	20,000.00	15,000.00	25,000.00	120,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expense	25,000.00	5,500.00	3,185.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7220 · Salaries & wages - other	5,000.00	1,250.00	455.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7240 · Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7250 · Payroll taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7520 · Accounting fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7540 · Professional fees - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7550 · Homebuyer Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8110 · Supplies	8,250.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8130 · Telephone & telecommunications	500.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8140 · Postage, shipping, delivery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8170 · Printing & copying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8210 · Rent, parking, other occupancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8260 · Equip rental & maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8310 · Travel	5,815.00	1,000.00	-	-	15,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8320 · Conference, convention, meeting	-	-	-	-	1,500.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8450 · Deprec & amort - allowable	750.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8520 · Insurance - non-employee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8570 · Advertising expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8591 · Bank charges & credit card disc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9000 · Office Building	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expense	50,000.00	-	-	70,000.00	20,000.00	15,000.00	25,000.00	120,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Journal Entry

When does a Journal Entry apply?

Keep in mind that your accounting software automatically posts the journal entries to the general ledger when you record transactions through subsidiary ledgers, such as the Cash Management, Accounts Receivable, Accounts Payable and Payroll.

However, it is necessary to create and post manual journal entries for some transactions that the software does not automatically generate. Examples include:

- Corrections to accounts that were either charged to the wrong account.
- Corrections to accounts that were charged to the wrong class.
- Record depreciation expense.
- Reclassifying expenses from one account to another, such as construction work in progress to an asset.

Example: Illustrated below is a journal entry transaction affecting the following accounts:

ACCOUNT	DESCRIPTION	CLASS	DEBIT	CREDIT	EFFECT ON ACCOUNTS
8110	Supplies	600 - NAHASDA	1326.22		Increases supplies expense in NAHASDA account
8110	Supplies	670 IRR		1326.22	Decreases supplies in IRR account
	Total		1326.22	1326.22	

Internal Control Reminder:

Journal entries create an audit trail of the transactions made that can be followed and traced to original documentation that are attached to the journal entry and filed as part of your accounting transaction records. It is best business practice to utilize journal entries over using the reclass function in QuickBooks.

All changes and entries should be reviewed and approved by a second party. You can ensure this system of control is practiced by creating a journal entry form that must have a supervisor's signature before it is posted to the accounting software.

The following document is an example of a journal entry document that has complete information about the action, when it was created, who initiated the journal entry transaction, why the transaction was necessary, and who reviewed and approved the transaction.

Basic Financial Management for Tribe/TDHE

SAMPLE GENERAL JOURNAL ENTRY FORM					
UPNORTH VILLAGE			AJE NUMBER		
DATE	ACCOUNT	CLASS	DESCRIPTION	Debit	Credit
XX-XX-XXXX	XXXX	XXX	enter description (shows in General Ledger)	\$\$\$	
	XXXX	XXX	enter description (shows in General Ledger)		\$\$\$
short description of why you are creating the journal entry.					
TOTAL					
Name and signature of preparer					Date of Preparaton
Prepared by:				Date	
Name and signature of reviewer/approver					
Approved by:				Date	
<p>Note: The reviewer/approver looks over the journal entry and supporting documentation before posting. Each journal entry should have complete documentation to support the transaction. There should always be two signatures for every entry</p>					

General Ledger

A general ledger is a complete record of a company’s financial transactions since inception. It consists of all accounts with balances in your financial system. Every time you write a check or receive a deposit the transactions flow into the general ledger and change the balances of accounts that are affected by the transactions. For example, if you receive and post cash deposit for the IHBG grant award, the general ledger cash account will increase, and the Deferred Revenue account will increase. Likewise, if you write a check to pay for an accounts payable, the cash is reduced and the accounts payable is decreased by the same amount.

Best Practice: All accounts in the general ledger should be reviewed each month. All balance sheet accounts should be reconciled each month. When you reconcile each account you’re insuring that the account is accurate and supported. An example is the cash accounts are reconciled to the bank statement, then the reconciliation is filed in a month-end folder where support is retained for every account.

Trial Balance

It is a list of ALL the general ledger accounts (Assets, Liabilities, Net Position, Operating Revenues, Operating Expenses and Other Revenues and Expenses) and their debit and credit balances at a specific date. Generate a trial balance at the end of an accounting period to review for additional adjusting entries that may be required to any of the account balances. Remember, the basic accounting system relies on double-entry accounting; therefore, the trial balance will have the same total debits and the same total credits.

Basic Financial Management for Tribe/TDHE

Accrual Basis

Upnorth Village Tribal Housing

Trial Balance

As of December 31,2014

	<u>Debit</u>	<u>Credit</u>
1010 · Cash in bank - operating	45,000.59	
1020 · Cash in bank - payroll	0.00	
1040 · Petty cash	500.00	
1070 · Savings & short-term investment	430,000.00	
1080. Investment	202,000.00	
1110 · Accounts receivable	855.00	
1121 · Tribal rent receivable	2,500.00	
1450 · Prepaid expenses	12,000.00	
1640 · Building, Furniture, fixtures, & equip	894,713.41	
1745 · Accum deprec- furn,fix,equip		30,950.00
2010. Accounts Payable		32,000.00
2031 · National Bank VISA Gold		184.60
2110. Accrued payroll taxes liability		3,500.00
2111. Accrued payroll liability		1,500.00
2120 · Accrued paid leave		7,061.34
2350 · Deferred Revenue - NAHASDA		200,000.00
2351. Deferred Revenue - State of AK		150,000.00
2700. Notes Payable		250,000.00
3010. Unrestricted RE		658,946.51
4100. Other Foundations		110,000.00
4230 · Rasmuson Foundation		25,000.00
4520 · Federal grants - NAHASDA		300,000.00
4530. Federal grants - ICDBG		50,000.00
5000. Rental Income		25,000.00
5300. Fuel Income		85,000.00
5310 · Interest-savings/short-term inv		14,076.55
7220 · Salaries & wages - other	170,000.00	
7240 · Employee benefits	35,000.00	
7250 · Payroll taxes	17,930.00	
7520 · Accounting fees	7,500.00	
7540 · Professional fees - other	20,000.00	
7550. Homebuyer Assistance	25,000.00	
8110 · Supplies	15,000.00	
8130 · Telephone & telecommunications	2,500.00	
8140 · Postage, shipping, delivery	1,000.00	
8170 · Printing & copying	7,000.00	
8210. Rent, Parking other occupancy	750.00	
8260 · Equip rental & maintenance	28,315.00	
8310 · Travel	5,000.00	
8320. Conference, convention, meeting	3,000.00	
8450 · Deprec & amort - allowable	3,850.00	
8520 · Insurance - non-employee	3,300.00	
8570 · Advertising expenses	2,900.00	
8591 · Bank charges & credit card disc	105.00	
8600. Interest Expense	7,500.00	
TOTAL	1,943,219.00	1,943,219.00

Basic Financial Management for Tribe/TDHE

Regularly Used Accruals and Their Treatment

1	ACCRUAL CONCEPT	PREPAID EXPENSE		
	DESCRIPTION	Insurance practice is to pay upfront for insurance		
	EXAMPLE	Tribe pays \$12,000 up front for GL insurance to cover the program year.		
	ACCOUNTING ENTRIES		DEBIT	CREDIT
		PREPAID EXPENSE - INS	\$12,000	
		CASH		\$12,000
		To record prepayment of insurance at the beginning of the fiscal year.		
			DEBIT	CREDIT
		INSURANCE EXPENSE	\$1,000	
		PREPAID EXPENSE - INS		\$1,000
		To record monthly insurance expense (1/12th of \$12,000)		
2	ACCRUAL CONCEPT	RECEIVABLE - TENANT		
	DESCRIPTION	Tribe has rental properties rented to eligible tribal families.		
	EXAMPLE	Tenant's monthly rent is \$300.		
	ACCOUNTING ENTRIES		DEBIT	CREDIT
		Tenant Accounts Receivable	\$300	
		Rent Revenue		\$300
		To record monthly rent charge to Tenant.		
			DEBIT	CREDIT
		Cash	\$300	
		Tenant Accounts Receivable		\$300
		To record Tenant's payment of the month's rent.		
3	ACCRUAL CONCEPT	RECEIVABLE - GRANTS		
	DESCRIPTION	Grant from the Rasmuson Foundation for construction of the Tribal Building. Tribe has incurred the cost.		
	EXAMPLE	Tribe is awarded a Rasmuson Foundation grant of \$25,000 for a Tribal Building, and will receive the funds within 60 days.		
	ACCOUNTING ENTRIES		DEBIT	CREDIT
		Grants Receivable-Rasmuson Foundation	\$25,000	
		Grant Revenue		\$25,000
		To record grants receivable from the Rasmuson Foundation		
			DEBIT	CREDIT
		Cash	\$25,000	
		Grants Receivable-Rasmuson Foundation		\$25,000

Basic Financial Management for Tribe/TDHE

4	ACCRUAL CONCEPT	PAYABLES		
	DESCRIPTION	Vendor payables and employer payroll tax liabilities, and accrued expenses (estimated amounts, such as vacation payables).		
	EXAMPLE	Housing Program staff received approval with a purchase order to buy supplies from Spenard Builders Supply on credit for the Rehab Program.		
	ACCOUNTING ENTRIES		DEBIT	CREDIT
		Supplies Expenses	\$2,000	
		Accounts Payable		\$2,000
		To record invoices received from Spenard Builders Supply.		
			DEBIT	CREDIT
		Accounts Payable	\$1,000	
		Cash		\$1,000
		To record payment to Spenard Builders Supply for invoices that are due for payment.		
5	ACCRUAL CONCEPT	CAPITAL ASSETS		
	DESCRIPTION	Long lived investments in equipment, furniture, fixtures and building improvements		
	EXAMPLE	Purchased a vehicle and shipping for total cost of \$42,000		
	ACCOUNTING ENTRIES		DEBIT	CREDIT
		Capital Asset-Vehicle	\$42,000	
		Cash		\$42,000
		Record purchase of capital Asset - Vehicle		
	The cost of the asset is spread out (depreciated) over the 5-years useful life of the asset at \$700/month (\$42,000 divided by 60 months)		DEBIT	CREDIT
		Depreciation Expense	\$700	
		Accumulated Depreciation		\$700
		Record the monthly depreciation on the Vehicle.		
6	ACCRUAL CONCEPT-IHBG ADVANCE	NAHASDA GRANT AWARD THE TRIBE IS APPROVED TO INVEST.		
	EXAMPLE	The Tribe's NAHASDA grant award for the program year is \$400,000, and HUD has approved the Tribe to draw down the entire award amount and invest the funds.		
	ACCOUNTING ENTRIES		DEBIT	CREDIT
		Cash - Investment	\$400,000	
		Refundable Advance		\$400,000
		To record receipt of \$400,000 of NAHASDA grant funds approved for investment		
			DEBIT	CREDIT
		Refundable Advance	\$20,000	
		NAHASDA Grant Revenue		\$20,000
		Recognize NAHASDA grant revenues for NAHASDA eligible expenses incurred.		

Basic Financial Management for Tribe/TDHE

Capital Assets

It is important to design your accounting system to accurately track capital assets. In Section VII-Basics of Governmental Accounting, we introduced the accrual concept and how certain activities are accounted for. When you purchase a capital asset, under full accrual accounting, you record the asset directly to the capital asset account, and offset it with cash (both accounts reside on the Statement of Net Position (also known as Balance Sheet), and it does not show up at all in the income statement.

For capital expenses that are paid with grant funds you must treat the transaction differently. Specifically, you need to post the capital purchase to the income statement so that you can recognize grant revenue earned for this purchase. Therefore, it is important to design an accounting system that allows you to track your capital and other asset purchases with grant funds so you can correctly recognize all grant revenues earned, or received in your accounting records.

Some Tribe/TDHEs book all grant expense transactions to the income statement and adjust at the end of the year. This is more of a cash basis of accounting, which we learned is not acceptable method of accounting under GAAP. If the Tribe/TDHE follows this method, then the Statement of Net Positions (Balance Sheet) and the Statement of Revenues, Expenses and Changes in Net Position (Income Statement) are out of compliance with GAAP - so adjustments need to be made to the accounting records to accurately reflect the accounting transactions of the Tribe/TDHE. Specifically, capital assets need to be “moved” to the balance sheet. An accounting method for accounting for grant funds used to purchase capital assets is to use a contra expense account (9999).

Step 1: Record the asset as an EXPENSE using the grant class for NAHASDA. This is to enable you to track the NAHASDA activities in the Income Statement. For example, if you are purchasing a vehicle for the modernization department using NAHASDA funds, record the capital expense initially as an expense as shown in the next page:

Account	Description	Class	Subclass	Debit	Credit
9000 (expense)	Equipment: Vehicle	NAHASDA	Modernization	\$42,000	
2000	Accounts Payable	none	none		\$42,000
To record purchase of Vehicle using NAHASDA Funds					

Step 2: Recognize the vehicle as a CAPITAL ASSET (GAAP treatment). To follow GAAP accounting, the four-wheeler is an asset, therefore, the purchase must be recorded in the balance sheet as well. A contra-expense capital account (9999) is used to facilitate this. This account is strictly used to offset the Capital Expense account (9000) to net against the

Basic Financial Management for Tribe/TDHE

capital expense to zero in the Income Statement (Remember, capital assets are NOT expense items):

Account	Description	Class	Subclass	Debit	Credit
1600	Asset: FFE	none	none	\$42,000	
9999 (expense)	Equipment Contra Account	NAHASDA	Modernization		\$42,000
To move FFE to the Balance Sheet. Showing the class and subclass allows you to easily see that you have “booked” the transaction.					

Step 3: Since the vehicle is an approved IHP activity to be paid by NAHASDA, the next step is to recognize the NAHASDA revenue that paid for the asset. Remember, if you have been pre-approved to draw down your entire NAHASDA grant monies to invest, the NAHASDA grant is tracked in the Deferred Revenue liability account. The entry below reduces the amount of NAHASDA you have on hand (in the deferred revenue account) due to this transaction, and increases the balance of NAHASDA revenues account when you recognize the NAHASDA revenue associated with this “expense”. The extra entries are necessary to show: 1) the vehicle as an asset under GAAP; and 2) helps you track the revenues and ALL eligible expenses (including capital “expenses”) that offsets the NAHASDA revenues. Therefore, when you generate the NAHASDA Program Activities report by class, your total revenues should match your total expenses.

Account	Description	Class	Subclass	Debit	Credit
4500	NAHASDA Revenue	NAHASDA	Modernization		\$42,000
2700	Refundable Advance-NAHASDA	none	none	\$42,000	
To record revenue earned for the purchase of capital asset					

Basic Financial Management for Tribe/TDHE

Step 4: Grant Management Reporting: The Capital expense-contra account is *excluded* when you run your report on NAHASDA grant activities and this is what will be included in the NAHASDA grant revenue and expenses report:

Account	Account Type	Debit	Credit
4500	Revenue – NAHASDA		\$42,000
9000	Equipment – Vehicle	\$42,000	

Step 5: Review the Trial Balance to ensure the Capital asset has been properly recorded as an asset, the NAHASDA revenue has been recorded for the amount of the capital expenditure, and the “capital expense” accounts 9000 and 9999 nets to zero because under full accrual basis of accounting, a capital asset is not an expense item and should not appear in the Income Statement.

<u>ACCOUNT</u>	<u>ACCOUNT TYPE</u>	<u>DEBIT</u>	<u>CREDIT</u>	<u>EFFECT</u>	
1600	Asset - FFE	\$42,000		INCREASE	
2000	Accounts Payable		\$42,000	INCREASE	
2700	Refundable Advance - NAHASDA	\$42,000		DECREASE	
4500	Revenue - NAHASDA		\$42,000	INCREASE	
9000	Equipment - Vehicle	\$42,000		INCREASE	} Adds to zero
9999	Equipment Contra		\$42,000	DECREASE	

Your capital asset policy and procedures should include the definition of a fixed asset, the lives of the assets and the depreciation method the Tribe/TDHE will use. For example, The Upnorth Village Tribal Housing Authority defines an asset as any item purchased with a cost of \$5,000 or more and a useful live of more than one year. The depreciation method is straight line and the depreciation life is:

Land:	not depreciable
Building & Building Improvements:	30 years
Equipment:	7 years
Automotive:	10 years

An example of a fixed assets schedule would include the capital asset, the make, model and serial number or other identification element, and date of purchase. It would also include columns for additions and deletions and the ending value of the assets as of the reporting period. In the following example the Upnorth Tribe/TDHE’s fixed assets schedule is updated to include assets purchased in 2016.

REVIEW: CAPITAL ASSET SCHEDULE AND DEPRECIATION SCHEDULE
(next page)

Basic Financial Management for Tribe/TDHE

Upnorth Village Tribal Housing						
Fixed Assets Schedule						
December 31, 2016						
Date	Item	Source	Beginning Balance	Additions	Deletions	Ending Balance
Land						
6/1/1998	Land/Office Bldg: 1.5 acres	Donated Village Corp	30,000			30,000
12/31/2013	Land/Triplex 1.5: acres	Donated Village Corp	30,000			30,000
		Total Land	60,000	0	0	60,000
Buildings						
10/1/2000	Office Building	BIA/NAHASDA	346,999			346,999
4/1/2015	Triplex	NAHASDA	424,075			424,075
		Total Buildings	771,074	0	0	771,074
Equipment						
7/1/2010	Allweld Boat 18' w/Mercury 115 HP	EPA/IGAP	21,500			21,500
12/1/2015	Honda 4 wheeler VIN 1234	EPA/IGAP	7,689			7,689
3/31/2015	Ford single cap VIN 6698	BIA TPA	26,750			26,750
7/15/2016	Honda 4 wheeler VIN 9988	BIA TPA		7,700		7,700
		Total Equipment	55,939	7,700	0	63,639
		Total All Assets	887,013	7,700	0	894,713
Construction in Progress						
enter if you have construction in progress during a specific year. You move items out of CWIP Buildings when complete						

The depreciation schedule is part of the fixed assets schedule and should reconcile to the current year depreciation expense on the income statement and the cumulative accumulated depreciation on the balance sheet:

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Upnorth Village Tribal Housing								
Fixed Assets Schedule								
December 31, 2016								
Date	Item	Ending Balance	Life	Beginning Accumulated Depreciation	2016 Additions	2016 Deletions	Ending Accumulated Depreciation	Net
Land								
6/1/1998	Land/Office Bldg: 1.5 acres	30,000						30,000
12/31/2013	Land/Triplex 1.5: acres	30,000						30,000
		60,000		0	0	0	0	60,000
Buildings								
10/1/2000	Office Building	346,999	360	176,391	11,567	0	187,958	159,041
4/1/2015	Triplex	424,075	360	10,602	14,136	0	24,738	399,337
		771,074		186,993	25,702	0	212,696	558,379
Equipment								
7/1/2010	Allweld Boat 18' w/Murcury 115 HP	21,500	120	11,825	2,150	0	13,975	7,525
12/1/2015	Honda 4 wheeler VIN 1234	7,689	84	92	1,098	0	1,190	6,499
3/31/2015	Ford single cap VIN 6698	26,750	120	2,006	2,675	0	4,681	22,069
7/15/2016	Honda 4 wheeler VIN 9988	7,700	84	0	458	0	458	7,242
		63,639		13,923	6,382	0	20,305	43,334
		894,713		200,916	32,084	0	233,000	661,713
Construction in Progress								
enter if you have construction in progress during a specific year. You move items out of CWIP Buildings when complete								

GAAP accounting for capital assets requires the depreciation of the assets. The entry for depreciation was reviewed in the section covering accrual concepts on page 56.

Remember that when using IHBG funds, depreciation method cannot be changed without HUD prior approval (§1000.26(b)(1)). The straight-line depreciation is the common form of depreciation used.

An auditor will require you produce a capital asset schedule for the audit. The capital asset schedule is a living document, meaning that it is continually adjusted to reflect current capital assets and accumulated depreciation.

NOTE: If you purchased capital assets with IHBG funds, you cannot also claim the depreciation of the capital asset as an expense of the IHBG fund.

Donated Assets and How to Account For Them (200.434)

Acquisition cost is the fair market value of the asset at the time of acquisition. The value of services and property donated to the Tribe/TDHE may not be charged to the Federal award either as a direct or indirect (F&A) cost. However, the depreciation expense of capital assets (not paid by grant, but for which the NAHASDA program benefits), including donated assets (as long as it is not counted towards cost sharing or matching requirements) may be charged to the grants through an allocation plan or indirect cost rate.

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SAMPLE ENTRY	Dr	Cr
Capital Asset - Donated Vehicle	12,000	
Contribution - Donated Capital Asset		12,000
Record receipt of donated vehicle at the FMV		
Depreciation Expense - Donated Asset	200	
Accumulated Depreciation - Donated Asset		200
Monthly depreciation of donated asset on Straight Line depreciation over 60 months		

SECTION IX: Accounting Systems and Internal Controls

Learning Objective



Upon completing this section, you will learn:

- An understanding of the flow of transactions in an accounting system.
- The importance of internal controls.
- Tips on how you can set up good internal controls.
- Sample policies and procedures.

200.302(4): The Tribe/TDHE must have effective control over, and accountability for, all funds, property, and other assets. The Tribe/TDHE must adequately safeguard all assets and assure that they are used solely for authorized purposes.

The Tribe/TDHE's system of internal controls promotes efficiency, reduces risk of loss of assets, and helps ensure the reliability of financial statements and compliance with the general provisions of the Uniform Guidance and the IHBG program statutes and regulations.

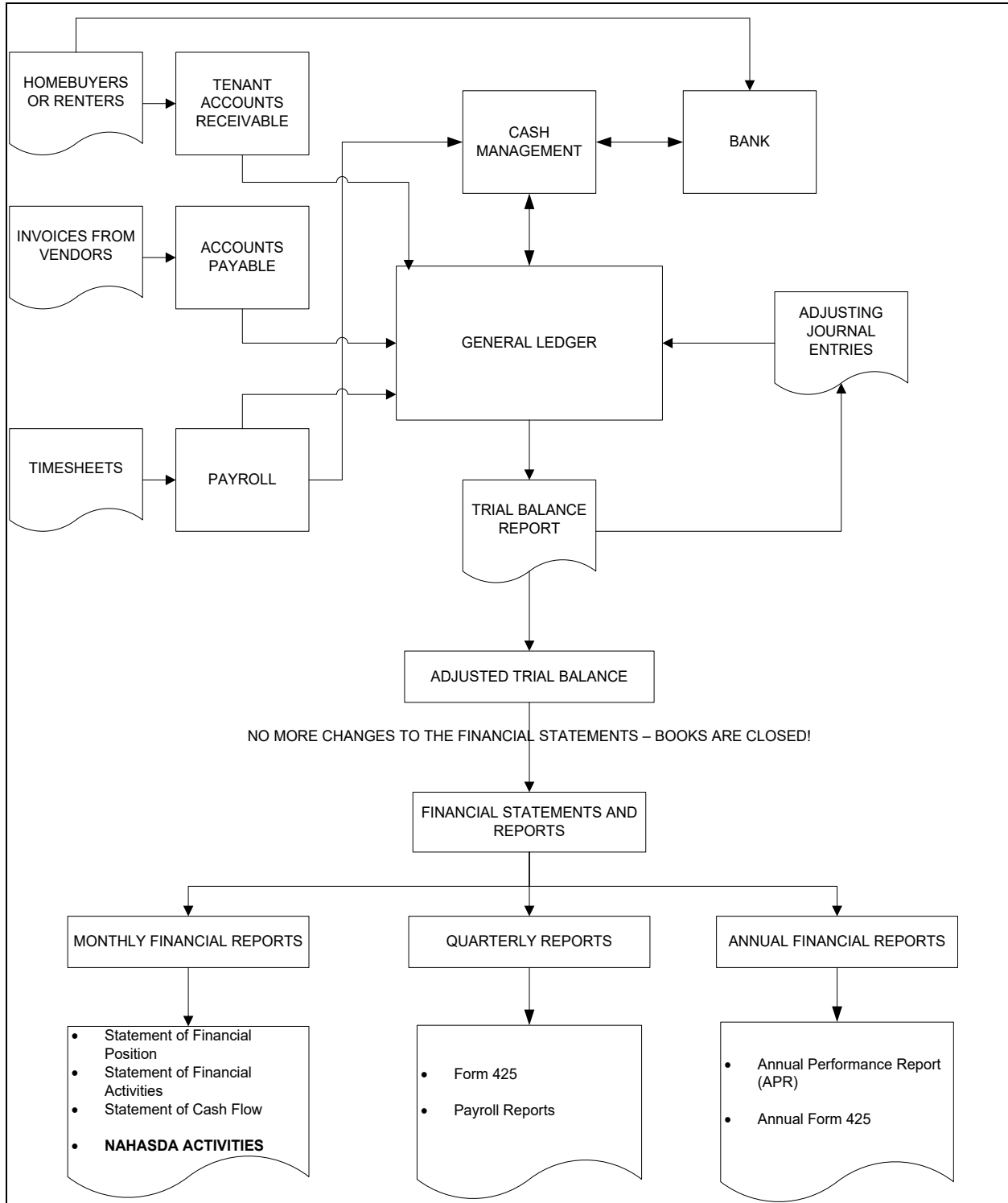
We will review the accounting flowchart of a typical accounting system to gain insight on areas of the accounting cycle that you would develop your internal control system through written financial policies and procedures for handling of accounting transactions to ensure internal controls are in place at all levels of the financial transactions and decision making.

The Accounting Flowchart:

- Detailed transactions for payroll, posting and paying invoices, and for tracking charges to homebuyers and payments from homebuyers are handled in Payroll, Accounts Payable, and Tenants Accounts Receivables subsidiary ledgers.
- The subsidiary ledger transactions are posted in batches to the general ledger. This prevents the general ledger from being cluttered with too much detailed information. For example, if you want a report on outstanding invoices, you run the report from the Accounts Payable subsidiary ledger (where the detail information on accounts payable resides) not the general ledger.
- The subsidiary ledger balance must match the general ledger account balances. For example, the Accounts Payable balance in the subsidiary ledger must total the balance of Accounts Payable (Acct 2010) in the general ledger. If they do not match, the next step is to reconcile the two accounts and correct the error so that they match.

Your financial reports are only as good as what you put into your accounting system. If the accounting is not correct, your reports will not provide the accurate reports you will need for reporting to your Board or Directors, Tribal Council, or external funders (HUD).

The Accounting Flowchart



Regulatory Requirement

This is a requirement under §200.303 of the Uniform Guidance which states that a non-federal entity (Tribe/TDHE) must:

1. Establish and maintain effective internal controls over the IHBG funds. The internal controls should be in compliance with guidance in “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).
2. Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
3. Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
4. Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
5. Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

Internal Control Components

In a small to medium size Tribe/TDHE, where it is normal to have one person in charge of all financial management duties, it is still possible to have good internal controls. The Uniform Guidance requires compliance with the COSO framework for establishing your Internal Control System. The COSO framework has five (5) interrelated components:

Control Environment.

The control environment sets the tone of an organization (**tone at the top**), providing discipline and structure. Control environment factors include:

- The integrity, ethical values and capacity of employees;
- Management's philosophy and operating style;
- The way management assigns authority and responsibility, and organizes and develops its people; and
- Tribal Council engagement and direction.

Risk Assessment.

Every entity faces a variety of risks from external and internal sources that must be assessed. There is constant change internally, federal funding level changes, housing prices, etc. that relate to the organization's operations should be assessed, and the Tribe/TDHE should have a basis for determining these risks, identify and deal with the special risks associated with any of these changes.

Control Activities.

This is accomplished with policies and procedures that are in place that everyone is required to follow. They help ensure that necessary actions are taken to mitigate risks. For example, if the Tribe/TDHE has a policy on what are allowable credit card charges, everyone, including the top person in the Tribe/TDHE should follow those same rules. The policy and procedure holds everyone accountable. It also includes a range of activities, such as approvals, authorizations, verifications, reconciliations, and segregation of duties.

Information and Communication.

The Tribe/TDHE should have a communication plan that informs and shares information with the staff, and should flow up, down and across the organization. Information should be communicated in a form and timeframe that enable people to carry out their responsibilities. For example, if there is a change in a written policy or there is a change in income limits for the housing program, this should be communicated throughout the organization, and especially to staff whose job would be most impacted by the change in policy.

Monitoring.

Processes change over time; therefore, it is essential that your internal control systems are monitored to assess the quality of the system's performance over time. This is accomplished through ongoing monitoring activities. For example, through annual self-monitoring, a Tribe/TDHE would review and assess internal control systems to ensure the processes are still relevant, or whether they need to be improved.

Overall, a well-designed system of internal controls:

- **Safeguards** the Tribal housing's assets. It protects assets from loss or fraud.
- **Promotes reliability and integrity** of the financial information through consistency in the handling of the financial transactions, procedures to follow, and generated reports. The bookkeeper's job is made easier when there is a written roadmap in place that everyone is required to follow.
- **Ensures compliance** with the federal (NAHASDA and IHBG) and state grants it administers.
- **Promotes an efficient and effective operation** by providing the roadmap necessary to insure day to day transactions are handled accurately and consistently, thereby avoiding confusion and inconsistency. For example, a deposit and cash handling policy and procedures manual outlines what to do with deposits and how it should be handled internally.

A good internal control system is either:

- **Preventative.** Prevent undesirable activities from happening with policies and procedures.

- **Detective.** Identifies what happens after something happens. For example, detective control is reconciliation of accounts.

Division of Duties

Solid internal controls require a division of duties that provide a check and balance for all transactions. It is clear who has responsibility for various steps in processing financial transactions and reports. In each of the areas outlined below the Tribe/TDHE should identify who has responsibility for origination, review, and authorization. For example, the following requirements might be instituted:

Tribal Chair

- Reviews and approves all grant expense reports;
- Approves and reviews all Grant applications; and
- Signs checks for all transactions over a certain limit.

Tribal Administrator

- Reviews final bank reconciliations;
- Second signer on all checks;
- Reviews and approves payroll before final processing;
- Approves payment of all payroll liabilities;
- Reviews and approves accounts payable before checks are cut;
- Reviews and approves all financial reports;
- Approves all journal entries (or JE's over a certain dollar amount);
- Approves all credit card payments; and
- Reviews and approves bank deposits and bank reconciliations.

Bookkeeper

- Processes payroll and payroll liabilities;
- Processes accounts payable and prepares checks;
- Reconciles general ledger monthly;
- Reconciles bank accounts;
- Prepares grant expense reports; and
- Reconciles credit card payments.

Office Assistance/ Receptionist

- Opens all mail;
- Prepares cash receipts log and invoice log;
- Mails checks for payment; and
- Processes all travel requests and reviews travel vouchers for accuracy.

Cash Receipts Controls

- Cash is the first asset listed on the Statement of Net Position. Cash consists of currency, checks, money orders, money on hand, or on deposit in a bank.
- Cash is also the most susceptible to improper use, so it is critical that the Tribe/TDHE safeguards cash by ensuring effective internal controls for cash are in place. To protect cash from theft and misuse, the Tribe/TDHE must safeguard cash from the time it is received until it is deposited in a bank.
- Cash comes to the Tribe/TDHE in a variety of ways. This includes receipt of grant funds, collections on accounts from customers (homebuyers); the receipt of interest on the bank statement, rents received, and proceeds from the sale of noncurrent assets.
 - **Physical, mechanical, and electronic controls.** Store cash in a secure, locked fireproof safe, limit access to storage areas, and use cash registers (if using cash registers you would want to have a procedure outlining the use and safeguarding of assets and accounting of the cash register).
 - **Other controls.** Bond personnel who handle cash, require vacations, and deposit all cash in bank daily.

Responsibility and Segregation of duties.

Only designated personal authorized to handle cash receipts and more than one person is responsible for different activities in the process:

- Receptionist receives cash and writes cash receipts.
- Bookkeeper reconciles cash to cash receipts and prepares the bank deposit. Bookkeeper also posts the cash receipts to the accounting system.
- Tribal administrator reviews the bank deposit to the deposit ticket and reviews and approves the bank reconciliation.

Cash Receipts Procedure - Sample

Cash is checks, money orders, cash, or ACH receipts. To insure adequate internal control and separation of duties, a pre-numbered cash receipts system will be

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utilized and the Office Assistant, the Bookkeeper, and the Tribal Administrator are responsible for the following processes:

1. Cash is received by the Tribe/TDHE.
2. The Receptionist writes a cash receipt in a pre-numbered cash receipt book for all cash coming into the organization. In addition, the Receptionist stamps all checks received with a "for deposit to the account of (Tribe/TDHE)."
3. Daily, the Receptionist reconciles the cash to the cash receipts, signs the reconciliation and gives to the Bookkeeper.
4. The Bookkeeper will verify that cash receipts balance the cash and secures in a safe place. Once a week (or more often) a bank deposit is prepared. The bank deposit is matched to the cash receipts and cash and is presented to the Tribal Administrator (or second person) for review and signature.
5. The bank deposit is either mailed to the bank (by certified mail) or made by the Tribal Administrator.
6. A copy of each check, the bank deposit ticket, and the cash receipts are retained at the Tribal office. The deposit tickets should be filed by date of deposit for easy reference and audit purposes.
7. The Bookkeeper codes the receipts and enters the receipts in the accounting system, applying the payment to the customer ledger or the sales module.
8. The accounting system generated cash receipts report is matched with the cash receipts and cash and filed with the cash receipts.
9. Bank reconciliations are completed by the Bookkeeper at the end of each month with review and approval by the Tribal Administrator.

Cash Disbursement Controls:

Cash is disbursed to pay expenses and liabilities or to purchase assets. For effective internal control over cash disbursements make payments by check utilizing the accounts payable module in your accounting system.

Utilizing the accounts payable module of your accounting system offers many benefits including:

- Record of invoices paid.
- Vendor history reports.
- Aging of invoices.
- Cash management.
- Automated bank reconciliation functions.
- Ease in creating 1099's at the end of the year.

- Using pre-numbered checks adds another level of oversight, strengthening your internal controls.
- The paid check provides proof of payment.

Responsibility and segregate duties

Only designated personnel are authorized to sign checks. There must be a clear separation of duties in the accounts payable processes.

- Receptionist receives and stamps all invoices with a received and date stamp.
- Bookkeeper processes invoices for payment.
- Tribal Administrator reviews and approves accounts payable batch.
- Tribal Administrator signs checks.
- Bookkeeper completes reconciliation of accounts payable subsidiary ledger to the General Leger accounts payable at the end of each month to ensure accuracy and completeness of transactions. The Administrator reviews and approves any journal entries, if any.

Document procedures

Use pre-numbered checks and account for them in sequence. Each check must have an approved invoice that is correctly coded and documented that the product is received. Throughout the process there is a clear separation of duties.

Extra Steps to take for Vendors:

W-9 FORM. Each vendor must fill out a W-9 Form – Request for Taxpayer Identification Number and Certification. It is common for both the financial auditor and the General Liability insurance auditor to view these documents in the normal course of the audit.

Form 1099-MISC – What is it? At year end you are required to complete and file a 1099 MISC *Miscellaneous Income* for all vendors that you paid \$600 or more in non-employee compensation for services, rents, and other income payments (refer to Instructions for Form 1099-MISC in appendix or website: <http://www.irs.gov>).

Cash Disbursement Procedure – Sample

Cash disbursements should be made through the accounts payable module in the accounting software system. Entering invoices into the accounts payable system using invoice numbers increases accuracy by showing invoices that are already paid. Allows control for ease in managing invoices, payments to vendors, and cash needs to pay vendors. In addition, you are able to easily view vendor history and create 1099's at the end of the year. Procurement is independent of cash disbursements.

1. When an invoice is received it should be coded and approved for payment.

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2. The Bookkeeper should attach the receiving report or other proof of receipt before processing for payment.
3. If the procurement module is being used, the invoice should be attached (referenced) to the purchase order in the accounting system.
4. The invoice is entered in the system and processed for payment.
5. The accounts payable batch should be reviewed and approved by the Tribal Administrator.
6. Checks should be signed by someone other than, or in addition to, the Bookkeeper, if two check signers are required.
7. All paid invoices should be stamped “paid” and filed with the check by vendor name or alphabetically.
8. As part of the month end close process the accounts payable subsidiary ledger should be reconciled to the general ledger.

SAMPLE APPROVAL STAMP FOR INVOICES	
Date:	
Requested by (signature)	
Authorized by (signature)	
Account Code/Class (grant)/subclass (activity):	
Purchase Order Number:	
Purchase Requisition:	
Environmental Review (ER)? Circle one:	Exempt/Catergorically Excluded/ER Required

Electronic Funds Transfer System (EFT)

Electronic banking has become an acceptable means of receiving payment and making payments. If you have a bank account, EFT is an excellent tool for a safe, private, and convenient way to receive grant payments (NAHASDA), or make payroll and vendor payments. In remote villages of Alaska, EFT is an excellent way to manage the Tribe/TDHE’s cash transactions, if there is internet connection. HUD’s transition of the NAHASDA program to eLOCCS will make it necessary for the Tribe/TDHEs to bank electronically.

If you use electronic banking, internal controls must be established to protect the assets of the Tribe/TDHE. These would be similar to the manual processes to include a) division of duties; b) documented procedures; c) review and approval requirements; and d) documented and protected security access to the bank information.

Bank Reconciliations

Procedures

Reconciling your bank accounts each month is an important internal control as it confirms your book cash balance, allows for review of cleared and outstanding checks, and confirms all transactions that have cleared the bank are posted in the general ledger.

Bank Statements

Each month the company receives a **bank statement** showing its bank transactions and balances. Most banks authorize automated banking, including the ability to view and print statements on-line. This allows the Tribe/TDHE to manage both activity and balances so that you view activity real time rather than waiting for the bank statement. Some transactions and balances are shown in the “Sample: Bank Reconciliation Account 1010”:

SAMPLE: BANK RECONCILIATION OF ACCOUNT 1010			
Step 1.	Balance per Bank Statement date	December 31, 2014	\$ 46,751.59
	Adjustments:		
	Deposit in Transit (add)		1,450.00
	Outstanding Checks (subtract)		(3,201.00)
		Adjusted Balance per Bank	45,000.59
Step 2.	Balance per Books at cutoff date:	December 31, 2014	45,033.58
	Adjustments:		
	Monthly bank charges (subtract)		(35.00)
	Interest earned (add)		2.01
		Adjusted Balance per Books	45,000.59
	SHOULD MATCH TRIAL BALANCE		
Prepared by: _____		Date: _____	
Approved by: _____		Date: _____	

Responsibility and Segregation of duties:

- The Receptionist receives the banks statement and stamps it received;
- The Bookkeeper reconciles the bank statement; and

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- The Tribal Administrator reviews and approves the reconciliation.

Document procedures

- Bank statement is received from the bank and is date stamped by the Receptionist;
- The Bookkeeper will reconcile the bank statement to the general ledger using the automated bank reconciliation function within the accounting system;
- Reconciling the bank statement within the accounting system requires the Bookkeeper to mark deposits and checks that have cleared the bank and run reports that show outstanding deposits and outstanding checks.
- Interest earned and bank fees are posted to the general ledger.
- The reconciled statement and system generated bank reconciliation is approved by the Tribal Administrator.

Physical, mechanical, and electronic controls

Electronic statements allow for more timely reconciliations and allow for enhanced cash management. Maintain a bank reconciliation file. Records of the monthly reconciliations should be filed by month for easy access and use in various audits. Banks now offer Desktop Deposit, an electronic solution for making deposits.

Other controls

Periodically the bank reconciliation should be completed by someone other than the bookkeeper. In addition the reviewer should review cancelled checks outstanding checks and deposits. Bank statements are prepared by the bank. Conduct an inventory of all capital assets at least every two years.

Credit Card Charges

The use of credit cards to purchases requires a high level of control by the organization. Control is attained by limiting the use of the credit card through procedure and timely reconciliation. A credit card procedure insures the users of the credit card are informed of the requirements of charges on the card, including business only purpose and purchase limits. The Tribe/TDHE should control the number of credit cards available for use and assign limits attached each card. Credit card charges reviewed, approved and entered in the accounting system timely. Additionally credit card statements should be reconciled and reviewed on a regular basis. Utilizing the accounting system will insure:

- All charges are entered into the accounting system timely.
- Charges are assigned accounts and reviewed and approved on a regular basis.
- Control of the expenses.
- Cash control.

Responsibilities and segregate duties

Policy governs the use of credit cards and each person assigned a card has a responsibility to know and follow the policy. Having each person sign a “credit card holder agreement” insures they understand their responsibilities. A clear review process for all charges should include approval of all charges.

- A pay request is attached to each credit card charge.
- The pay request includes the date, vendor, business purpose, account code and requester’s signature.
- The pay request is submitted to the employee’s supervisor for review and approval.
- The completed pay request is submitted to accounting for processing.
- The reconciled credit card statement is attached to the check payable to the credit card company.
- The Tribal Administrator/President reviews all credit card transactions before signing the check.

Document Credit Card Procedures

Credit card procedures should clearly outline the responsibilities of the cardholder and the allowable uses of the credit card. In some cases credit card procedures will require additional oversight to comply with other procedures. Travel is an example of this. There are specific procedures for travel that must be complied with before a charge can be made on a credit card, including approval and reporting before payment is made. A credit card policy will include the following:

- Types of charges allowed on the credit card.
- Limits or restrictions on use of credit cards.
- Who is authorized for a credit card.
- Cardholders’ responsibilities for reporting lost or stolen cards.
- Responsibilities of the cardholder, including timely submission of approved receipts for all charges.
- Cardholder responsibility acknowledgement and agreement.

Credit Card Procedure – Sample

The credit card is a mechanism for procuring goods or services using the micro-purchase method of procurement (under \$5,000) and can be used for approved travel. The credit card is a method for simplifying purchases for daily operations but it does not alleviate the cardholder’s responsibilities for following the Tribe/TDHE’s procurement policies prior to

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procuring commodities or services. Additionally credit card use for travel shall be in accordance with the Tribe/TDHE's travel policy and procedures.

- a. Cardholders are required to complete the Cardholders Agreement (attached) acknowledging their responsibilities as cardholders.
- b. Credit cards will be used for business purposes only. Personal use is not authorized. All charges shall be on itemized receipts. Authorized purchases include:
 - Supplies
 - Travel expenses
 - Gas/fuel for company vehicles
- c. Credit cards are assigned to specific employees, named on the card, and are not to be used by other employees.
- d. There will be limits attached to each cardholders' credit card. These limits are designated by the Tribal Administrator and/or President (or set out in this policy, and are managed by Accounting Personnel.
- e. Each cardholder is responsible for attaching a pay request to each charge and obtaining their supervisors review and approval before submitting to accounting for processing.
- f. All charges shall be processed for payment by the employee within 48 hours of the charge.
- g. Accounting personnel will enter approved charges in the accounting system.
- h. Accounting personnel will reconcile charges to credit card statements monthly.
- i. The Tribal Administrator (President) shall review and approve payment of the credit card statement.
- j. Credit cards will be cancelled to the cardholder if cardholder does not adhere to these policies and procedures.

Petty Cash Fund

A cash fund is for small transactions. The petty cash amount is formally established by the Tribe/TDHE's governing board or tribal council. The balance of the petty cash in the general ledger does not change. In our financial statement example, the Petty Cash amount is \$500.

Responsibility and segregation of duties:

- One person should be designated the Custodian of the Petty Cash fund.
- Periodically, a surprise count of the Petty Cash fund should be conducted by the Administrator or someone else besides the custodian.

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Documentation Procedures:

- Usage of the petty cash fund should be backed up with a receipt.
- The person requesting petty cash should provide the account code.
- The requesting person can either seek an advance for the small purchase and return the balance of the cash along with the receipt or seek reimbursement for the amount of the purchase.
- The petty cash audit report should be signed by both the Custodian and the Auditee and should be filed.

Physical controls:

Custodian should keep cash in a locked petty cash box or safe and should be the only person with the key.

CENTRAL OFFICE PETTY CASH REPORT			
	For Periods: <u>04/11/14</u>	thru	<u>05/21/14</u>
Beginning Balance			\$ <u>500.00</u>
Other			\$ <u>-</u>
			\$ <u>-</u>
Total Collection Receipts & Other Receipts			\$ <u>500.00</u>
Disbursements:			
Printing	<u>100.00.00.1367.000 - -- II Drawings Northern Duplicating</u>		<u>12.00</u>
Board Expense	<u>110.10.00.5171.000</u>		<u>78.27</u>
Postage	<u>115.10.00.5185.000</u>		<u>22.69</u>
Training	<u>200.10.00.5155.000</u>		<u>150.00</u>
Supplies	<u>999.00.00.5200.000</u>		<u>114.65</u>
Total Disbursement (Total request for replenishment)			\$ <u>377.61</u>
Sub-Total			\$ <u>122.39</u>
Excess over authorized fund attached			\$ <u>-</u>
Authorized Petty Cash Amount			\$ <u>500.00</u>
Submitted by:	_____		_____
	Petty Cash Custodian,		Date
Approved by:	_____		_____
	Controller		Date

Capital Assets

All procured capital assets should be approved both through the budget process and reported to the Tribal Governing entity.

Policy

The Tribe/TDHE should have a fixed assets policy that:

1. Defines Capital assets: All capital items that cost \$5,000 or more will be capitalized and depreciated.

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2. Identifies the categories of assets that will be managed and the depreciable life of the assets. For example:
 - a. Land: not a depreciable asset
 - b. Buildings and buildings improvements: 30 Years
 - c. Site improvements: 30 Years
 - d. Furniture, Fixtures, and Equipment: 7 Years
 - e. Automotive: 10 Years
3. Includes the process and required authorization for disposing of assets.
4. Includes a requirement for physical inspection and inventory at least every two years.

Document Procedures

If the purchase or construction of the asset is paid for with grant funds utilize the *Class Tracking* feature for the original purchase and a contra-expense account to reclassify the asset from the Statement of Activities (Income Statement) to the Statement of Net Position (Balance Sheet).

When constructing a building, all expenses associated with the building are coded to a temporary account such as a *construction work in progress (CWIP)* account then moved to the asset when construction is complete. Depreciation is calculated beginning the first full month an asset is placed into service.

Total costs of each asset are maintained on the capital assets schedule, which is a schedule that captures the following information by fixed asset category (Buildings, Land, and FFE):

- Capital asset description
- Date of purchase or date asset is placed in service
- Cost delivered
- Funding source and any restrictions
- Depreciable life of the asset
- Make/model/ serial number (or other identification)
- Depreciation amount – current and cumulative

Consistently maintain and update the Capital Asset Ledger, the Depreciation Schedule, and the Accumulated Depreciation and reconcile the depreciation schedule to the Statement of Activities (for current year depreciation expense) and the Statement of Net Position for capital assets and accumulated depreciation monthly.

Conduct an inventory of all capital assets at least every two years.

Payroll and Allocations

Payroll is an important part of tribal operations and allocating costs to various grants requires planning and documentation to support the charge. Proactively managing the costs allocated to various grants at the front end produces good results in both financial and grant reporting.

Payroll Action Forms (PAF)

PAFs are the authorizing document for employee set up in payroll. The PAF displays the information required to pay an employee which, coupled with the W-4, gives you all the information needed to set up an employee in the accounting system. Both forms should be updated at the beginning of each year and retained in the employee’s payroll file.

SAMPLE PAYROLL ACTION FORM (PAF)		
Name:		Employee Name
Job Title:		Housing Coordinator
DOH or effective date of change:		January 1, 2014
Regular/Temporary:		Regular
Exempt or Hourly:		Hourly
Pay rate:		\$14.00 per hour
Hours per day:		8
Benefits: Yes/No		Yes
Account code		7220
<i>Class</i>	600	NAHASDA
<i>SubClass 1:</i>	100	Administration
<i>SubClass 2:</i>	300	Youth Activity
Employee Signature _____		
Authorizing Signature _____		

ACCOUNTING FOR PAYROLL – SAMPLE

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		RATE	AMOUNT	DEBIT DESCRIPTION	CREDIT DESCRIPTION	SUBCLASS
	GROSS WAGES - WEEKLY	\$14.00/HR	\$ 560.00	DEBIT 7220: Wages & Salaries		ADMIN
EMPLOYEE DEDUCTIONS						
Taxes:	Federal Withholding-FITW	13.00%	\$ 72.80		Credit 2110: Accrued Payroll Taxes Liability	
	FICA (Social Security)	6.20%	\$ 34.72		Credit 2110: Accrued Payroll Taxes Liability	
	Medicare	1.45%	\$ 8.12		Credit 2110: Accrued Payroll Taxes Liability	
	Alaska ESC	0.30%	\$ 1.68		Credit 2110: Accrued Payroll Taxes Liability	
	Total Employee Tax Deductions		\$ 117.32			
Benefits:	457 Plan		\$ 25.00		Credit 2111: Accrued Payroll Liability	
	NET WAGES:		\$ 417.68			
EMPLOYER DEDUCTIONS:						
	FICA (Social Security)	6.20%	\$ 34.72	7250: Payroll Taxes	CREDIT 2010: Accrued Payroll Taxes Liability	ADMIN
	Medicare	1.45%	\$ 8.12	7250: Payroll Taxes	CREDIT 2010: Accrued Payroll Taxes Liability	ADMIN
	Alaska ESC	1.50%	\$ 8.40	7250: Payroll Taxes	CREDIT 2010: Accrued Payroll Taxes Liability	ADMIN
	Worker's Compensation	5.00%	\$ 28.00	7240: Employee Benefits	CREDIT 2111: Accrued Payroll Liability	ADMIN
	Health Benefits		\$800.00	7240: Employee Benefits	CREDIT 2111: Accrued Payroll Liability	ADMIN

System Set-up

It is important to ensure that your payroll system is set up correctly to accurately capture both deductions and benefits as liabilities on the balance sheet. Deductions are those items that are deducted from the employee's gross wages to get to net pay. Benefits are those items the Employer pays on behalf of the employee. There may be matching items such as FICA and Medicare or there could be such items as retirement or health insurance. The deduction and benefit codes should be set up to automatically book the transactions to the right account codes *and Sub-Class*. This set up then allows you to easily see the liabilities associated with payroll.

The set up in QuickBooks is a simple drop down when the class and subclasses are included in the employees Payroll and Compensation Info Tab on the employee record.

Timesheets

An accurate record of time worked is important. If an employee is working on multiple projects or is paid from multiple sources the timesheet should accurately reflect the time worked on each project.

It is relatively simple if an employee is charged to one funding source. Then the time sheet is completed by the employee and signed by their supervisor. If time is captured by different activities then the timesheet should accurately reflect the appropriate information. For example, if an employee is hired to work a 40-hour workweek and 20 hours is paid by another program and 20 hours is paid by NAHASDA, the timesheet should reflect that, and the activities the employee works on average each week should also mirror the time allocation.

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Time studies can be done periodically to support the time allocation, alleviating the tracking of daily activities. For example, if you were to document the activities an employee works in a typical pay period, you could use this to support the time allocation charged to each grant to comply with UG Section 200.405. In every case the timesheet should be completed and signed by the employee and reviewed and approved by their supervisor. A sample timesheet for hourly (aka exempt) employee is depicted below.

UPNORTH VILLAGE TRIBE HOUSING																		
Non - Exempt Employee Time Sheet																		
August 2nd Half																		
Employee:											Employee ID:							
Position:																		
Department:																		
Period - From:	08/16/14			To:	08/31/14													
Pay Day:	Monday, September 15, 2014																	
Date	Sat	Sun	Mon	Tues	Wed	Thur	Fri	Sat	Sun	Mon	Tues	Wed	Thur	Fri	Sat	Sun	Total	
	8/16	8/17	8/18	8/19	8/20	8/21	8/22	8/23	8/24	8/25	8/26	8/27	8/28	8/29	8/30	8/31	Hours	
HOUR																		
PTOH																		
LWOP																		
OT																		
HOL																		
HBDAY																		
HBRV																		
HJDTY																		
ONCALL																		
OTHER																		
Total Hours																		
Employee Certification:																		
Supervisor Certification:																		

Exempt Employees

In accordance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 CFR part 516), charges for the salaries and wages of nonexempt employees, in addition to having supporting documentation, must also be supported by records indicating the total number of hours worked each day (200.430), without affecting their employees' exempt status.

For example, when you have an exempt employee who supervises two different jobs that are funded with two different grants and those grants require an accounting of hours, then the exempt employee should record the time spent on each job for payroll purposes. The respective grants will be charged for the documented hours he recorded working in those jobs, but his salary pay for that pay period should not change.

A good business practice would be to track the different types of leave offered by the Tribe/TDHE, see example below. Note that the form below does not require the exempt employee to track hours worked each day, but does require that the employee reports time taken for personal leave, bereavement leave, etc.

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EXEMPT PERSONNEL LEAVE REPORT

Report due at end of pay period; mark "0" in "Total Days Taken- Personal" if leave was not used

Period from Period to

First Name	Last Name	Employee ID#
<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Position Title <input style="width: 95%;" type="text"/>		
Department <input style="width: 95%;" type="text"/>		

Type of Leave Taken	Dates Taken	Total Days
Personal	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Jury Duty	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Bereavement	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Administrative	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Holiday	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Leave without Pay	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Total Days Taken		<input style="width: 95%;" type="text"/>

Comments

Employee Certification:

Supervisor Certification:

After signatures, submit to Payroll Department

Policies on Employee Leave are contained in Sections _____ of _____ Personnel Policies. Leave activity reports will be provided periodically to the President/CEO.

Payroll Guidance and Reporting

IRS Publication 15 (Circular E), Employer's Tax Guide (<http://www.irs.gov/pub/irs-pdf/p15.pdf>), outlines employer tax responsibilities including requirements for withholding, depositing, reporting and paying employment taxes. Important highlights of Circular E include:

1. Deposit requirements and deposit schedule for Federal income tax withholding and Social Security and Medicare:
 - a. Filing tax liabilities electronically is required for all employers that have a tax liability over \$2,500 in a quarter period;
 - b. Deposits are due either monthly or semi-weekly depending on your tax liability in the calendar look back period. (Reference Circular E);
 - c. Monthly deposits are due by the 15th day of the following month and semi-weekly depositors are due on either Friday or Wednesday of the following week;
 - d. Form 941: Employer's quarterly Federal Tax Return and Schedule B (Form 941) must be filed quarterly; and

- e. The employer is required to file Form W-2 which reports an employee's annual wages and taxes withheld from paychecks.
2. The employer is required to give an employee an I-9 and W-4 to fill at their hire date.
3. Employer payroll tax records must be kept for four (4) years.

State Quarterly Contribution Report

In addition to the above, employers may be required to withhold State Unemployment tax and pay both employee and employer share of State Unemployment tax on gross wages earned of each employee's taxable wage base (varies by State). Payments are reported and made to the State on a quarterly basis.

Worker's Compensation

Employers work through their insurance brokers to obtain workers compensation. The broker will assess the types of work the Tribe/TDHE does and will provide a listing of worker's compensations rates for various JOB CLASSES of worked performed. An example is office worker's rates will be different than the carpenters or laborers that work on constructing houses. Worker's compensation should be set up as a benefit in the accounting system so that it is calculated and expensed with each payroll. If you set up worker's compensation correctly you will not be surprised when you have a worker's compensation audit, as your worker's compensation will be calculated correctly and correctly coded to employee benefits and the correct job class:

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Accounting entry for workers compensation:				
	Class	SubClass	Debit	Credit
Salaries			2000	
Benefits: workers compensation	IHBG	Planning Admin	16.22	
P/R Liability: W/C	none			16.22
accrue workers compensation liability (is a % of salary)				
Payroll Liability: W/C	none	none	1500	
cash				1500
entry to record payment of W/C (note workers compensation is usually paid monthly so this entry is cumulative of all employees for the Payroll 1 period.				
often Workers Compensation will require an advance payment. If this is the case the entry should be directly to the liability account reflected as prepaid insurance:				
Payroll Liability: W/C	none	none	20000	
cash				20000
when the actual Payroll Liability is recorded it reduces the liability automatically:				
Payroll Liability: W/C			20000	
Payroll 1			-1500	
Payroll 2 ect.			-1500	
balance Payroll Liability: W/C			<u>17000</u>	

IMPORTANT
PAYROLL TAXES MUST BE PAID TO THE IRS TIMELY TO AVOID PENALTY'S AND LATE FEES. KNOW YOUR DEPOSIT DUE DATES!

SECTION X: Program Income

Learning Objective



Upon completing this section, you will learn:

- What is program income, what it is not.
- Calculation of program income for 1937 Act units.
- Accounting for and reporting program income on SF-425 and the APR.

What Is Program Income [1000.62]?

Program income is defined as “**any income that is realized from the disbursement of grant amounts.**” That is, it is income realized (generated) from the disbursement or use of IHBG funds; it is income to the IHBG Program of a recipient.

Do you have to use program income first before using IHBG funds?

NO. Program income does not need to be spent first before your IHBG funds. However, you must have a system for accounting for program income because program income is required to be reported on FFR Form SF 425 and the APR, if the amount of program income in a program year exceeds \$25,000.

Guidance on this topic is included in:

- Federal Register Vol 64, No. 62 Thursday, April 1, 1999.
- HUD Notice PIH 2019-07: Determining and Using Program Income Under NAHASDA.

What are the permissible uses of program income [1000.64]?

Program income may be used for any *housing or housing related activity* and is not subject to other federal requirements.

Definitions (taken from PIH 2019-07)

Program Income: Any income realized (generated) from the disbursement or use of IHBG funds. It must be income received by the recipient or its sub-recipient or received by a contractor on behalf of the recipient or sub-recipient. Costs incident to the generation of program income paid for with the income generated may be deducted from gross income when determining program income.

Housing Related Activities: For purposes of program income, means 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 criteria identified in 24 CFR 1000.10, *Housing related activities* (2)(i)-(iii).

Affordable Housing: This is housing that complies with the requirements for affordable housing under Title II of NAHASDA.

Eligible Affordable Housing Activities: These are activities identified in Section 202 of NAHASDA and are generally limited to the provision of assistance to low-income families.

Low-Income Families: These are families whose income does not exceed 80 percent of the median income for the area or the national median income, whichever is greater.

Non-Low Income Families: These are families whose incomes exceed 80 percent of the median income for the area or the national median income, whichever is greater.

How Can Program Income Be Used?

The IHBG regulations at 24 CFR 1000.64 require recipients to use program income to carry out housing or housing related activities. In addition, so long as program income is spent on housing related activities, the use of program income is not subject to other Federal requirements.

Recipients must ensure compliance with all other administrative requirements related to the IHBG program, including recording, reporting, financial management, and other requirements discussed in this notice.

IHBG funds must not be used for ineligible purposes with the intention of reimbursing those costs later using program or non-program income. Additionally, program income **may not** be used to pay for the costs of prosecuting claims against the Federal government, including appeals of final Federal agency decisions. Such costs are not housing related activities.

The IHBG regulations at 24 CFR 1000.26(a)(3) provide an exception to the general requirement in 2 CFR 200.305(b)(5) (Payment) that grantees must spend their retained program income before drawing down additional grant funds. IHBG recipients are not required to expend retained program income before drawing IHBG funds from the Line of Credit Control System (LOCCS) or expending IHBG funds. A recipient may retain any program income provided the program income will be used to carry out housing or housing related activities in accordance with Section 104(a)(1) of NAHASDA.

How is Interest Earned on the Investment of IHBG Funds Treated?

Pursuant to Section 204(b) of NAHASDA and 24 CFR 1000.58(a), recipients that are approved to do so may invest IHBG funds, but only “for the purposes of carrying out affordable housing activities.” Therefore, interest earned on IHBG investments is not subject to the general rules governing program income. Notably, interest earned from the investment of IHBG funds must be used to carry out “affordable housing activities,” as that term is defined in Section 202 of NAHASDA, as opposed to “housing-related activities,” as that term is defined in used in Section 104 of NAHASDA or 24 CFR 1000.10. Interest earned from the investment of IHBG funds remains subject to all Federal requirements applicable to the IHBG program.

Recipients are reminded that any interest earned on IHBG funds invested in violation of IHBG program requirements, including the 5-year maximum investment period, is unlawfully earned and must be remitted to HUD for return to the US Treasury. 8

Housing Related Activities

In addition to the direct provision of housing, program income may be used for housing related activities as defined at 24 CFR 1000.10, *Housing related activities*. Housing related activities, for the purposes of program income, include facilities, community buildings, infrastructure, businesses, programs or activities, including any community development or economic development activities that the recipient has determined will be beneficial to the provision of housing in a tribal area and that would meet at least one of the following conditions:

- Help a tribe or TDHE to reduce the cost of constructing Indian housing;
- Make housing more affordable, energy efficient, accessible or practicable in a tribal area; or
- Otherwise advance the purposes of NAHASDA.

Examples of Housing Related Activities

The following are some examples of housing related activities that may be carried out using IHBG program income:

- Assisting families to obtain housing.
- Development or support of a tribally-owned housing manufacturing business if this business would reduce the cost of constructing Indian housing and/or make housing more affordable, energy efficient, accessible or practicable in the Indian area to be served. Conversely, a tribally-owned business that does not have any direct tie to the provision of housing such as a restaurant, convenience store or gaming establishment may not be funded with program income.
- 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. This activity would otherwise advance the purposes of NAHASDA related to self-sufficiency.
- Retrofitting of a community center ---accessible architectural features such as ramps, walkways, entrances, parking, signage, grab bars, bathroom and kitchen fixtures, and environmental controls; retrofitting existing residences to replace inaccessible features with accessible ones; and reasonable modifications suited to the functional needs of individuals with disabilities.
- New construction, rehabilitation, acquisition, or subsidized rental or purchase of housing intended to decrease the isolation and increase the integration of individuals with disabilities.
- Off-site infrastructure related to housing development.
- Providing housing services to resident families, including crime prevention and safety for residents.

Reporting Program Income

It is the responsibility of the recipient to ensure proper recording of the receipt and use of program income (see Section 102(b)(2)(C) of NAHASDA and 2 CFR 200.302(b)(3) and 2 CFR 200.327). To satisfy these requirements, the receipt and expenditure of program income must be identified in both the IHP/APR as well as on the Federal Financial Report (FFR) SF-425 regardless of whether the program income will be or has been used for housing related activities. Instructions related to how program income should be reported are contained in the following ONAP program guidance documents: “Federal Financial Report – Standard Form 425: Instructions and Guidance for the IHBG Program” (No. 2014-07) and “Guidance for Completing the Indian Housing Plan/Annual Performance Report (form HUD-52737)” (No. 2018-02a).

To ensure proper recording of program income, a recipient may use either a separate program income “fund” or use separate expense accounts for tracking purposes. In addition, accumulated program income, should be reported as a “restricted asset” on the financial statements.

Calculation of Program Income on Rentals from 1937 Housing Act units

General Rule

IHBG funds may be used for the operation and maintenance and the rehabilitation of 1937 Housing Act units. When 1937 Housing Act units are assisted with IHBG funds, the income from the units is program income if it is attributable to the IHBG assistance.

Program income is not one to one. To determine how much of the income is program income when the IHBG funds are used for operation and maintenance of 1937 Housing Act rental units, you apply total rental income earned less 46% of the Allowable Expense Level (AEL) by project. The AEL is an amount that reflects the national average for rents received in the last year of the 1937 Housing Act by Tribe/TDHE. The calculation for the amount of program income generated from the operation of 1937 Housing Acts is shown in the table below. The calculation may be done monthly or annually.

Program Income calculation for 1937 Act Property receiving IHBG operating assistance:

Total Annual Rental Income (Actual cash received and not on an accrual basis) from a 1937 Act Project		A	\$XXXX
No. of Units to use in calculation:			
Total Units in the Project	# Units		
Less: Units that exceed 40% of the 1997 DC&E	(# Units)		
No. of Units	# Units		
Times 46% of the Tribe/TDHE's AEL	\$XXXX		
Equals NON-PROGRAM INCOME		B	\$XXXX
PROGRAM INCOME (A minus B)			<u>\$XXXX</u>

EXERCISE: A recipient received \$9,600 during its program year (\$800/month) of rental income from a low-rent 1937 Housing Act project consisting of 4 units. The published AEL for the recipient is \$4,800 per unit per year (\$400 per unit per month). What is the amount of the Non-Program Income and Program Income for the year for that project? 8

Tracking Rehabilitation Costs on a 1937 Act Unit

When IHBG funds are used to rehabilitate a 1937 Act low rent or mutual help unit, program income is calculated using 40% of the Dwelling construction and equipment (DC&D) cost. Once total IHBG expenditures goes over 40% of DC&E, then all of the rental collections have to be reported as program income from that unit. Refer to Notice PIH-2000-18 – Accounting for Program Income under the Native American Housing Assistance and Self-Determination Act (NAHASDA).

1937 Housing Act Mutual Help Program

Administrative Charge (Fees)

The minimum required monthly payment under the 1937 Housing Act Mutual Help Program is the administrative charge (fee), which is the monthly payment amount that was intended to pay for the operating expenses of the program. In reality, expenditures to operate and administer the program under the NAHASDA program are paid with IHBG funds and the administrative charge is not used as a credit to offset expenditures of the program. Therefore, the administrative fee, recorded as “Other Revenue” is program income.

Monthly Equity Payment Account (MEPA)

Any amount paid by the homebuyer over the administration charge (based on recalculation of monthly payment amount as a result of income recertification) is credited to the homebuyer’s MEPA and is used towards the payoff of the unit. MEPA is recorded as a liability when received, not revenue. The accumulated amount of MEPA received from a homeowner contributes towards the payoff of his/her Mutual Help unit at time of conveyance.

Proceeds of Sale of Mutual Help 1937 Act Units Only

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.

However, when IHBG assistance is used for rehabilitation of the Mutual Help unit, the same calculation noted above for the rental program would apply. However, the recipient would not realize the program income until the time of conveyance. Therefore, if IHBG funds are used to rehabilitate a Mutual Help unit and the cost meets or exceeds 40% of the DC&E for the specific type and size of unit, the Proceeds of Sale (MEPA) at conveyance would be considered program income.

If the cost of rehabilitation is less than 40% of DC&E, the Proceeds of Sale at the time of conveyance would:

- Not be considered program income.
- Not be subject to any Federal requirements.
- Be used for any housing activity, community, facility or economic activity that benefits the community in accordance with Answer 42A in the revision to the Transition Notice published in the Federal Register on April 1, 1999, (64 FR 15778).

Program income from activities funded with IHBG and other funds

If program income is realized from an eligible activity that was funded both with IHBG funds and with other funds, the amount of income to the IHBG program will be based on a percentage calculation that represents the proportional share of IHBG funds provided for the activity generating the program income.

EXAMPLE: If a recipient used \$100,000 of ICDBG funds to buy land and \$300,000 of IHBG funds to construct houses on this land, the money from the sale of the properties to low-income families would be split between the ICDBG and IHBG programs in accordance with the percentage of funding from each program so that one-fourth of the sales proceeds would be ICDBG program income and three-fourths would be IHBG program income. This percentage calculation is used to determine program income no matter if the program income would be less than, equal to, or more than the amount of IHBG funds used for the activity.

Program Income Examples

Program income includes:

- Fees for services performed.
- Income from the use or rental of real property that was acquired, constructed or rehabilitated with IHBG funds and that is owned by the recipient or subrecipient.
- Income from the sale of commodities or items developed or acquired with IHBG funds.
- Proceeds from the sale or lease of real property acquired, constructed, or rehabilitated (and owned by the recipient) with IHBG funds.
- Sale proceeds from the disposition of any current assisted stock owned by the recipient or entity funded by the recipient. (Note the exception set forth below for proceeds from the sale of homeownership units developed under the 1937 Housing Act.)

- Proceeds from disposition of equipment and supplies bought with IHBG funds. 8
- Payments of principal and interest on loans made using IHBG funds.
- Proceeds from sale of loans made with IHBG funds.
- Proceeds from sale of obligations secured by loans made with IHBG funds.
- Income from payments of principal and interest earned on IHBG funds prior to disbursement, i.e., interest earned on grant funds which are invested pursuant to §1000.58.
- Interest earned on funds in an IHBG revolving fund pending its use for eligible housing loans.
- Any interest earned on program income pending its use for eligible activities.

Please note that this list is not exclusive and therefore other types of funds may also constitute IHBG program income. Reference: §1000.62(a) & 1000.134


Program income does not include:

- Income generated from the operation of 1937 Act units unless the units are assisted with IHBG grant amounts and the income is attributable to such assistance.
- Income which would otherwise be considered program income from IHBG grants if the total income received by a recipient and all its subrecipients in a single program year does not exceed \$25,000. Reference §1000.62(b)
- Fees charged to borrowers to recover IHBG funds used to pay the costs of issuing and servicing loans made with IHBG funds.
- Proceeds from the sale of homeownership units developed under the 1937 Act.

EXERCISE: Program Income (attachment)

SECTION XI: Important Program Compliance

Learning Objective

	Upon completing this section, you will learn: Other important PROGRAM compliance requirements of the IHBG are: PROCUREMENT, ENVIRONMENTAL REVIEW, and INSURANCE.
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In this section, we will discuss several IHBG PROGRAM REQUIREMENTS that are common challenge areas for Tribe/TDHEs when managing their IHBG programs. Deficiencies in these areas will impact the Tribe/TDHE’s program’s Single Audit compliance results. These are:

Procurement:

It is required that the Tribe/TDHE have a documented procurement *procedure* in place for the spending of all federal funds, such as IHBG funds, and they must conform to Federal, State, and Tribal Laws and regulations.

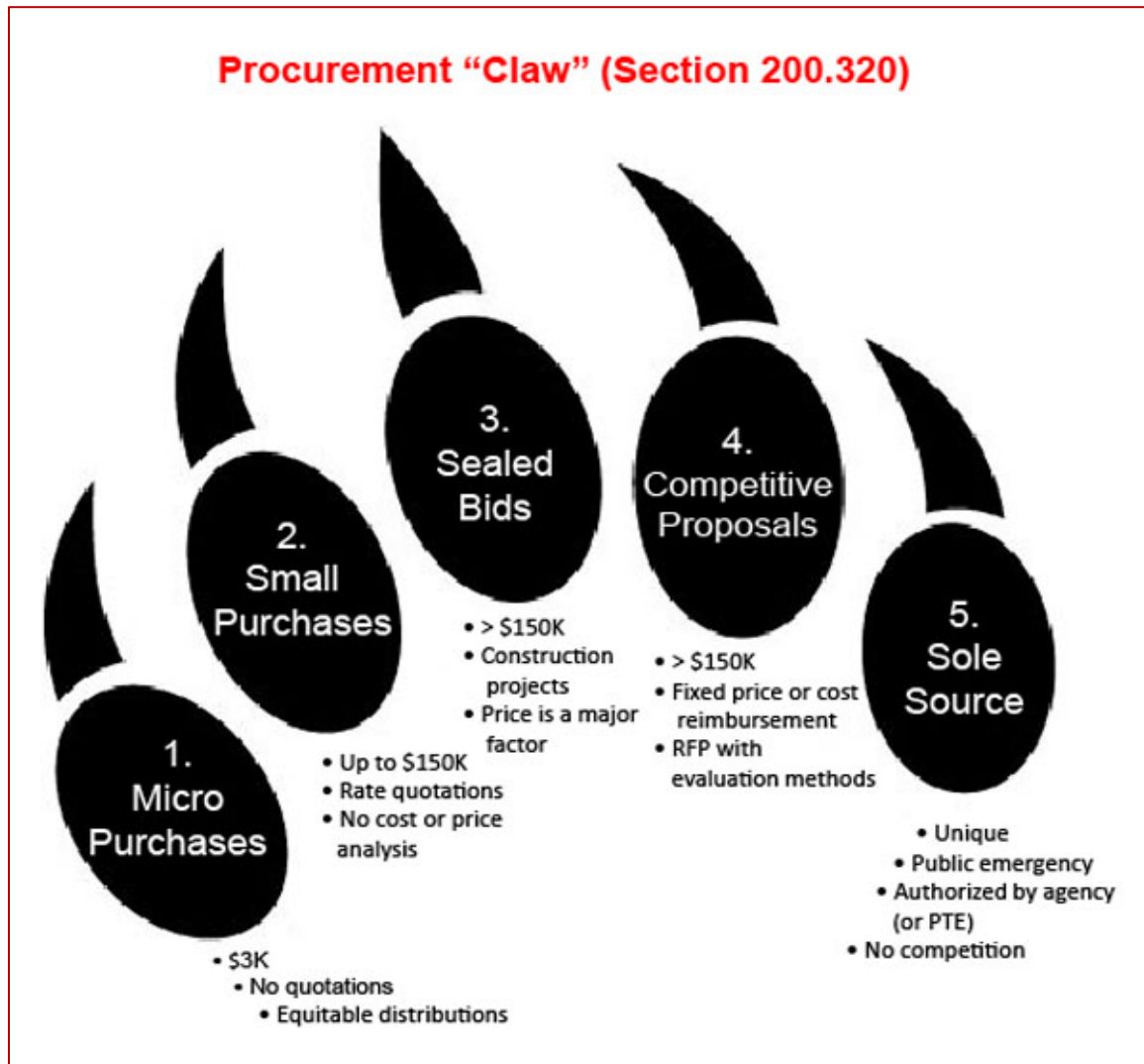
- The Procurement standards are found in the Uniform Guidance 2 CFR 200, Subpart D, Sections 200.318 - 200.326.
- Relevant procurement sections in NAHASDA regulations outlining exceptions to the Uniform Guidance are found at:

- 1000.26 Administrative Requirements under NAHASDA
- 1000.30 Conflict of Interest
- 1000.32 Exceptions to Conflict of Interest Provisions
- 1000.34 Factors to Consider in Conflict of Interest
- 1000.36 Record retention
- 1000.48 Indian or Tribal Preference in Contracts
- 1000.52 Indian or Tribal Preference in IHBG Procurement

NAHASDA allows for de minimus procurement, whereby purchases under the Micro Purchase Threshold (\$10,000 at the time of this training) are exempt from the competitive procurement process, as well as Indian preference (Section 1000.26(11)(i)). A recipient may not break down requirements of the purchase, such as through bid-splitting, in order to create a micro-purchase.

PROCUREMENT THRESHOLDS AND REQUIREMENTS

(Federal Micro-purchase threshold is \$10,000)



[Courtesy of Office of Management and Budget]

Method of Procurement by (200.320):

Micro-purchase

- a. Under \$10,000. Remember, the threshold for IHBG is \$5,000;
- b. No solicitation of competitive quotations required; and
- c. Highly encouraged to distribute micro-purchases equitably among qualified suppliers.
- d. Native Preference requirement not applicable.

Simplified acquisitions

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- a. Under \$250,000;
- b. When to use? Simple and informal: Used to secure services, supplies, or other properties; and
- c. Seek price or rate quotations from a number of qualified sources.

Sealed bids (formal advertising)

- a. Bids are publicly solicited and a firm-fixed price contract (lump sum or unit price) is awarded; and
- b. When to use? Used to procure construction projects.

Competitive proposals

- a. Used when price alone is not a determining factor for award;
- b. When to use? To procure specialized services such as auditing, architectural and engineering services; and
- c. Evaluation factors are clearly outlined in the competitive proposal.

Noncompetitive proposals

- a. Solicitation of one source only;
- b. When to use? If the award of a contract is either:
 - i. Only available from only one source; or
 - ii. Due to an emergency, or
 - iii. Only one vendor will provide a price quote, or
 - iv. HUD has approved non-competitive procurement.
- c. **CAUTION:** Document your justification for using this methodology. The Tribe/TDHE's Chairman should authorize any noncompetitive proposal.

Additional requirements

- a. Bonding: 24 CFR 1000.26(a)(12)
- b. Indian Preference: 24 CFR 1000.52
- c. Wage requirements: 24 CFR 1000.16
- d. Insurance provisions: see below
- e. Section 3 requirements: 24 CFR 1000.42

NOTE: Procurement procedures should include the handling of all the items noted above, including credit card purchases and travel.

Environmental Review:

Important highlights

- ❖ A HUD ER approval must be completed for ANY NAHASDA assisted activities not excluded from review under 24 CFR 50.19(b) before the recipient may acquire, rehabilitate, convert, lease, repair or construct property, or commit HUD or local funds used in conjunction with such NAHASDA assisted activities with respect to the property (1000.20(a)).
- ❖ This means that if ONE DOLLAR OF NAHASDA is used in a project (even with mixed funding), the Tribe/TDHE's records must show that an ER has been conducted and the approval for the release of funds has been received.
- ❖ ER does not have to be completed prior to HUD approving the Indian Housing Plan.
- ❖ A Tribe/TDHE can assume environmental responsibilities. If it does, it must follow 24 CFR Part 58.
- ❖ If a Tribe/TDHE declines to assume environmental responsibilities, HUD will perform environmental responsibilities following 24 CFR Part 50.

Tips for Documenting Environmental Review

Start the documentation of ER determination with the approved IHP. Review the planned activities and assess the need for ER of each planned activity. The Tribe/TDHE's IHP may have a combination of the following:

- Exempt activities. Example: Planning and Administration costs.
- Categorically excluded activities
- Activities that would require an Environmental Assessment or Environmental Impact Statement done by or for the Tribe/TDHE.
- Refer to: Summary of Levels of Environmental Review & Documentation Required in Environment Review.

Insurance:

Section 203(c) of NAHASDA requires that each recipient maintain adequate insurance coverage for housing units that are owned, operated, or assisted with the grant funds. HUD released PIH Guidance No. 2014-03 (R) on March 20, 2014 on "Insurance Requirements under IHBG Program." Below is a summary of the highlights of the Guidance:

1. When is insurance required?
 - REQUIRED: for housing units that are owned, operated, or assisted with IHBG funds.
 - 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/TDHE.

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2. What Insurance requirements apply and when is insurance adequate?

Recipients must provide adequate insurance either through direct purchase or by self-indemnification to protect against loss from fire, weather, and liability claims for all housing units owned or operated by the recipient.

Good Business Practice:

- Purchase insurance coverage for replacement value.
- Have the Tribe/TDHE be named as an additional insured if, for example, a homebuyer buys own coverage for a home assisted with IHBG funds.
- 1000.136(c) requires contractors and subcontractors provide insurance.

Good Business Practice: Have the Tribe/TDHE be named as an additional insured if the contractors and the subcontractors provide their own insurance coverage under a builder's risk policy.

The following is a list of insurance that are required by regulation or are advisable:

- Flood Insurance (required under 24 CFR 1000.38);
- Business or Commercial Property Insurance;
- Automobile and Other Liability Insurance;
- Workers' Compensation and Employers' Liability Insurance;
- General Liability Insurance; and
- Employee Dishonesty (Fidelity Bond) and Theft, Disappearance, and Destruction Insurance.

Good Business Practice: Purchase employee dishonesty insurance (fidelity bonds) and theft, disappearance, and destruction insurance policies for its officers, directors, agents, and employees, particularly those handling cash or authorized to sign checks or certify payment vouchers.

Useful Life and Binding Commitments

The asset life that we choose for depreciation of the assets should not be confused with the "Useful Life" of the asset. **Recipient Guidance No. 2014-09(R) – Useful Life and Binding Commitments, dated August 13, 2014**, provides information about insuring IHBG and/or Title VI assisted housing is used for the useful life/affordability period of the property. Every time IHBG and/or Title VI funds are spent on a property, an investment is made for low-income families in the community. The return on that investment is the period of continued future use during which the property will be available for use by low-income families. That period of future use is the affordability period or use life/affordability period for that property. A useful life/affordability period must be established for housing units to ensure the property will remain available only to low-income families for a specified period of time.

SECTION XII: Audit Requirements

Learning Objective



Upon completing this section, you will learn:

- The importance of the Single Audit Act Amendments of 1996, the implementation of the Uniform Guidance, and single audit timelines.
- Key role and responsibilities of the Auditee (Tribe/TDHE).
- Know the Compliance Supplement for the IHBG program.
- Know the various Audit Opinions and what they mean.

Audit Requirements and Audit Cost Allowability (2 CFR 200 Subpart F)

1. A Tribe/TDHE that expends \$750,000 threshold or more in federal funds in the fiscal year must have a single audit or program-specific audit in accordance with the provisions of Subpart F of 2 CFR 200. The single audit must be conducted in accordance with 200.514 Scope of audit.
2. Allowable audit costs specific to the NAHASDA program:
 - a. The cost of a single audit when conditions in 1. above applies.
 - 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 cost is allowable for a Tribe/TDHE that is 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).
 - d. The cost is not allowable if the Single Audit is not required (i.e. federal funds expenditures less than threshold).

Preparing For the Audit: A To-Do List

1. Procure an Auditor

It is important to procure and enter into a contract with an auditing firm for auditing services in advance of your fiscal year end. This allows you ample time to secure an auditor and start planning the audit and schedule the fieldwork to insure the audit is completed and delivered in a timely manner.

A Request for Proposal (RFP) is the preferred method to select auditing services because it allows you to include specific factors for evaluating the proposers that

Basic Financial Management for Tribe/TDHE

respond. Factors to consider in the proposal for audit services audit experience in your line of business, the professional qualifications and technical abilities of staff assigned to your audit, peer reviews and price.

Example of a Competitive Proposal Using an RFP Evaluation Process to Procure an Auditor.

	CRITERIA	MAXIMUM POINTS TO AWARD
a)	Qualifications of the firm’s staff as it relates to this project. This list shall include the entire audit team, including partners, managers, and audit staff, and shall specify qualifications (CPA, CPA candidate, and experience the senior and manager) have on performing the audits of similar size and entity type.	15
b)	Alaska Native/American Indian owned business preference (if applicable) OR Small/Minority/Woman-Owned/ Section 3 Business Concern (if applicable). (Maximum points shall be 15)	15 OR 5
c)	Experience auditing Tribe/TDHEs federal grants, including NAHASDA, For profit, Not-for-profit and companies involved in social enterprise. Provide a list of clients served in the last five years by the above categories.	20
d)	Technical assistance team: The Tribe/TDHE 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
e)	Peer Review and external quality control reviews	10
f)	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 standalone financial statements and tax returns. If price is subject to change based on major programs with regard to state and federal single audit requirements, price structure must be clearly defined. In addition, price structure should reflect experience of senior and manager of audit team.	20

Based on the evaluation criteria of the RFP, the firm with the highest total points will be awarded the contract.

2. Be Prepared To Provide Items To Your Auditor And Give Them Access To Your Records 9

Once you have selected an auditor, be prepared to respond to their request for a comprehensive list of information and schedules they will need prior to and during the audit fieldwork. It is your responsibility to prepare financial reports, and provide auditor access to personnel, accounts, financial records and supporting documentation. A Tribe/TDHE with a sound financial management system in place should be able to produce these documents without having to perform unnecessary extra work.

3. Know All Your Federal Awards

You should be able to identify **ALL** federal awards (examples: IHBG, ICDBG, and IDA) received and expended and the federal programs under which they were received. For each federal grant, you should know:

- The Catalog of Federal Domestic Assistance (CFDA) title and number;
- The award number and year;
- The name of the federal agency; and
- The name of the pass-through entity and the identifying award number assigned by the pass-through entity, if applicable.

4. Prepare The Financial Statements, Schedules And The SEFA

The preparation of the **Schedule of Expenditures of Federal Awards (SEFA)** is the responsibility of the Tribe/TDHE (auditee). The SEFA is an important document because it is the critical starting component for the compliance portion of a single audit. The schedule provides a lot of information to internal and external users (for example, federal agencies – HUD).

Schedule of Expenditures of Federal Financial Awards				
Year Ended December 31, 2014				
Federal Grant Title	Award Number	CFDA Number	Total Grant Award	Federal Expenditures
U.S. Department of Housing and Urban Development	79IHXXXXXX	14.867	\$ 400,000	\$ 300,000
U.S. Department of Housing and Urban Development	XXXXXXXXXX	14.862	\$ 625,000	\$ 350,000
U.S. Department of Health and Human Services	XXXXXXXXXX	93.602	\$ 120,000	\$ 53,000
			\$ 1,145,000	\$ 703,000

5. Be Timely With The Completion Of Your Audit And Submit On Time

When the single audit is completed, the reporting package, including the auditor's reports, and the data collection form must be submitted by the Tribe/TDHE (auditee) to the Federal Audit Clearinghouse, which is publicly available online. (1000.546)

Exception For Indian Tribes And Tribal Organizations: An auditee that is an Indian tribe or a tribal organization (as defined in the Indian Self-Determination, Education and Assistance Act (ISDEAA), 25 U.S.C. 450b(l)) may opt not to authorize the FAC to make the reporting package publicly available on a Web site. If this option is exercised, the auditee becomes responsible for submitting the reporting package directly to any pass-through entities through which it has received a Federal award and to pass-through entities for which the summary schedule of prior audit findings reported the status of any findings related to Federal awards that the pass-through entity provided. Unless restricted by Federal statute or regulation, if the auditee opts not to authorize publication, it must make copies of the reporting package available for public inspection.

Submission dates should be within the earlier of:

- Thirty (30) days after receipt of the auditor's reports; or
- Nine (9) months after the end of the audit period,

Consequence: A Tribe/TDHE's failure to meet the above submission deadline will impact its ability to qualify as a low-risk auditee in future audits.

6. Audit Findings? Fix Them!

This is a very critical step as well. If the Tribe/TDHE has an audit finding, it is the Tribe/TDHE's responsibility to follow up and take corrective action on all audit findings, including preparing a summary schedule of prior audit findings and a corrective action plan. The Tribe/TDHE must also include a corrective action plan for each audit finding in the current year and identify the name of the person responsible for the corrective action and the anticipated completion date.

Compliance Supplement – be aware that is it out there!

The Compliance Supplement is an annual document issued by the OMB (available at www.omb.gov) which auditors utilize as the primary tool in determining the Tribe/TDHE's compliance requirements on programs undergoing single audit.

While your Tribe/TDHE may not be required to have a single audit, the Compliance Supplement is a good reminder tool for the Tribe/TDHE on what it needs to do to be in compliance with its federal program, whether it is the IHBG or the ICDBG.

There are fourteen (14) areas that the auditor is required to test:

- 1) Allowed or Unallowed Activities under NAHASDA: The auditor will look at the Tribe/TDHEs activities and test whether they fall within the eligible activities in the IHP.

- 2) Allowable Costs/Cost Principles: Are all expenditures under the grant allowable? 1
- 3) Cash Management: Are the cash management regulations being followed?
- 4) Equipment and Real Property: Are capital equipment and real property adequately tracked and safeguarded?
- 5) Davis Bacon Act: The Tribe/TDHE is required to use Davis Bacon wages, unless, the Tribe/TDHE adopts a Tribally Determined Wage that is not less than prevailing wage rates.
- 6) Eligibility: Are the NAHASDA eligibility requirements being followed? (i.e., servicing AIAN 80% of Adjusted Median Income (AMI)).
- 7) Earmarking: (a) Up to 10% of an annual grant may be used to provide housing to families between 80% to 100% of AMI; (b) If a Tribe/TDHE receives more than \$500,000, it may use up to 20% of its annual expenditures of grant funds or up to 20% of its annual grant amount, whichever is greater for administrative costs. If a Tribe/TDHE receives \$500,000 or less in annual IHBG grant funds, it may use up to 30% of its annual expenditures or 30% of its annual grant amount, whichever is greater for administrative costs.
- 8) Period of Availability of Federal Funds: Do grant expenditures fall within the beginning and end dates of the grant?
- 9) Procurement Suspension and Debarment: Has open competition been held for significant purchases? Remember, if goods and services are valued below \$5,000, then no competitive procurement is required. However, if you have multiple purchases from the same vendor in the same day and the purchases amount to \$5,000 or more, you need to procure.
- 10) Program Income: 1000.62-1000.64: Program income can be used for any housing or housing related activity and is not subject to other federal requirements. REMEMBER: Program Income does not have to be used first before using NAHASDA grant funds.
- 11) Financial Reporting: (a) Quarterly Form 425: Are the quarterly financial reports accurate and tie to the accounting records? And (b) Annual Form 52737: APR: Has it been filed in a timely and accurate manner?
- 12) Real Property Relocation: If applicable, have the regulations been followed?
- 13) Subrecipient Monitoring: If the Tribe/TDHE awards NAHASDA funds to subrecipients, have they been properly monitored?
- 14) Special Tests and Provisions:
- i. Environmental Review:
 - (a) The Tribe/TDHE must review its IHP approved activities and determine (and document) whether the activity is exempt, categorically excluded, or requires ER;
 - (b) Tribe/TDHE needs to decide whether it should assume ER responsibilities under 24 CFR Part 58 or have HUD assume ER responsibilities under 24 CFR Part 50; and
 - (c) No NAHASDA funds have been obligated or expended without the prior completion of the ER process.
 - ii. Investment of IHBG Funds – if applicable:
 - (a) Was HUD approval obtained prior to establishing the investment?

- (b) Does the Tribe/TDHE have an investment policy and procedure that conforms to HUD's investment guidelines?

Components of an Auditor's Report on a Single Audit (200.515)

An Opinion (or disclaimer of opinion) on:

- a. whether the financial statements are presented fairly in all material respects in conformity with GAAP; and
- b. Whether the SEFA is presented fairly in all material respects in relation to the financial statements taken as a whole.

Types of Opinions:

Unmodified (clean or unqualified opinion): *"in our opinion, the financial statements referred to above present fairly, in all material respects...."*. The auditor issues an unmodified opinion when the financial statements are presented in accordance with a sound financial reporting framework and the internal control system is effective to present financial statements that are free of material misstatement.

Modified (used to be referred to as Qualified): A Tribe/TDHE will be issued a modified opinion if there are issues encountered in the audit such as possible misstatements in the financial records.

- **Qualified Opinion:** Misstatements in the financial records that are "material, but not pervasive".
- **Adverse Opinion:** Misstatements in the financial records that is both "material and pervasive".
- **Disclaimer Opinion:** The auditor is not able to form an opinion.

Findings and Questioned Costs

If the auditor issues a modified opinion and there are findings and questioned costs, HUD will issue a management decision letter to the Tribe/TDHE to address:

- **Findings:** The Tribe/TDHE must provide a plan of action to resolve the findings immediately.
- **Questioned Costs:** The Tribe/TDHE must provide documentation to clear the questioned costs. Otherwise, the costs are considered disallowed and the Tribe/TDHE is required to repay the amount of disallowed costs.

A report on internal control

Over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with the Yellow Book.

A report on compliance with requirements

Including items that could have a direct and material effect on each major program and on internal control over compliance in accordance with either OMB Circular A-133 or the

Uniform Guidance for Federal Awards. NOTE: If the Tribe/TDHE has major state financial assistance, the auditor will also provide an opinion on the compliance of each major state program and report on internal controls over compliance as required by the State's Audit Guide and Compliance Supplement for State Single Audits. 1

A schedule of findings and questioned costs.

The auditor must report the following as audit findings in a schedule of findings and questioned costs:

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.
3. Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program.
4. Known questioned costs that are greater than \$25,000 for a Federal program which is not audited as a major program.
5. The circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion.
6. Known or likely fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards.
7. Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with §200.511 Audit findings follow-up, paragraph (b) materially misrepresents the status of any prior audit finding.

On the next page is an example of what the report looks like in compliance with 2 CFR 200. Note that the dollar threshold used to distinguish between Type A and Type B Programs is \$750,000, which is the same as the dollar threshold that triggers single audit (200.518(b)(1)..

Basic Financial Management for Tribe/TDHE

Upnorth Village Tribal Housing

*Summary of Auditor's Results and
Schedule of Findings and Questioned Costs*

Year Ended December 31, 2015

FINANCIAL STATEMENTS

Type of auditor report issued:				Unmodified
Material weakness in internal control over financial reporting identified?	X	Yes		No
Significant deficiency not considered a material weakness identified?		Yes	X	No
Material Noncompliance related to the financial statements identified?		Yes	X	No

FEDERAL AWARDS

Type of auditor report issued on compliance over major programs:				Modified
Material weakness in internal control over major programs identified?	X	Yes		No
Significant deficiency not considered a material weakness identified?		Yes	X	No
Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a)?	X	Yes		No

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster of Programs</u>
14.867	HUD - NAHASDA

Dollar threshold used to distinguish between Type A and Type B programs:				\$750,000
Qualified as a low-risk auditee?	Yes	X	No	

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

(name) did have a finding that relates to the financial statements that is required to be reported in accordance with *Government Auditing Standards*.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

(name) did have findings and/or questioned costs related to federal awards that is required to be reported in accordance with the Uniform Guidance.

Prior Year Audit Findings.

In this section, the auditor is required to follow up and report about the Tribe/TDHE's corrective action on any audit findings reported in prior years.

Compliance, Audits and Reports.

1

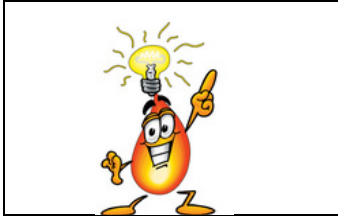
The Tribe/TDHE should be familiar with Title IV of NAHASDA statutes and regulations under Subpart F regarding actions required of the Tribe/TDHE and HUD when a Tribe/TDHE fails to comply with the requirements of the NAHASDA program.

- 1. Reference OMB Compliance Supplement**
- 2. Audit Opinion and Report on Compliance**
- 3. SEFA**

(Attachments)

SECTION XIII: Reporting and Monitoring

Learning Objective



Upon completing this section, you will learn:

- The link between SF-425, the APR and the financial statements.
- Tribe/TDHE’s responsibilities for conducting self-monitoring

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

200.327 Financial Reporting. Unless otherwise approved by OMB, the Federal awarding agency may solicit only the standard, OMB-approved government wide data elements for collection of financial information... This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly...

As noted in the Financial Management System requirement section of the Uniform Guidance above, Tribe/TDHEs are required to submit grant financial and program performance reports to HUD on OMB approved reporting format. Tribe/TDHEs accomplish this by submitting such reports on OMB approved forms SF-425 *Federal Financial Report* and the combined IHP/APR reports. SF-425 is required to be submitted quarterly and the APR is required to be submitted annually. The Tribe/TDHE is responsible for ensuring the completeness, accuracy and current information on these forms. Financial data for these reports are derived from the financial statements, therefore, it is critical that you maintain and manage the accuracy of your financial records.

Federal Financial Report SF-425:

- SF-425 submittals are required according to 24 CFR 1000.26 and Program Guidance 2014-07. The Federal financial reports are due 30 days after the end of the quarter, except that the 4th quarterly report is due 90 days after the end of the 4th quarter.
- The source information for SF-425 data should ALWAYS be from your financial report. Refer to the Report titled “NAHASDA Program Activities” (see page 50) to get the information. This document should also be your backup document for the report.

Basic Financial Management for Tribe/TDHE

Reporting Due Dates:

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

- The fourth quarterly report is the final report for a recipient’s 12-month program year. The quarterly reports are due as indicated in the chart above and are based on the recipient’s specific program year.

FEDERAL FINANCIAL REPORT-WORKSHEET

(Follow form instructions)

1. Federal Agency and Organizational Element to Which Report is Submitted ONAP		2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment) For 55IT or 55IH Grant			Page 1	of pages	
3. Recipient Organization (Name and complete address including Zip code)							
4a. DUNS Number	4b. EIN	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)		6. Report Type <input type="checkbox"/> Quarterly (always) <input type="checkbox"/> Semi-Annual <input type="checkbox"/> Annual <input type="checkbox"/> Final	7. Basis of Accounting <input type="checkbox"/> Cash <input type="checkbox"/> Accrual		
8. Project/Grant Period From: (Month, Day, Year) Program years 10/01 - 01/01 - 04/01		To: (Month, Day, Year) Program years 9/30 - 12/31 - 3/31		9. Reporting Period End Date (Month, Day, Year) 12/31 - 03/31 - 06/30 - 9/30			
10. Transactions						Cumulative	
<i>(Use lines a-c for single or multiple grant reporting)</i>							
Federal Cash (To report multiple grants, also use FFR Attachment):							
a.1 Cash Receipts - LOCCS draws received during period						\$0.00	
a.2 Cash Receipts - Positive/negative cash on hand (Grant Payable/Grant Receivable) from prior FY end						\$0.00	
a. Cash Receipts (a.1 plus/minus a.2)						\$0.00	
b. Cash Disbursements IHBG expenditures per accounting records cumulative for year						\$0.00	
c. Cash on Hand (line a minus b) Should be equivalent to grant receivable (if negative) or grant payable if positive						\$0.00	
<i>(Use lines d-o for single grant reporting)</i>							
Federal Expenditures and Unobligated Balance:							
d.1 Total Federal funds authorized LOCCS balance at prior FY end						\$0.00	
d.2 Total Federal funds authorized New grant (one) received						\$0.00	
d.3 Total Federal funds authorized Positive/negative cash on hand (Grant Payable/Grant Receivable) from prior FY end						\$0.00	
d. Total Federal funds authorized (d.1 plus d.2 plus/minus d.3)						\$0.00	
e. Federal share of expenditures IHBG expenditures per accounting records cumulative for year						\$0.00	
f. Federal share of unliquidated obligations (Not expenditures, but future committed funds via awarded contracts, force account labor, etc.)						\$0.00	
g. Total Federal share (sum of lines e and f)						\$0.00	
h. Unobligated balance of Federal funds (line d minus g)						\$0.00	
Recipient Share:							
l. Total recipient share required (Tribal fund match for project / non-program income) generally N/A						\$0.00	
j. Recipient share of expenditures						\$0.00	
k. Remaining recipient share to be provided (line i minus j)						\$0.00	
Program Income:							
l.1 Total Federal program income earned - Carryforward prior FY end unexpended balance						\$0.00	
l.2 Total Federal program income earned - Current years cumulative program income						\$0.00	
l. Total Federal program income earned (l.1 plus l.2)						\$0.00	
m. Program income expended in accordance with the deduction alternative N/A						\$0.00	
n. Program income expended in accordance with the addition alternative						\$0.00	
o. Unexpended program income (line l minus line m or line n)						\$0.00	
11. Indirect Expense (Optional)							
	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
g. Totals:							
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation: Cash on Hand / Details of Invested IHBG funds (use attachment) / P&A Reserves / PI							
13. Certification: By signing this report, I certify that it is true, complete, and accurate to the best of my knowledge. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 218, Section 1001)							
a. Typed or Printed Name and Title of Authorized Certifying Official				c. Telephone (Area code, number and extension)			
				d. Email address			
b. Signature of Authorized Certifying Official				e. Date Report Submitted (Month, Day, Year)			
				14. Agency use only:			
Standard Form 425 OMB Approval Number: 0348-0061 Expiration Date: 10/31/2011							
Paperwork Burden Statement According to the Paperwork Reduction Act, as amended, no persons are required to respond to a collection of information unless it displays a valid OMB Control Number. The valid OMB control number for this information collection is 0348-0061. Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0061), Washington, DC 20503.							

Basic Financial Management for Tribe/TDHE

FEDERAL FINANCIAL REPORT							
(Follow form instructions)							
1. Federal Agency and Organizational Element to Which Report is Submitted	2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)				Page	of	
HUD ONAP	79IH1234567				1	1	pages
3. Recipient Organization (Name and complete address including Zip code) UPNORTH VILLAGE TRIBE HOUSING							
4a. DUNS Number	4b. EIN	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)		6. Report Type		7. Basis of Accounting	
07777777	92-0020000			<input checked="" type="checkbox"/> Quarterly <input type="checkbox"/> Semi-Annual <input type="checkbox"/> Annual <input type="checkbox"/> Final		<input type="checkbox"/> Cash x <input checked="" type="checkbox"/> Accrual	
8. Project/Grant Period From: (Month, Day, Year)				To: (Month, Day, Year)		9. Reporting Period End Date (Month, Day, Year)	
1/1/2014				12/31/2014		9/30/2014	
10. Transactions						Cumulative	
<i>(Use lines a-c for single or multiple grant reporting)</i>							
Federal Cash (To report multiple grants, also use FFR Attachment):							
a. Cash Receipts						500,000.00	
b. Cash Disbursements						300,000.00	
c. Cash on Hand (line a minus b)						200,000.00	
<i>(Use lines d-o for single grant reporting)</i>							
Federal Expenditures and Unobligated Balance:							
d. Total Federal funds authorized						\$500,000.00	
e. Federal share of expenditures						\$300,000.00	
f. Federal share of unliquidated obligations							
g. Total Federal share (sum of lines e and f)						\$300,000.00	
h. Unobligated balance of Federal funds (line d minus g)						\$200,000.00	
Recipient Share:							
i. Total recipient share required						\$0.00	
j. Recipient share of expenditures						\$0.00	
k. Remaining recipient share to be provided (line i minus j)						\$0.00	
Program Income:							
l. Total Federal program income earned						4,000.00	
m. Program income expended in accordance with the deduction alternative						\$0.00	
n. Program income expended in accordance with the addition alternative						-	
o. Unexpended program income (line l minus line m or line n)						\$4,000.00	
11. Indirect Expense	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
g. Totals:							
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:							
13. Certification: By signing this report, I certify that it is true, complete, and accurate to the best of my knowledge. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 218, Section 1001)							
a. Typed or Printed Name and Title of Authorized Certifying Official					c. Telephone (Area code, number and extension)		
Bookkeeper's name					(907) 580-9999		
Bookkeeper					d. Email address		
b. Signature of Authorized Certifying Official					e. Date Report Submitted (Month, Day, Year)		
					10/30/2014		
					14. Agency use only:		
					Standard Form 425		
					OMB Approval Number: 0348-0061		
					Expiration Date: 10/31/2011		
Paperwork Burden Statement							
According to the Paperwork Reduction Act, as amended, no persons are required to respond to a collection of information unless it displays a valid OMB Control Number. The valid OMB control number for this information collection is 0348-0061. Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0061), Washington, DC 20503.							

Annual Performance Report

Statutory Requirement

It is statutorily required under Section 404 of NAHASDA, and 1000.502.

- 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.
- It is a means for the Tribe/TDHE to get public comment on the progress of its IHP activities.
- It is a good assessment and planning tool for improving your Tribe/TDHE's IHP.

Source Document for the Financial Section of the APR report.

The financial data source document for the APR should ALWAYS be from the financial report. Refer to the report titled "NAHASDA Program Activities" (page 50) to get the information.

Additional key sections of the APR that the Tribe/TDHE should be aware of are:

- Reporting on the program year progress;
- Program accomplishments;
- Budgets;
- Expanded Formula Area;
- Self-Monitoring;
- Inspections;
- Audits;
- Public Accountability; and
- Jobs supported by NAHASDA.

Reporting Due Date

Ninety (90) days after the Tribe/TDHE's fiscal year end. The Tribe/TDHE may seek an extension of an additional thirty (30) days.

Self-Monitoring:

200.328(a)&(e): Monitoring and reporting program performance.

- HUD is responsible for oversight of the operations of the IHBG award supported activities, and may make site monitoring visits as needed.
- The Tribe/TDHE is responsible for monitoring its IHBG fund activities to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the Tribe/TDHE must cover each program, function or activity. Refer to 403(b) and 1000.502.

In addition to the general requirements of the Uniform Guidance, NAHASDA also requires that the Tribe/TDHE conduct self-monitoring at least annually. (Section 403(b), 1000.502, and the Uniform Guidance 200.328). These are questions you should be thinking about in compliance with NAHASDA?

- Is the Tribe/TDHE in compliance with NAHASDA?
- Are the Tribe/TDHE's NAHASDA activities consistent with the IHP and is the APR accurate?
- Does the Tribe/TDHE have a sound financial management system in place to ensure efficiency and effectiveness in administering the NAHASDA funds?

REMEMBER: The Tribe/TDHE must conduct ongoing self-monitoring and report its self-monitoring assessment results in the APR.

Reporting Due Date:

There is no due date imposed on self-monitoring, but the Tribe/TDHE must document that it does undergo self-monitoring activities; **however, self-monitoring must be completed annually.**

Refer to HUD Self-Monitoring manual

(http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_8747.pdf).

HUD Monitoring:

HUD periodically conducts onsite-monitoring review of the Tribe/TDHEs to determine whether Tribe/TDHEs and recipients:

- 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; and
- Have a continuing capacity to carry out those activities in a timely manner.

SECTION XIV: Record Keeping and Retention

Learning Objective



Upon completing this section, you will learn:

- Why recordkeeping and retention of records are important.
- It is a Financial Management requirement under the Uniform Guidance

NAHASDA Part 1000.552 requires financial and programmatic records to be retained for 3 years from the end of the grantees program year except for litigation, claim, or audit that was started before the expiration of the three year period, then records will be retained until resolution or three years from the end of the regular 3 year period, whichever is later.

NAHASDA regulation is program specific requirements. The Tribe/TDHE will write their records policy to be compliant with NAHASDA for IHBG and the Uniform Guidance for other Federal Programs. The Uniform guidance emphasizes that a federal award recipient (Tribe/TDHE) must include in its financial management system, the following:

- Retention requirements for records (§200.333). How long should you keep the records? The guidance refers to three years from the date of the submission of the final expenditure report, which must also be compliant with NAHASDA Part 1000.52;
- Must be able to transfer certain records to the federal agency, if required (§200.334);
- Must have methods for collection, transmission, and storage of information (§200.335);
- Access to records (§200.336) by the federal agency, the Inspector General, the Comptroller General of the United States, and any other authorized representative; and
- Restrictions on public access to records (§200.337), for example, personnel files.

The Tribe/TDHE should adopt policies and procedures to address the above requirements, generally, but because NAHASDA has program specific requirements (Section 1000.52) those records requirements are followed for IHBG management and oversight.

REVIEW:

Recordkeeping and Reporting

NAHASDA Essentials, Chapter 14 (excerpt attached)

Best practices require specific accounting related records that should be maintained in a manner that allows for limited access, safeguarding assets and proprietary information, protecting confidential information, and retention and availability to program or external auditors:

- 1. Bank Reconciliation Files.** Create a file for each bank account and investment accounts. A bank reconciliation should be completed every month and the backup documents for the monthly reconciliations should include:
 - Bank Reconciliation Form: reconciles the cash account to the cash account in the general ledger. The bank reconciliation should be signed by the preparer and a supervisor who reviews and approves the bank reconciliation.
 - Bank statement for the month being reconciled.
 - A copy of the trial balance showing the cash balance in the general ledger.
- 2. Journal Entry Files.** Maintain a journal entry folder by month. Each journal entry document should include back up documentation that clearly shows why the journal entry is being made.
- 3. Financial Statement Files.** Whether the Tribe/TDHE, a Fee Accountant, or a Virtual CFO compiles the monthly financial statements for the Tribe/TDHE, a monthly file or Financial Statement binder, by month, which should at a minimum include:
 - Adjusted Trial Balance;
 - Statement of Financial Position;
 - Statement of Activities; and
 - Statement of Cash Flows.
- 4. Other General NAHASDA Grant Files (combine or create separate files).**
 - An executed grant agreement;
 - Copy of your “approved” IHP;
 - Copy of all environmental reviews;
 - Copy of IHP amendment, if any;
 - Copy of the quarterly 425 submitted;
 - Copy of the APR;
 - Copy of Tribe/TDHE’s draw down of funds from eLOCCS; and

- All HUD ONAP correspondence. If HUD sends you a letter or notice, PAY ATTENTION TO IT, because the information is either a REMINDER to submit the Tribe/TDHE's IHP, it's SF-425, the APR, and so on. Maintain a file of these correspondences by subject matter or create a file by year.

5. Vendor Files. Every check written to the vendor must, at a minimum, have the following:

- W-9 Form;
- Copy of contract, if applicable;
- Copy of the check;
- Invoice(s) that has been approved by the person who initiated the purchase
- Purchase Order (document for external use): Authorizes the Vendor to provide goods and services to the Tribe/TDHE;
- Purchase Requisition – Document for internal use. Establishes spending approval, budget and account code; and
- Other documentation: ER assessment and Procurement assessment.

6. Personnel Files. Personnel files should be treated like any other highly confidential document. You do not want to allow anyone to access an employee's performance evaluations, salaries, job applications and medical history. Americans with Disabilities Act (<http://www.ada.gov/>) imposes strict rules for handling information about employees' medical records. Medical records must be kept confidential and separate from employee personnel records.

Maintain three (3) separate files for each employee:

- **Employee File 1:**
 - Employee resume or application
 - Personnel Action form
 - Job Description
 - Hire Letter
 - Performance Evaluations and Objectives
 - Any disciplinary actions, commendations, or promotions
 - Retirement enrollment forms
 - Policy acknowledgements
 - Certificates of training
- **Employee File 2:**
 - Any health-related information
 - I-9 Form
 - Any investigatory records
 - Worker's comp claims or any other litigation claims
 - W-2 (with payroll)

- Garnishments (with payroll)
- **Employee File 3 – Payroll:**

Maintain as part of the accounting records:

- Employee’s signed timesheets with a copy of pay check and (details of tax and other deductions from gross payroll for every paycheck.
 - Copy of employee’s W-4.
- 7. Tenant Files.** The Tribe/TDHE should maintain two (2) files: (1) tenant eligibility file; and (2) tenant accounts receivable file. The tenant accounts receivable file should contain the following:
- Updated tenant and landlord agreement that shows the monthly rent charges and security deposit.
 - Update monthly in a tenant receivable file:
 - A copy of invoice to the tenant for the month’s rental charge and outstanding payment to the Tribe/TDHE.
 - A copy of payment check from the tenant against the invoice paid.

SECTION XV: Course References and Materials

- Uniform Guidance 2 CFR 200
- Title 24 Housing and Urban Development, Part 1000 NAHASDA
- Course Notebook and relevant HUD Forms and Guidance
- GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*
- GASB Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- www.irs.gov
- www.hud.gov
- Running QuickBooks in Nonprofits, The Only Comprehensive Guide for Nonprofits Using QuickBooks, by Kathy Ivens
- Publication 15 (2014), (Circular E) Employer’s Tax Guide for I-9 Form
- www.uscis.gov
- http://www.whitehouse.gov/omb/grants_circulars
- <http://www.claconnect.com/Nonprofit/OMB-Super-Circular-Streamlines-Federal-Grant-Making-and-Audits.aspx>
- http://www.aicpa.org/InterestAreas/FRC/AuditAttest/DownloadableDocuments/Clarity/Clarity_Summary_of_Reporting_Standards.pdf
- <http://www.nonprofitaccountingbasics.org>
- Federal Register /Vol. 80, No. 234 /Monday, December 7, 2015 /Rules and Regulations