

Office of  
Native American  
Programs  
Office of Public & Indian Housing

**INTERMEDIATE FINANCIAL  
MANAGEMENT AND AUDIT  
PREPARATION**

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**Section 1:**

**INTRODUCTIONS, NAHASDA &  
UNIFORM GUIDANCE OVERVIEW**

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**ONAP Training And Technical Assistance  
Program**



- Recipients Request Services From Local ONAP Office
- Approved By National ONAP
- Directs NAIHC To Prepare Work Plan To Provide the Requested and Approved Service
- NAIHC Contracts With Instructors, Coordinates With Recipients And Administer The Work Plan

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**Trainer Introduction**

**Maria Tagliavento, White River Consulting, LLC**

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**Participant Introductions  
Questionnaire**

Name	Tribe/TDHE/ Other	Position	Length of time involved in IHBG	Knowledge of Governmental Accounting and 2 CFR Part 200? Scale of 1-5 1= Low 5 =High
Do you make financial presentations of the IHBG to the BOC or Tribal Council, other managers?			Question or issue of particular interest related to the Training?	

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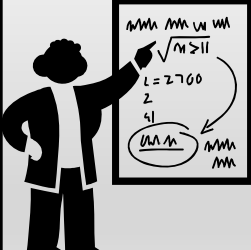
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**Approach**



- Overview Presentation
- Exercises and Pop-Up Quizzes
- Discussion and Networking (this training is for you)
- Put your phones on vibrate
- Check-ins

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**Participant Materials**

- Agenda
- Exercises and Pop-Ups
- Resources:
  - PowerPoint presentation
  - Electronic Attachments
  - Website links




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**AGENDA – DAY 1**  
**Tuesday, April 6, 2021**  
**8:30 am to 1:30 pm**

- Section 1: Opening Session: Introductions and virtual training protocols
- Section 2: Financial Management System Standards (FMS)
- Section 3: Budgets– Plan, maintain, analyze and report
- Section 4: Financial Management Reports

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**AGENDA – DAY 2**  
**Wednesday, April 7, 2021**  
**8:30 am to 1:30pm**

- Section 5: Basics of Governmental Accounting
- Section 6: Proprietary Fund Accounting for Select Accounts specific to NAHASDA
- Section 7: Program Income

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**AGENDA – DAY 3**  
**Thursday, April 8, 2021**  
**8:30 am – 1:30pm**

Section 8: Recordkeeping, Reporting & Monitoring

Section 9: Audit Requirements, Auditor and Auditee Responsibilities

Section 10: OMB Compliance Supplement Requirements for IHBG

Section 11: Audit Report and Audit Opinion

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- Highlight best practices.
- The administration of the IHBG and compliance with NAHASDA statutes, regulation, and 2 CFR Part 200.
- Governmental GAAP accounting for your IHBG programs.
- How to use IHBG to meet NAHASDA objectives.
- Understanding the Single Audit process and the recipient's responsibilities as outlined in 2 CFR Part 200, Subpart F – Audit Requirements.
- Effectively communicate financial information to Tribal Council/Board of Commissioners.



Training Purpose

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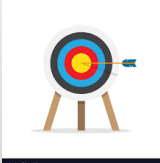
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### Course Objectives

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



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**A quick overview**

- 1. Transition of the Indian Housing Program from the 1937 Housing Act to the NAHASDA Program**
- 2. Program compliance with the NAHASDA statutes and regulations and the 2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards**

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**1937 Housing Act → NAHASDA**

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

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**1937 Housing Act → NAHASDA**

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

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**REFERENCES FOR THE NAHASDA PROGRAM**

**NAHASDA STATUTE**  
 • [https://www.hud.gov/sites/documents/DOC\\_8141.PDF](https://www.hud.gov/sites/documents/DOC_8141.PDF)

**NAHASDA REGULATION**  
 • [https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr1000\\_main\\_02.tpl](https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr1000_main_02.tpl)

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

**PIH NOTICES**  
 • [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/ih/regs/notices](https://www.hud.gov/program_offices/public_indian_housing/ih/regs/notices)

**PROGRAM GUIDANCES**  
 • [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/ih/codetalk/nahasda/guidance](https://www.hud.gov/program_offices/public_indian_housing/ih/codetalk/nahasda/guidance)

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**Administrative Requirements For NAHASDA**

**§1000.26 What are the administrative requirements under NAHASDA?**

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

[https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr1000\\_main\\_02.tpl](https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr1000_main_02.tpl)

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- **A-21** Cost Principles for Educational Institutions
- **A-87** Cost Principles for State, Local and Indian Tribal Governments
- **A-122** Cost Principles for Non-Profit Organizations
- **A-110** Uniform Administrative Requirements for Grants and Other Agreements
- **A-102** Grants and Cooperative Agreements With State and Local Governments (Part 85)
- **A-133** Audits of States, Local Governments and Non-Profit Organizations
- **A-50** Audit Follow up
- **A-89** Catalog of Federal Domestic Assistance

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**Uniform Guidance: What is it?**

**Code of Federal Regulations: 2 CFR Part 200**

**Title 2: Grants and Agreements**



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

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

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

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**Subparts At A Glance**

- Subpart A (200.0 - 99)
  - Acronyms and Definitions
- Subpart B (200.100 - 113)
  - General Provisions
- Subpart C (200.200 - 216)
  - Pre-Federal Award Requirements and Contents of Awards
- Subpart D (200.300 - 346)
  - Post Federal Award Requirements
- Subpart E (200.400 - 475)
  - Cost Principles
- Subpart F (200.500 - 521)
  - Audit Requirements
- 12 Appendices – I through XII

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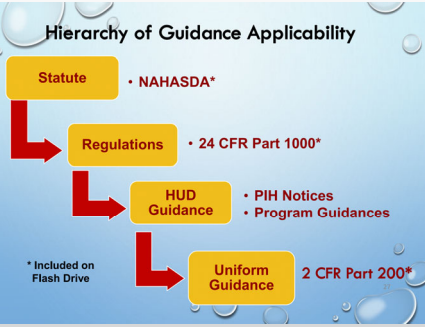
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**Hierarchy of Guidance Applicability**

R  
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s  
o  
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s



\* Included on Flash Drive

PIH: [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/ih/regs/notices](https://www.hud.gov/program_offices/public_indian_housing/ih/regs/notices)

[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/ih/codetalk/nahasda/guidance](https://www.hud.gov/program_offices/public_indian_housing/ih/codetalk/nahasda/guidance)

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**Section 2:**

**Financial Management System  
Standards  
2 CFR 200.302**

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**Overview of Financial Management System**

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

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**Overview of Financial Management System**

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

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

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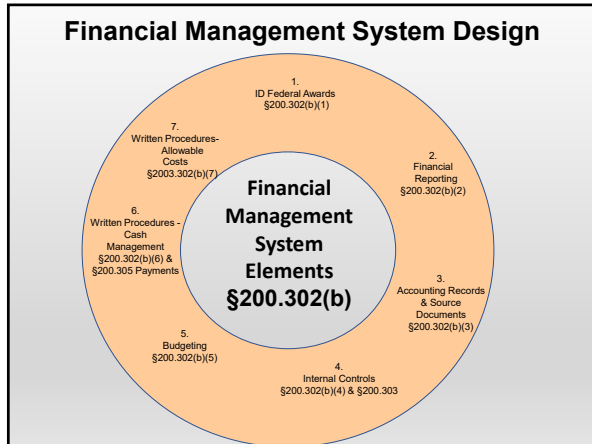
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### §200.302(b)(1) - FMS: Identify Federal Awards Received

....Identify in its accounts, all federal awards received and expended.

For Example

Federal Agency	Department of Housing and Urban Development, Office of Native American Programs (HUD/ONAP)
Federal Program	Native American Housing Assistance and Self Determination Act (NAHASDA)
<u>Assistance Listings</u> Title	Indian Housing Block Grant (IHBG)
<u>Assistance Listings</u> Number	14.867
Award Number	55-IH-02-0123-0
Award Year	FY2021

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Grant Analysis Worksheet 12/31/20XX			
<b>Grant Information</b>			
1. Federal Fund Name	NAHASDA		
2. Granting Agency	U.S. Department of Housing & Urban Development		
3. Grant Name	IHBG 20XX		
4. Grant Number	55-IH-02-XXXX		
5. Grant Cycle #	18.002		
6. Grant Period	01/01/20XX - 12/31/20XX		
7. Grant Amount	\$ 525,000		
<b>20XX Expenditures and Cash Receipts</b>			
Receivable (deferred revenue) at September 30, 20XX		\$	
Cash receipts during the year		\$	470,000.00
Expenditures during the year		\$	505,022.00
Ending receivable (deferred revenue) 12/31/20XX		\$	40,822.00
<b>Cumulative Expenditures</b>			<b>Total</b>
Total Grant Award	\$		
Expended to date	\$		
Expended during the year	\$		
Total funds expended to date	\$		
Funds left to be expended	\$		
<b>Cumulative Cash Receipts</b>			<b>Total</b>
Total Grant Award	\$		
Receivable at prior period	\$		
Cash receipts during the year	\$		
Total funds received to date	\$		
Funds left to be received	\$		
Ending A/R (Deferred) profit loss	\$	40,822.00	\$
<b>Cash receipts during the year</b>			
Year	Balance	Receipts	Amount
7/30/20XX			\$ 100,000.00
10/31/20XX			50,000.00
11/2/20XX			120,000.00
12/31/20XX			200,000.00
	Total		\$ 470,000.00
	Total	\$ 470,000.00	\$ 470,000.00

**EXAMPLE:**

Track each with Grant Analysis Worksheet – expedites reporting

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

Must maintain **accurate, current, and complete data and disclosure** of the financial results of each Federal award or program to enable preparation of necessary financial and progress reports to HUD.

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

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**Consider this.....**

**In reviewing your accounting system:**

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

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

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

Must provide records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards:

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

Must be supported by source documentation

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**Consider this.....**

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

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**Use your Accounting System to Track your Grants**

**Chart of Accounts: Organizational tool**

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

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**Tracking IHBG Using your Accounting System**

**EXAMPLE 1: QUICKBOOKS ACCOUNTING SYSTEM**

**Tracks Grants & Activities → using Class and Subclass**

- Design Chart of Accounts (COA) to organize types of financial transactions and account for grants and "programs" or "activities" of each grant.
- Set up objects and sub-object codes to identify the types of transactions (Assets, Liabilities, Equity, Income and Expenses accounts).
- Use "Class" feature of Quickbooks to organize and track revenues and expenditures by grant.
- Use "Sub-Class" to further organize and track by activities within the grant.

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## Use your Accounting System to Track your Grants

### EXAMPLE 1: QUICKBOOKS ACCOUNTING SYSTEM

ACCOUNT CODE #	ACCOUNT CODE DESC	CLASS #	CLASS DESC	SUB-CLASS #	SUB-CLASS DESC
4110	SALARIES	01	IHBG	10	HOUSING SERVICES
4110	SALARIES	01	IHBG	15	PLANNING & ADMINISTRATION
4110	SALARIES	02	IHBG-CARES	90	RESPOND
4110	SALARIES	02	IHBG-CARES	91	PREPARE
4110	SALARIES	03	IHBG-COMPETITIVE	20	SENIOR HOUSING DEV PROJECT
4110	SALARIES	03	IHBG-COMPETITIVE	21	FAMILY RENTAL HOUSING PROJECT

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### EXAMPLE 2: ACCFUND ACCOUNTING SYSTEM

TRIBAL HOUSING		
12/31/2020		
Accounts and Description	Debits	Credits
01-00 111100 00 000 000 Master Account	550,237.53	-
01-00 112200 00 000 000 Tenant Receivable	35,623.51	15,000.48
01-00 112210 00 000 000 Allowance for Doubtful Accts	-	-
01-00 112300 00 000 000 Mutual Help Homebuyers	38,002.23	-
01-00 112310 00 000 000 Allowance for Doubtful Accts	-	26,023.41
01-00 112600 00 000 000 Accounts Receivable-Other	354.20	-
01-00 116100 00 000 000 GF Investment	1,524,501.50	-
01-00 116350 00 000 000 MH Equity (MEPA/VEPA)	230,500.24	-
01-00 117300 05 000 000 IHBG Investment	859,777.79	-
01-00 121100 00 000 000 Prepaid Insurance	24,392.38	-
01-00 121300 00 000 000 Workers Comp Deposit	28,879.00	-
01-00 127000 00 000 000 Inventory	238,673.19	-
01-00 211100 00 000 000 Accounts Payable	-	19,981.06
01-00 211400 00 000 000 Tenants Security Deposits	-	30,167.00
01-00 211721 00 000 000 Due to Health Insurance	15,875.94	-
01-00 211722 00 000 000 Due to Life/Disability	840.24	-
01-00 211724 00 000 000 Due to 401(a)	-	9,480.23
01-00 211725 00 000 000 Due to Workmans Compensation	-	3,472.60
01-00 213500 00 000 000 Salary and Wages Accrual	-	139,111.61
01-00 213510 00 000 000 Accrued Annual Leave	-	91,925.07
01-00 217100 00 000 000 MEPA	-	230,350.96
01-00 225200 00 000 000 Invest Inc-MEPA/VEPA	-	2.20
01-00 228000 05 000 000 Deferred Revenue-IHBG	-	859,777.79
01-00 281000 00 000 000 Unrestricted Net Position	-	8,273,077.07
01-00 291200 00 000 000 Refundable MH Reserve	-	12,000.00
01-00 291400 00 000 000 Unrefundable MH Reserve	-	40,500.00
01-10 311000 11 000 000 Dw elling Rents - Town A	-	120,509.95
01-10 311000 17 000 000 Dw elling Rents - Downlow n	-	31,590.00
01-10 311000 18 000 000 Administrative Fees Mutual Help	-	37,054.07
01-10 361000 00 000 000 Interest on Gen Fund Investments	-	5,468.68
01-10 369000 00 000 000 Other Revenues	-	25.90
01-10 390010 00 070 000 IHBG 1937 Act Operating	-	632,665.45
01-10 411000 15 070 000 Salaries-Housing Services	-	38,686.59
01-10 411000 20 070 000 Salaries - Housing Management Services	-	9,841.09
95-00 411000 00 000 211 Salaries-COVID	-	53,493.34
95-00 411000 00 000 000 Salaries-Enterprise Rental	-	55,170.32

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### \$200.302(b)(4) - FMS: Internal Controls

Internal control is a PROCESS that is implemented to control risks and:

- provide reasonable assurance that policies, processes, tasks, behaviors and other aspects of an organization, taken together, facilitate its effective and efficient operation;
- help to ensure the quality of internal and external reporting;
- and help to ensure compliance with applicable laws and regulations.

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**Internal Controls**

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**Two types of internal controls:**

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

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**Preventative Controls – Written Policies and Procedures**

**Ensures Preventative Controls are incorporated, such as:**

- Segregation or division of duties
- Proper authorization of transactions
- Adequate documentation and retention of records
- Supervision or monitoring operations
- Management reviews
- Payroll preparation and distribution duties and approving, writing and signing checks should also be done by different people.

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**Preventative Controls – Segregation of Duties**

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

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

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## Detective Controls

Incorporate detective controls activities in written Policies and Procedures such as:

Annual Audits	Monthly reconciliation of bank accounts
Surprise reconciliation of petty cash accounts	Review and reconcile other balance sheet accounts (Refundable advances, Payroll liability accounts, etc.
Self-monitoring	Conducting physical inventory

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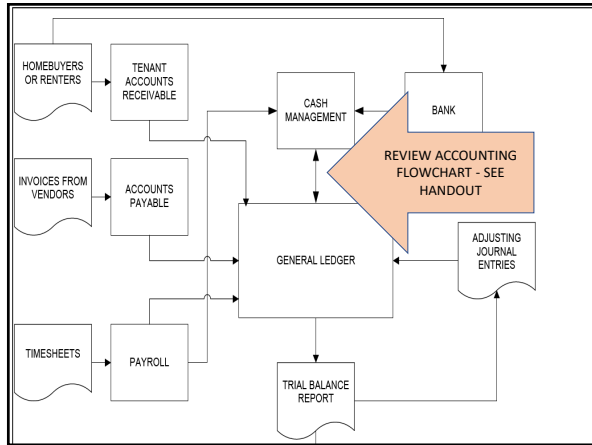
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## Designing Internal Controls

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

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

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**Internal Controls – Recipient Should Comply with [§200.303].....**

a. Establish and maintain effective internal controls over the IHBG funds that **SHOULD** comply with:

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

Or

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

Reference: Internal Control Questionnaire and Assessment

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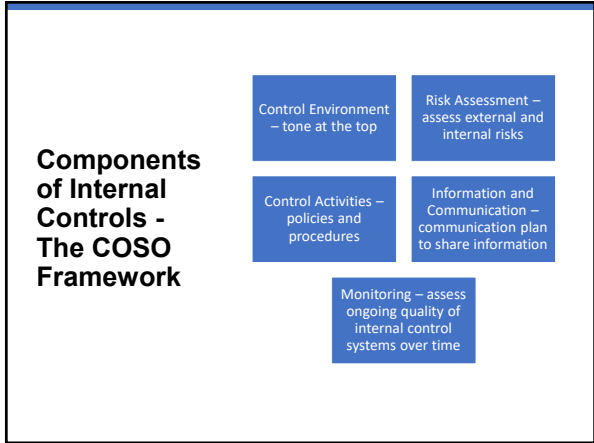
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**Example: Applying COSO Framework -Determine Adequacy Of Internal Controls Over Activities For Allowable And Unallowable Costs**

<b>Control Environment</b> <small>Tone at the top – provides discipline and structure</small>	<ul style="list-style-type: none"> <li>Management sets reasonable budgets; identifies allowable expenditures. Board or Council approves.</li> </ul>
<b>Risk Assessment</b> <small>Identify and how to manage risk</small>	<ul style="list-style-type: none"> <li>Managers and staff are required to use the written policies and procedures as guidance to identify allowable or unallowable costs.</li> </ul>
<b>Information and Communication System</b> <small>Communicate info to right people</small>	<ul style="list-style-type: none"> <li>Department managers compare monthly budget and actual expenditures to review for accuracy and initiate corrections, if needed.</li> </ul>
<b>Control Activities</b> <small>Ensures management directives are carried out</small>	<ul style="list-style-type: none"> <li>Managers follow established written procedures for authorization and approval of purchases based on approved budget, prior to purchase.</li> </ul>
<b>Monitoring</b> <small>Assess quality of internal controls</small>	<ul style="list-style-type: none"> <li>Accounting provides financial reports to managers for monthly review.</li> </ul>

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**POLL QUESTION**

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

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

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

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

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

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

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

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

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

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

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**§200.305(b) Payments**

**Payments Methods applicable to the NAHASDA Program:**

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

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**§ 200.305(b)(1&2) Payments**

**ADVANCE PAYMENTS:**

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

- The Tribe/TDHE must have **written procedures** that minimize the time between the transfer of funds and disbursement, and
- Must have a financial management system that meets 200.302(b).
- Timing and amount must be **as close as is administratively feasible to the actual disbursements. [3 working days]**
- Must be consolidated to cover anticipated cash needs for all federal awards made by the federal awarding agency to the recipient.

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**§ 200.305(b)(5) Payments**

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

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

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

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### §200.305(b)(7) Payments

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

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

REFER TO PIH NOTICES  
 PIH 2019-16 <https://www.hud.gov/sites/dfiles/PIH/documents/PIH-2019-16.pdf>  
 PIH 2014-21 <https://www.hud.gov/sites/documents/Jul2014-21.pdf> with attachments

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### POLL QUESTION

1. Does your Tribe/TDHE maintain a bank account for each grant?  
 YES  
 NO – maintain only one general account.
2. If your response to (1) above is YES, it is because:
  - a. Your policy and procedures state you must have separate bank accounts for each grant you manage.
  - b. The Tribe/TDHE has always maintained separate bank accounts for each grant to avoid comingling of funds.
  - c. That's how our bank accounts have always been set up.

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### EXERCISE



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

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

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

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

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

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Regulations governing IHBG Allowable Costs

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

LET'S REVIEW!

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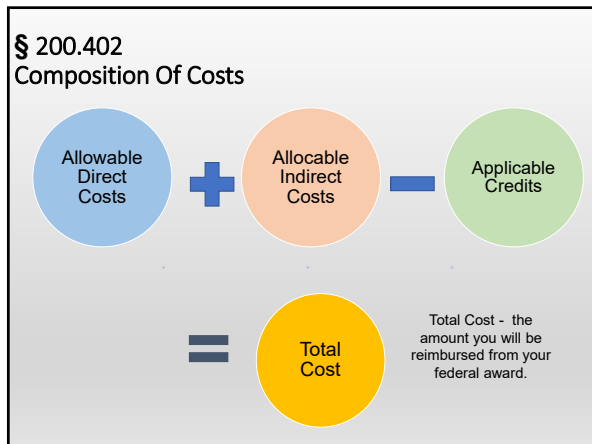
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**§ 200.403**  
**Factors Affecting Allowability Of Costs,  
 Are Allowable If.....**

- (a) Necessary, reasonable, allocable
- (b) Conform to grant award criteria
- (c) Consistent with policies and procedures
- (d) Accorded consistent treatment – direct or indirect
- (e) Determined in accordance with GAAP (some exceptions for State & Local govts and Tribes)
- (f) Cannot use as cost sharing or matching requirements of other federally funded program – in either current or a prior period
- (g) Be adequately documented
- (h) Must be incurred during the approved budget period

NAHASDA does not prohibit use of IHBG as matching funds  
 24 CFR §1000.122

NEW

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**§ 200.412 Classification Of Costs**

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

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

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**§ 200.413(a,b & c) Direct Costs**

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

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

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

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**§ 200.413  
(d) & (e)  
Direct  
Costs**

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

- Example: Office supplies – pencil and pens, paperclips

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

- Example: Fundraising Costs unrelated to the NAHASDA Program

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**Indirect (F&A) Costs  
§200.414**

- Those costs incurred for a common or joint purpose benefiting more than one cost objective and are not easily readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved.
- Remember: No universal rule for classifying costs as direct or indirect – depends on the organization
- To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to allocate indirect costs using an allocation table.
- The negotiated Indirect Cost Rates must be accepted by all federal awarding agencies (some exceptions apply).

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**NEW**

**§ 200.414(f-g)  
Indirect (F&A) Costs**

- (f) If NFE does not have a **CURRENT** negotiated rate:
  - Have option for **de minimus rate of 10% of modified total direct cost (MTDC)**, which may be used indefinitely (see §200.68 for MTDC definition)
  - No documentation is required to justify the 10% de minimus rate.
- (g) A NFE that has a current federally negotiated indirect cost rate may apply for a one-time extension of the rates for a period of up to four (4) years.
- (h) **Except for Indian Tribes or Indian Organizations, the federally negotiated IDCR, distribution base, and rate type must be available publicly on an OMB-designated Federal website.**

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### Practice Exercise

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

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

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

This section provides principles to be:

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

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

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

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**NAHASDA Treatment Of Certain Costs**

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

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

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**§ 200.430(a) Compensation – Personal Services**

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

**Allowable if:**

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

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

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

These records must:

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

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

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

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**§ 200.430(f) Compensation – Personal Services**

**Incentive compensation – allowable**

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

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

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

NEW

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



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### § 200.431(a) Compensation – Fringe Benefits

- Provides specificity and clarity on allowable costs for fringe benefits: leave, employee insurance, pension plans, post-retirement health plans, and severance pay.
- Overarching criteria of §200.431 – unless excepted elsewhere in these principles, **allowable if**:
  - reasonable
  - required by law or employment agreement
  - or established (written) policies of the entity



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### § 200.431(b) Compensation – Fringe Benefits

**LEAVE PAY** – authorized absences - **ALLOWABLE** if all of the following criteria are met:

- provided under **established written leave policies**
- costs are **equitably allocated** to all related activities and federal awards
- the accounting basis (cash or accrual) selected for costing each type of leave is **consistently** followed.

**Examples:** annual leave, family related leave, sick leave, holidays, court leave, military leave, administrative...

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### § 200.431(e)(2) Compensation – Fringe Benefits

#### INSURANCE

**ALLOWABLE** - costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibility are allowable only to the extent that the insurance represents **additional compensation**.



**UNALLOWABLE** - the costs of such insurance when the non-federal entity is named as beneficiary.

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**§ 200.431(f) Compensation – Fringe Benefits**

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



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**§ 200.431(i)(1) Compensation – Fringe Benefits**

**SEVERANCE PAY**

**ALLOWABLE IF:** it is required by:

- law, employer-employee agreement, established policy that constitutes, in effect, an implied agreement on the non-federal entity's part, or circumstances of the particular employment.

**UNALLOWABLE IF:**

- it is in excess of normal severance pay paid, and pay is contingent upon a change in management control over, or ownership of the non-federal entity's assets.

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**§ 200.433 Contingency Provisions**

**ALLOWABLE:** Contingency provisions for budgets of large construction projects if:

- specified in the budget documentation of the federal award and must be accepted by the federal awarding agency.

*• note: HUD only approves the TDC limits for the total project budget, which includes contingency provisions.*

**UNALLOWABLE:** payments made to a contingency reserve for "events the occurrence of which cannot be foretold with certainty as to the time or intensity, or with an assurance of their happening."

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**§ 200.437 Employee Health And Welfare Costs**

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

**UNALLOWABLE:** costs associated with "EMPLOYEE MORALE".

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




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**§ 200.438 Entertainment Costs**



**UNALLOWABLE – HOWEVER, Allowable Under Certain Circumstances**

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

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**EXERCISES**

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

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

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**EXERCISE**

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

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**Section 3:  
Budgets - Plan, Maintain,  
Analyze and Report**

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**§200.302(b)(5) - Budgeting**

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

PLANNING AND ADMINISTRATION REVENUE AND EXPENSES JULY 31, 202X					
Account No. and Description	Period to Date Actual	Year to Date Actual	Annual Budget	% Used	Budget Variance
4610 50 IHBG Investment Interest	8,897.00	27,972.63	100,000.00	27.97%	72,027.37
4900 50 IHBG Planning & Admin	47,365.26	147,151.39	534,410.00	27.54%	387,258.61
<b>Total Revenue</b>	<b>56,262.26</b>	<b>175,124.02</b>	<b>634,410.00</b>	<b>27.60%</b>	<b>459,285.98</b>
5110 50 Administrative Salaries	29,770.42	81,597.95	319,531.00	25.54%	237,933.05
5111 50 Fringe Benefits	9,898.50	28,191.05	121,422.00	23.22%	93,230.95

IHP/APR

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### Funding Formula Components

Four components make up formula:

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

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

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### Component 1: FCAS [§1000.312]

A. Formula Current Assisted Stock (FCAS) is:

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

B. Two elements of FCAS in formula

- Operating subsidy
- Modernization allocation

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### Component 2: NEED

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

Category	Weight (%)
Low Income: 50%-80% AMI	7%
Very Low Income: 30%-50% AMI	7%
Poverty Level: <30% AMI	13%
Housing Shortage	15%
AIAN Persons	11%
Overcrowded	25%
Rent Burdened	22%

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

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

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**Component 4: Undisbursed IHBG Funds Factor [§1000.342]**

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

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

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**Formula Response Form (FRF)**

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

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

[https://ihbgformula.com/fy2021/?utm\\_medium=email&utm\\_source=govdelivery](https://ihbgformula.com/fy2021/?utm_medium=email&utm_source=govdelivery)

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2021 IHBG Formula Allocation

[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/ih/codetalk/onap/ihbgformula](https://www.hud.gov/program_offices/public_indian_housing/ih/codetalk/onap/ihbgformula)

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**ACTIVITY:** Find your formula amount

[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/ih/codetalk/onap/ihbgformula](https://www.hud.gov/program_offices/public_indian_housing/ih/codetalk/onap/ihbgformula)

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**Why Is Budgeting Important?**

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

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### Budget Process



- Start early and engage everyone!
- Identify strategic priorities
  - Consider short and long-term strategic goals and objectives.
  - What are the needs of Tribal members and how many families can be served?
  - What is the housing inventory in the community?
- Identify all sources of funds.
  - What sources of funds are available or will be needed to achieve the program goals for the coming program year?
  - Identify all expenses
- Plan to build? Need a multi-year budget.
- Use prior year's budget as a starting point for current year budget.

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### Build The Budget

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




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### Budget Section IHP

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

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

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

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

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### CHANGES DUE TO COVID-19

- Review PIH 2020-13 and PIH 2020-33 Attachment for IHBG CARES grant
- IHBG CARES – Implementation Training:
  - [https://www.hud.gov/sites/dfiles/PIH/documents/IHBG\\_CARES\\_RECIPIENT\\_TRAINING\\_4.27.2020%20v3.pdf](https://www.hud.gov/sites/dfiles/PIH/documents/IHBG_CARES_RECIPIENT_TRAINING_4.27.2020%20v3.pdf)
- Effective Date: When Tribe/TDHE began preparing for COVID-19.
- Abbreviated IHP submission deadline: none
- Period of Performance: 9/30/2025 – highly encouraged to spend...
- Limited use of IHBG CARES funds to these activities:
  - Prepare
  - Prevent
  - Respond

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

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

SOURCE	IHP					APR					
	(A) Estimated amount on hand at beginning of program year	(B) Estimated amount to be received during 12-month program year	(C) Estimated total sources of funds (A + B)	(D) Estimated funds to be expended during 12-month program year	(E) Estimated unexpended funds remaining at end of 12-month program year (C minus D)	(F) Actual amount on hand at beginning of program year	(G) Actual amount received during 12-month program year	(H) Actual total sources of funding (F + G)	(I) Actual funds expended during 12-month program year	(J) Actual unexpended funds remaining at end of 12-month program year (H minus I)	(K) Actual unexpended funds obligated but not expended at end of 12-month program year
1. IHBG Funds	100,000	525,000	625,000	590,564	34,436						
2. IHBG Program Income	0	34,420	34,420	34,420	0						
3. Title VI	0	316,000	316,000	316,000	0						
4. Title VI Program Income	0	0	0	0	0						
5. 1937 Act Operating Expenses											
6. Carry Over 1937 Act Funds											
LEVERAGED FUNDS											
7. IC29G Funds											
8. Other Federal Funds											
9. LHTC											
10. Non-Federal Funds											
TOTAL	100,000	874,420	974,420	929,984	34,436	100,000	1,073,380	1,117,380	1,023,000	34,378	

**MULTIPLE SOURCES OF FUNDS**

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

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**ABBREVIATED IHP CARES**

SECTION 5. BUDGETS  
NAHASDA § 102(b)(2)(C), 4010

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

SOURCE	IHP					APR					
	(A) Estimated amount on hand at beginning of program year	(B) Estimated amount to be received during 12-month program year	(C) Estimated total sources of funds (A + B)	(D) Estimated funds to be expended during 12-month program year	(E) Estimated unexpended funds remaining at end of 12-month program year (C minus D)	(F) Actual amount on hand at beginning of program year	(G) Actual amount received during 12-month program year	(H) Actual total sources of funding (F + G)	(I) Actual funds expended during 12-month program year	(J) Actual unexpended funds remaining at end of 12-month program year (H minus I)	(K) Actual unexpended funds obligated but not expended at end of 12-month program year
ONE SOURCE OF FUNDS: IHBG CARES FUNDS											
SOURCE: IHBG_CARES_RECIPIENT_TRAINING_4.27.2020 v3.pdf											

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	NAHASDA 1937 Act Budget	Housing Dev Budget	Modernization Services Budget	MH Son Program Budget	MH Program Budget	NAHASDA Title VI Admin Budget	NAHASDA TBRA Budget	Total NAHASDA Budget
<b>Income</b>								
4000 - Rental Income	8,400	23,100	7,000	4,320				38,500
4010 - Administrative Exp. - MH				4,320				4,320
4300 - Federal Grants	40,173	250,000	14,250	51,448	21,693	98,000	110,000	590,564
4500 - Proceeds from Debt		315,000						315,000
4801 - Interest Income								0
<b>Total Income</b>	<b>48,573</b>	<b>565,000</b>	<b>37,350</b>	<b>51,448</b>	<b>33,013</b>	<b>98,000</b>	<b>110,000</b>	<b>948,384</b>
<b>Expense</b>								
5000 - Salaries & Wages-Tribe Paid	11,980	86,200	22,500	43,600	11,980		65,000	241,220
5005 - Benefits	2,153	15,516	4,050	7,848	2,153		11,700	43,420
5130 - Legal								0
5135 - Accounting			6,300				14,064	20,364
5200 - Travel			2,500				2,500	5,000
	8,000			4,000			1,200	13,200
	6,000			3,000			1,600	10,600
	6,000			6,300			2,233	14,533
	560						4,700	5,260
							3,000	3,000
			2,000				4,003	6,003
								0
5615 - Grounds		2,500			3,600			6,100
5700 - Program		3,000		2,000				5,000
5710 - Child Care							5,000	5,000
5780 - Interest Expense						36,000		36,000
5800 - Capital Assets-Building		454,784						454,784
5800.99 - Contra Exp-Buildings								0
5803 - Land Improvements								0
5803.99 - Contra Exp-Land								0
5804 - Capital Infrastructure								0
5804.99 - Contra Exp-Infrastructure								0
5805 - Capital Assets - Equipment								0
5805.99 - Contra Exp - Equipment								0
5800 - Principal Payments on Loan		8,500				62,000		70,500
5800.99 - Contra Exp-Principal Payments								0
<b>Total Expense</b>	<b>40,173</b>	<b>565,000</b>	<b>37,350</b>	<b>51,448</b>	<b>33,013</b>	<b>98,000</b>	<b>110,000</b>	<b>938,984</b>
<b>Net Income</b>	<b>8,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,400</b>

**Budget Setup Allows for Tracking by Eligible Activities**

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Shows IHBG as one of many budgets

UPNORTH TRIBAL HOUSING 20XX BUDGET						Total NAHASDA Budget	TOTAL BUDGET
	ANTHC Budget	BIA Budget	CCS Budget	ICDBG Budget	IRR Budget		
4000 - Rental Income						38,500	38,500
4010 - Administrative Exp						4,200	4,200
4300 - Federal Grants	38,500	125,000	20,000	150,000	265,000	590,564	1,189,064
4500 - Proceeds from Debt						315,000	315,000
48801 - Interest Income						0	0
<b>Total Income</b>	<b>38,500</b>	<b>125,000</b>	<b>20,000</b>	<b>150,000</b>	<b>265,000</b>	<b>948,364</b>	<b>1,548,864</b>
<b>Expense</b>							
5000 - Salaries & Wages-Tribe Paid		80,000		145,350		241,220	466,570
5005 - Benefits		14,400		26,183		43,420	83,983
5130 - Legal		0		30,000		0	30,000
5135 - Accounting/Auditing		4,720	987	10,250		20,364	36,301
5200 - Travel		5,500		5,700		5,000	16,200
5406 - Utilities - Fuel		1,000	200	800		13,200	15,200
5407 - Utilities - Water/Sewer		1,000	200	800		10,600	12,600
5408 - Utilities - Electri		1,500	200	800		14,833	17,033
5505 - Telephone & Communications		2,500	700	2,500		5,260	10,960
5550 - Insurance-general liability		1,500	200	2,500		3,000	7,200
5600 - Supplies		2,780	1,533	25,137		6,003	35,453
5605 - Fuel Operations		250				0	250
5610 - R&M/Buildings						6,100	6,100
5615 - Grounds/keepings/snow removal						5,000	5,000
5700 - Program Assistance-Emergency		3,850				5,000	8,850
5710 - Child Care Assistance			16,000			0	16,000
5780 - Interest Expense						36,000	36,000
5800 - Capital Assets-Building						454,754	454,754
5800.99 - Contra Exp-Buildings						0	0
5803 - Land Improvements				150,000		0	150,000
5803.99 - Contra Exp-Land						0	0
5804 - Capital Infrastructure	38,500					0	38,500
5804.99 - Contra Exp-Infrastructure						0	0
5805 - Capital Assets - Equipment				15,000		0	15,000
5805.99 - Contra Exp - Equipment						0	0
5890 - Principal Payments on Loan						70,500	70,500
5890.99 - Contra Exp-Principal Payments						0	0
<b>Total Expense</b>	<b>38,500</b>	<b>125,000</b>	<b>20,000</b>	<b>150,000</b>	<b>265,000</b>	<b>939,364</b>	<b>1,538,464</b>
<b>Net Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,000</b>	<b>9,400</b>

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Revenue and Expense September 30, 202X					
Account Number & Description	Period to Date	Year to Date	Annual		Budget
	Actual	Actual	Budget	% Used	Variance
311000 11 000 000 Dwelling Rents	17,855.00	120,509.95	235,769.00	51.11	(115,259.05)
369000 00 070 000 Other Revenues	3,708.80	3,708.80	0.00	0.00	3,708.80
390010 00 070 000 IHBG Grant Revenue	263,876.20	1,613,308.15	3,807,579.00	42.37	(2,194,270.85)
<b>Total Revenue</b>	<b>320,551.93</b>	<b>1,977,507.80</b>	<b>4,556,945.00</b>	<b>0.43</b>	<b>(2,579,437.20)</b>
411000 00 070 000 Administrative Salaries	75,566.86	284,994.66	587,175.00	48.54	302,180.34
411001 00 070 000 Fringe Benefits	31,026.09	118,959.23	270,716.00	43.94	151,756.77
413000 00 070 000 Legal Expense	0.00	630.00	180.00	350.00	(450.00)
414400 00 070 000 Staff Training	8,608.00	40,320.31	112,320.00	35.90	71,999.69
417000 00 070 000 Auditing Fees	43.80	18,010.92	17,885.00	100.70	(125.92)
419020 00 070 000 Membership Dues	0.00	4,150.20	4,530.00	91.62	379.80
419030 00 070 000 Office Supplies	3,066.71	8,902.62	20,440.00	43.55	11,537.38
<b>Total Expenditure</b>	<b>320,551.93</b>	<b>1,977,507.80</b>	<b>4,556,945.00</b>	<b>0.43</b>	<b>2,348,987.78</b>
<b>Excess Revenue over (under) Expenditures</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>(230,449.42)</b>

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Original and Extended IHP Due Dates		
FISCAL YEAR	Original IHP Due Date (75 days prior to start of Program Year	IHP Submission Extension deadline due to COVID (PIH 2020-33)
4/1/2020 - 3/31/2021	1/17/2020	10/16/2020
7/1/2020 - 6/30/2021	4/17/2020	10/16/2020
10/1/2020 - 9/30/2021	7/18/2020	1/17/2021

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**Best Practices**

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

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**Section 4:  
Financial Management Reports**

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**What is a Financial Management Report?**

- Unlike Financial Statements/Reports, management reports allows analysis of the financial data provided.
- Tells a financial story of the financial information in an easy-to-understand format.
- Makes reports clear and elevates the audience from the financial data minutiae.
- “Less is More” and a management report takes the “noise” out of the financial reports.

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### Think About.....

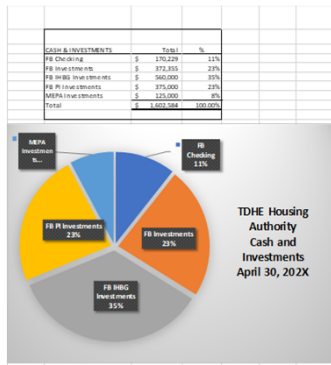
- Your audience will dictate what types of financial and management reports to prepare and present. Audience range from:
  - Tribal Council or Board of Commissioners
  - Executive Director or Housing Manager
  - Program staff
- Typical questions that would be best explained with management reports and specific data:
  - Are we operating within budgets for each of our programs?
  - How much cash do we have and how much is restricted/unrestricted?
  - How much program income did we earn to-date?
  - What category of expenses are the highest?
- How do you communicate the information in a manner that respects their time and allows for quick analysis and invites robust discussions?

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Take the "noise" out of your financial reports!

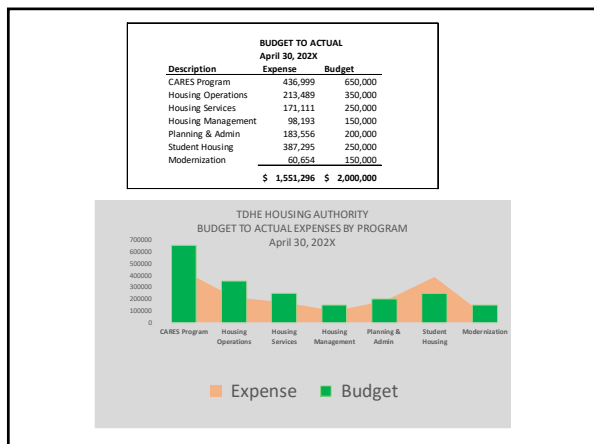
Revenue and Expense						
April 30, 2020						
Account Number & Description	Period to Date		Inception		Grant	Budget Variance
	Actual	% Used	Actual	% Used		
31000 Detailed revenues	0.00	352,229.00	0.00	0.00	0.00	352,229.00
31000 by type and/or location	0.00	361,297.17	0.00	0.00	0.00	361,297.17
31000	189.00	9,694.00	0.00	0.00	0.00	9,694.00
31000	6,800.00	362,991.00	0.00	0.00	0.00	362,991.00
31000	1,195.00	81,833.76	0.00	0.00	0.00	81,833.76
30000	0.00	347,775.24	0.00	0.00	0.00	347,775.24
30000	0.00	6,274.64	0.00	0.00	0.00	6,274.64
30000	601.06	14,794.08	0.00	0.00	0.00	14,794.08
30000	1,944.06	61,669.64	0.00	0.00	0.00	61,669.64
30000	274.52	224,960.68	0.00	0.00	0.00	224,960.68
30000	0.00	27,667.75	0.00	0.00	0.00	27,667.75
30000	0.00	94,698.83	0.00	0.00	0.00	94,698.83
30000	0.00	142,248.09	0.00	0.00	0.00	142,248.09
30000	0.00	467.99	0.00	0.00	0.00	467.99
30000	0.00	214.20	0.00	0.00	0.00	214.20
30000	0.00	230.00	0.00	0.00	0.00	230.00
30000	0.00	1,303.00	0.00	0.00	0.00	1,303.00
30000	70.00	11,671.81	0.00	0.00	0.00	11,671.81
30000	0.00	75.79	0.00	0.00	0.00	75.79
30000	0.00	499.00	0.00	0.00	0.00	499.00
30000	205,978.43	17,598,707.17	0.00	0.00	0.00	17,598,707.17
30000	0.00	469,200.00	475,000.00	99.80	0.00	(5,790.00)
30000	0.00	340,428.76	346,700.00	98.19	0.00	(6,271.24)
30000	0.00	170,823.13	626,000.00	92.19	0.00	(455,176.87)
30000	0.00	9,000.00	0.00	0.00	0.00	9,000.00
Total Revenue	238,138.44	20,632,877.52	1,445,700.00	1,427.01	0.00	19,187,177.52
41000 Detailed expenses for each activity	135,148.28	3,177,766.45	0.00	0.00	0.00	(3,177,766.45)
41000	0.00	4,405.63	0.00	0.00	0.00	(4,405.63)
41000	187.74	139,762.62	0.00	0.00	0.00	(139,574.88)
41000	52,316.18	1,808,891.11	0.00	0.00	0.00	(1,808,574.93)
41000	0.00	1,380.75	0.00	0.00	0.00	(1,380.75)
41000	294.44	70,294.47	0.00	0.00	0.00	(70,294.47)
41000	0.00	2,629.19	0.00	0.00	0.00	(2,629.19)
41000	0.00	2,125.25	0.00	0.00	0.00	(2,125.25)

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UpNorth Tribal Housing	
Statement of Net Position	
April 30, 202X	
ASSETS	LIABILITIES
Current Assets	
1111 First Bank - Checking	\$ 170,229
1112 First Bank - IR853 Investments	372,835
1160 First Bank - IR853 Investments	565,000
1165 First Bank - IR Investments	375,000
1310 Tenant Accounts Receivable	1,800
1420 Fund Cash	500
1415 Grants Receivable - CDDBG	48,300
1425 Grants Receivable - B&B PPA	4,100
1430 Grants Receivable - HRCS	60,627
1501 Prepaid Expenses	12,000
Total Current Assets	1,820,291
Non-current assets	
1160 PPA - Security Deposits	2,200
1165 IRFA Investments	125,000
Total non-current assets	127,200
Total Assets	\$ 1,947,491
1900 Land	100,000
1905 Land improvements & Infrastructure	188,500
1910 IR Home	200,000
1911 Buildings	1,074,275
1915 Furniture and Equipment	67,445
1920 Accumulated Depreciation	(85,375)
1925 Construction Work in Progress	(22,000)
Total Fixed Assets	1,772,245
TOTAL ASSETS	\$ 1,947,491



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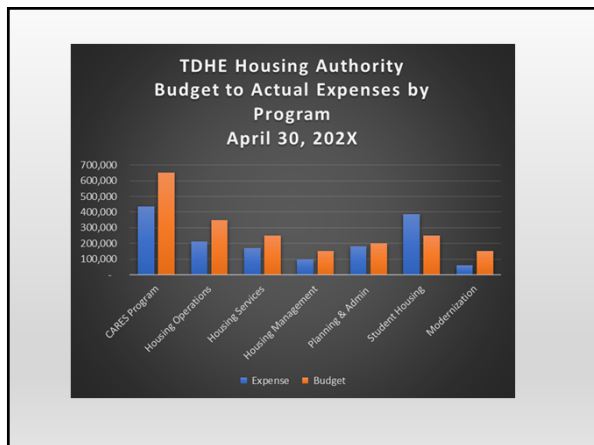
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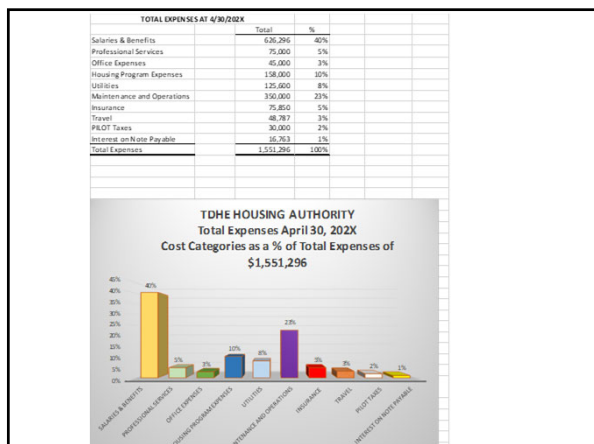
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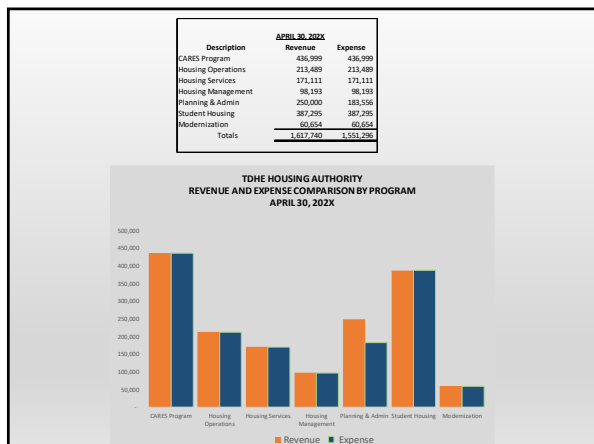
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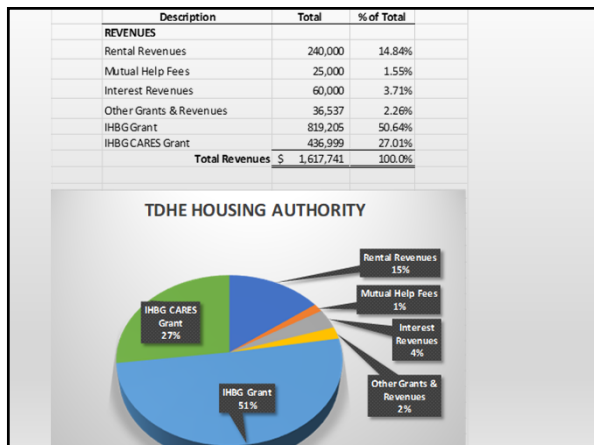
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**Section 5:  
Basics of Governmental  
Accounting**

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**Basics Of Governmental Accounting**

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

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**Objectives of Governmental Accounting and Financial Reporting**

- Government Accounting Standard Board (GASB) determines accounting principles (governmental GAAP) for state and local (including Tribal) Governments.
- The GASB issued its first Concepts Statement 1 – *Objective of Financial Reporting* (GASB CS 1) to identify the primary users of the financial statements and their main objectives, highlighting the differences from businesses and similarities to all other governments.
- GASB 34: Basis of Financial Reporting in 1999 – big change in financial reporting!
  - Introduced dual reporting:
    - Government-wide financial statements using accrual accounting
    - Fund financial statements, using either modified or accrual basis of accounting

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**Governmental Accounting**

Key concepts to understand about governmental accounting:

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

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### Definition of Funds

**What is a Fund?**

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

**A fund is a tool for Governments to demonstrate:**

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



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### Governmental Fund Types



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

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### Major Funds

SEE SEC 4-  
GOVERNMENTAL  
FUND F/S

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

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

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TDHE HOUSING AUTHORITY  
Balance Sheet - Governmental Funds  
December 31, 2020

	General Fund	NAHASDA Program Special Revenue Fund	NAHASDA Development Capital Project Fund	Rehabilitation Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 9,853,242	-	-	-	279,849	10,132,991
Investments	7,764,636	-	-	-	-	7,764,636
Receivables (net)	345,657	-	-	-	185,136	530,793
Due from other funds	1,127,912	13,577,254	121,004	-	166,283	14,992,453
Inventories	12,659	-	-	-	-	12,659
Prepaid items	347,034	-	-	-	-	347,034
<b>Total assets</b>	<b>\$ 19,451,140</b>	<b>13,577,254</b>	<b>121,004</b>	<b>-</b>	<b>630,268</b>	<b>33,779,666</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						

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### Proprietary Funds

SEE SEC 4- PROPRIETARY FUND FS

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

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

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### Cash vs. Accrual vs. Modified Accrual?

#### Which method to use?

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

**Basis of Accounting - When to Record a Transaction?**

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

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**Cash Basis of Accounting**

**CASH BASIS – (not GAAP)**

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

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**POLL QUESTION**

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

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

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

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

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

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**Accrual Basis of Accounting**

**FULL ACCRUAL BASIS OF ACCOUNTING - GAAP**

Matches income and expenses in the same fiscal period, regardless of the timing of the receipt of payment or disbursement of actual cash.

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

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

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

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**POLL QUESTION**

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

- Questions:
- 1) What is the accounting entry for June 15?
    - a. Do nothing; wait until payment is made on July 1.
    - b. Debit Supplies; Credit Accounts Payable.
  
  - 2) What is the accounting entry for July 10?
    - a. Debit Supplies; Credit Cash
    - b. Debit Supplies; Credit Accounts Payable
    - c. Debit Accounts Payable; Credit Cash

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**Modified Accrual Basis Of Accounting**

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

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

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

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

**Government mandated non-exchange transactions:**

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

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

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

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

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**Grant Revenue Recognition**

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

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

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

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**Measurement Focus**

**WHAT**  
Transactions To Record?

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

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

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

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**Proprietary Fund Expenditures focus is on:**  
*Flow of Economic Resources*

**Measurement Focus**

**What Transactions To Record?**

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

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

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**Governmental Accounting and Financial Reporting**

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

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TDHE HOUSING AUTHORITY  
Statement of Net Position  
December 31, 202X

### GOVERNMENT -WIDE FINANCIAL STATEMENTS

	Governmental Activities	Business-type Activities	Total
<i>Assets and deferred outflows of resources:</i>			
Current:			
Cash and cash equivalents	\$ 10,132,091	-	10,132,091
Investments	7,764,636	-	7,764,636
Receivables, net	530,793	418,620	949,413
Internal balances	613,097	(613,097)	-
Inventories	12,659	-	12,659
Prepaid items	347,034	-	347,034
Total current	<u>19,400,310</u>	<u>(194,477)</u>	<u>19,205,833</u>
Non-current:			
Capital assets	61,346,207	290,920	61,637,127
Accumulated depreciation	<u>(23,290,135)</u>	<u>(108,417)</u>	<u>(23,398,552)</u>
Total non-current	<u>38,056,072</u>	<u>182,503</u>	<u>38,238,575</u>
Total assets	57,456,382	(11,974)	57,444,408
Deferred outflows of resources - pension and OPEB deferrals	314,550	-	314,550
Total assets and deferred outflows of resources	<u>\$ 57,770,932</u>	<u>(11,974)</u>	<u>57,758,958</u>
<i>Liabilities and deferred inflows of resources</i>			

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- ### Basic Financial Statements Report Elements
1. Management Discussion & Analysis (MD&A)
  2. Government-Wide Financial Statement
    - Statement of Net Position
    - Statement of Activities
  3. Governmental Funds Financial Statements
    - Balance Sheet
    - Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
    - Statement of Revenues, Expenditures and Changes in Fund Balances
    - Reconciliation of the Statement of Revenues, Expenditures and Changes on Fund Balance of Governmental Funds to the Statement of Activities
    - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
  4. Proprietary Funds (if any)
  5. Required Supplemental Information
  6. Compliance Reports (Single Audit)

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

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**Proprietary Fund Financial Statements**

Comprise of:

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

**REVIEW SEC 4  
5 - PROPRIETARY FUND FS**

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**Financial Statement Format  
Proprietary Fund**

+ ASSETS  
+ DEFERRED OUTFLOW OF RESOURCES  
- LIABILITIES  
- DEFERRED INFLOWS OF RESOURCES  
- NET POSITION

**REVIEW SEC 4-PROPRIETARY FUND FINANCIAL STATEMENT**

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**EXAMPLES OF ACCOUNTING  
TREATMENT UNDER MODIFIED  
ACCRUAL VS FULL ACCRUAL**

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### Inventories and Prepaid Items

**1. MODIFIED ACCRUAL BASIS:**  
GAAP allows option to use either:

- a. **PURCHASE METHOD** or
- b. **CONSUMPTION METHOD**

**2. FULL ACCRUAL:**  
Use **CONSUMPTION METHOD**

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### Inventories and Prepaid Expenses

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

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



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### Inventories and Prepaid Expenses

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

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



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### Inventories and Prepaid Expenses

**For Inventory:**

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

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### Accounting for Transfer of Assets within a Government

- **TRANSFERS** – Flow of assets from one fund to another with no requirements for payments. EXAMPLE:
  - Capital assets transferred BETWEEN financial reporting entity components should be transferred at their **current carrying value**, both the original cost and accumulated depreciation amounts will transfer (net book value).
  - Capital assets transferred FROM the general government (governmental activities) TO a proprietary fund (Enterprise -business type activities) is reported as a **CAPITAL CONTRIBUTION** in the Proprietary Fund's operating statement.
  - Asset transferred FROM a Proprietary Fund (Enterprise) TO the general government would be **reported as TRANSFERS** in both the Proprietary Fund and the Government-Wide Statements.

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### Accounting for Capital Assets using IHBG funds

- 1. REPORT IN GOVERNMENTAL FUND:**
  - a. Report the purchase as capital **EXPENDITURE** of the IHBG fund at acquisition date.
  - b. **NOTE:** The capital **EXPENDITURE** is not reported as a capital assets in the governmental balance sheet but is reported as a **CAPITAL ASSET** in the government-wide financial statements.
- 2. REPORT IN THE PROPRIETARY FUND:**
  - a. For grant reporting purposes, report the purchase as a capital **EXPENDITURE** of the IHBG fund to track as an IHBG expenditure.
  - b. Do NOT report as an **EXPENSE** in the Statement of Revenues, Expenses and Changes in Net Position.
  - c. Report it as a **CAPITAL ASSET** in the Statement of Net Position.

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### Capital Asset Example 1 – Governmental Fund vs Proprietary Fund

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

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

Expenditure – capital projects	\$350,000	
Cash		\$350,000
To record the purchase of a capital asset.		
- Proprietary Fund:**

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

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

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### Capital Assets Example 2 – Governmental Fund vs Proprietary Fund

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

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

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

Cash	\$400,000	
Accumulated Depreciation	\$180,000	
Gain on sale of duplex		\$230,000
Building		\$350,000
To record sale of building		

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

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Statement of Net Position  
December 31, 202X

Government-Wide Financial Statement – includes Capital Assets and long-term liabilities

	Governmental Activities	Business-type Activities	Total
<b>Assets and deferred outflows of resources:</b>			
<b>Current:</b>			
Cash and cash equivalents	\$ 10,132,091	-	10,132,091
Investments	7,764,636	-	7,764,636
Receivables, net	530,793	418,620	949,413
Internal balances	613,097	(613,097)	-
Inventories	12,859	-	12,859
Prepaid items	347,034	-	347,034
<b>Total current</b>	<u>19,400,310</u>	<u>(194,477)</u>	<u>19,205,833</u>
<b>Non-current:</b>			
Capital assets	61,346,207	290,920	61,637,127
Accumulated depreciation	(23,290,135)	(108,417)	(23,398,552)
<b>Total non-current</b>	<u>38,056,072</u>	<u>182,503</u>	<u>38,238,575</u>
<b>Total assets</b>	<b>57,456,382</b>	<b>(11,974)</b>	<b>57,444,408</b>
Deferred outflows of resources - pension and OPEB deferrals	314,550	-	314,550
<b>Total assets and deferred outflows of resources</b>	<b>\$ 57,770,932</b>	<b>(11,974)</b>	<b>57,758,958</b>

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TDHE HOUSING AUTHORITY

Balance Sheet - Governmental Funds

December 31, 202X

	General Fund	NAHASDA Program Special Revenue Fund	NAHASDA Development Capital Project Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 9,853,242	-	-
Investments	7,784,636	-	-
Receivables (net)	345,657	-	-
Due from other funds	1,127,912	13,577,254	121,004
Inventories	12,659	-	-
Prepaid items	347,034	-	-
<b>Total assets</b>	<b>\$ 19,451,140</b>	<b>13,577,254</b>	<b>121,004</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	109,705	9,725	85,893

Balance Sheet of a Governmental Fund does NOT include long term assets (capital) and long-term liabilities

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### Accounts Receivables – Governmental Fund vs Proprietary Fund

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

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

To record rent receivable for the month.

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### Treatment of Bad Debt – Governmental Fund vs Proprietary Fund

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

- Governmental Fund Entry:
 

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

To reduce revenue for uncollectible rent amount.
- Proprietary Fund:
 

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

To record bad debt expense for uncollectible rent.

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**Compensated Absences  
Governmental Fund vs Proprietary Fund**

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

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**Which Fund Type are you using?**

**A) GOVERNMENTAL (Tribe & TDHE)**

**OR**

**B) PROPRIETARY (TDHE)?**





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**Section 6:  
Proprietary Fund Accounting for  
Select Accounts using IHBG**

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### General Ledger & Trial Balance

- A **general ledger (GL)** is a complete record of a company's financial transactions **since inception**. It consists of all accounts with balances in the Recipient's financial system.
- **Best Practice:** All accounts in the general ledger should be reviewed each month. Significant balance sheet accounts should be reconciled each month.
- The **trial balance (TB)** is a list of ALL the general ledger accounts and their debit and credit balances **at a specific date**.
- **Best Practice:** Generate a trial balance at the end of an accounting period to review accounts for accuracy and for performing additional adjusting entries that may be required to any of the account balances.

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TRIAL BALANCE 12/31/202X				Debits	Credits
Account	Description				
1 0 11100 0 0	General Checking Account		550,237.53		0.00
1 0 11220 0 0	Tenant Receivable		35,623.51		0.00
1 0 11221 0 0	Allowance for Doubtful Accts		0.00		26,193.48
1 0 11230 0 0	Mutual Help Homebuyers		60,251.45		0.00
1 0 11231 0 0	Allowance for Doubtful Accts		0.00		57,424.57
1 0 11290 0 0	Accounts Receivable-Other		354.20		0.00
1 0 11610 0 0	GF Investment		1,524,501.50		0.00
1 0 11621 0 0	Security Deposit Trust		20,000.00		0.00
1 0 11635 0 0	MH Equity (MEPA/VEPA)		103,500.24		0.00
1 0 12110 0 0	Prepaid Insurance		24,392.38		0.00
1 0 12130 0 0	Workers Comp Deposit		28,879.00		0.00
1 0 12150 0 0	Prepaid Expenses		210.00		0.00
1 0 12700 0 0	Inventory		138,500.99		0.00
1 0 21120 0 0	A/P Inventory		0.00		3,899.86
1 0 21140 0 0	Tenants Security Deposits		0.00		29,667.00
1 0 21190 0 0	Accounts Payable		0.00		6,568.00
1 0 21350 0 0	Salary and Wages Accrual		0.00		20,917.84
1 0 21351 0 0	Accrued Annual Leave		0.00		95,951.04
1 0 21710 0 0	MEPA		0.00		103,941.15
1 0 28100 0 0	Unrestricted Net Position		0.00		3,520,502.30
1 0 29120 0 0	Refundable MH Reserve		0.00		11,000.00
1 0 29140 0 0	Unrefundable MH Reserve		0.00		30,000.00
1 25 36100 0 0	Interest on Gen Fund Investments		0.00		42,000.50
1 25 39001 0 70	IHBG 1997 Act Operating		0.00		482,874.93
1 25 44600 0 70	Facilities Staff Training/Travel		2,800.00		0.00
1 26 39001 0 70	IHBG Housing Services		0.00		275,619.13
1 26 41100 0 70	Administrative Salaries		8,962.78		0.00
1 26 41100 0 70	Fringe Benefits		3,470.88		0.00
1 26 41400 0 70	Staff Training		11.70		0.00
TOTAL			6,617,267.65		6,617,267.65

SAMPLE TRIAL BALANCE

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### Cash and Investment Accounts

What cash and investment accounts should you maintain?

- General Cash
- Petty Cash
- Savings
- Unrestricted Investments
- Restricted cash accounts for:
  - IHBG Investment
  - Security Deposit
  - Mutual Help MEPA (Monthly Equity Payment Account)
  - Program Income
  - Other Grants
- Best Practices: Perform monthly bank reconciliations.

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**Bank balance over FDIC or NCUSIF**

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

The Tribe/TDHE must:

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

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**Investment Reporting**

• **Statement of Net Position (Balance Sheet)**

- Reports the Balance of Investment at Fair Value

• **Statement of Revenues, Expenses, and Changes in Net Position (Income Statement):**

- Reports the changes in Fair Value comprised of:
    - Interest
    - Dividends
    - Realized Gains and Losses
    - Unrealized Gains and Losses
- } Investment Income

**SEE PROPRIETARY FUND F/S  
And SAMPLE AUDIT WORKPAPERS**

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SAMPLE: INVESTMENT ACCOUNT RECONCILIATION							
1112 FIRST TOWN BANK INVESTMENT							
This account is a separate account for eligible investments of funds advanced to UpNorth Tribal Housing from the Office of Lands, Federal Highways Tribal Transportation Program.							
The UpNorth Tribal Housing invests in U.S. government securities and their investment account is managed by a Financial Advisor.							
	Jan	Feb	Mar	Apr	May	Jun	
Beginning Balance	276,550	277,123	276,909	282,330	284,129	289,589	
Deposits/Withdrawals	0	0	0	0	0	0	
Dividends reinvested	346	346	346	353	355	362	
Security sales	1,000	1,200	2,000	1,000	5,000	1,367	
Realized gains/(losses)	560	290	-125	1,196	2,605	2,655	
Unrealized gains/(losses)	-1,333	-2,050	3,200	-750	-2,500	1,360	
Ending Investment Value	277,123	276,909	282,330	284,129	289,589	295,333	
	Jul	Aug	Sep	Oct	Nov	Dec	Totals
Beginning Balance	295,333	298,334	300,969	361,734	365,178	366,300	276,550
Deposits/Withdrawals	0	0	57,800	0	0	0	57,800
Dividends reinvested	369	373	376	452	456	458	4,563
Security sales	2,500	2,537	2,721	2,699	3,066	2,850	27,940
Realized gains/(losses)	1,465	1,375	1,200	1,200	-1,067	-1,450	9,904
Unrealized gains/(losses)	-1,333	-1,650	-1,333	-607	-1,533	4,197	-4,432
Ending Investment Value	298,334	300,969	361,734	365,178	366,300	372,355	372,355
	Total Dividends			\$ 4,593.10			
	Realized Gains			\$ 9,904.00			
	Unrealized gain (loss)			\$(4,432.00)			
	Investment Income			\$ 10,065.10			

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### Eligible to Invest IHBG Funds?

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

1. **Recent independent audit:**
  - Unmodified (unqualified) opinion.
  - No findings
  - Timely completion of audits and timely submission of report to the Federal Audit Clearinghouse in accordance with the Single Audit Act and 2 CFR Part 200, Subpart F.
2. **Requirements for Tribes:**
  - Must be a self-governance Indian tribe (certification required) or
  - a tribe that has demonstrated the administrative capacity and controls to responsibly manage the investment.
3. **HUD monitoring review (including Inspector General Audits):**
  - No outstanding issues that affect the administrative capacity and controls to responsibly manage the investment.

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

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## Investing IHBG Funds

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

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### Investment Accounts Depository Agreement

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

Depository Agreement Requirements:

- Each investment account must have its own depository agreement (must use above form – NOTE: **HUD forms above CANNOT BE ALTERED!**)
- Tribe/TDHE must maintain a copy and submit a copy of the depository agreement to HUD area ONAP within 30 business days.

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

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### Investing IHBG Funds

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

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### Accounting for NAHASDA Investment

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

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

Account	Description	Debit	Credit
1112	IHBG Investment	4,500,000	
2500	Unearned Revenue/Refundable Advances		4,500,000
To record draw of 202X annual allocation of approved IHBG grant for investment			

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### Accounting for IHBG Reimbursement FROM Investment Fund

ACCOUNTING ENTRY - FUNDS ARE IN AN APPROVED INVESTMENT ACCOUNT			
1111	General Checking	35,000.00	
1112	IHBG Investment		35,000.00
(1) To transfer NAHASDA grant funds from the IHBG Investment account to the general checking account.			
2500	Unearned Revenue/Refundable Advances	35,000.00	
4300	Federal Grant Revenue-IHBG		35,000.00
(2) To recognize NAHASDA funds expended for 06/30/202X			

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### Accounting For IHBG Reimbursement from eLOCCS

(1) RECORD IHBG REVENUE FOR ALLOWABLE IHBG EXPENSES INCURRED			
ACCT	DESCRIPTION	DEBIT	CREDIT
1400	ACCOUNTS RECEIVABLE-HUD	35,000.00	
4300	FEDERAL GRANT REVENUE-NAHASDA		35,000.00
(2) RECORD RECEIPT OF IHBG FUNDS FROM ELOCCS TO REIMBURSE FOR ALLOWABLE IHBG EXPENSES			
ACCT	DESCRIPTION	DEBIT	CREDIT
1111	BANK-OPERATING	35,000.00	
1400	ACCOUNTS RECEIVABLE-HUD		35,000.00

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### Tenant Accounts Receivable

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

• Refer to Audit Workbook Pages 8 & 9

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### Tenant Accounts Receivable Activities and Security Deposit Reconciliation

TDHE Housing Authority Statement of Operations				Page 1/1 DOORWAYS REPORT	
9/1/202X through 9/30/202X L-Indian Low Rent - Detail					
Account	Opening	Type of Activity	Activity	Closing	
A/R	6,701.31		-1,652.50	5,048.81	
A/R Other	406.27		35.00	441.27	
A/R Rent	1,929.18	NSF Fee	35.00		
		Payment	-3,011.42	-1,082.24	
		Rent Charge	-20,275.45		
		Returned Checks -	17,133.03		
		Transfers	531.00		
A/R W/O	4,365.86		-400.00	5,689.78	
		W/O Charges - Labor	1,323.92		
		W/O Charges - Materials	1,020.00		
			303.92		
Bad Debt	13,985.17		0.00	13,985.17	
Key	-20.00		0.00	-20.00	
Pet			0.00		
Repayment			0.00		
Security	-12,256.00		199.00	-12,057.00	
		Payment	-201.00		
		Transfers	400.00		

Reconcile Accounts Receivable and Security Deposit Accounts to the Trial Balance

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### Mutual Help Homeownership Units

Payments made by homebuyers are comprised of two parts:

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

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

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### Accounts for Mutual Help1937 Housing Act Homeownership Program

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

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### Mutual Help Activities and Associated Accounts

TDHE Housing Authority
Page 1/1

**Statement of Operations**  
9/1/202X through 9/30/202X  
New Mutual Help - Detail

DOORWAYS REPORT

Account	Opening	Type of Activity	Activity	Closing
A/R	58,199.47		1,139.50	59,338.97
A/R Admin	5,903.45		557.50	6,460.95
		Admin Charge	5,800.00	
		Payment	-5,312.50	
		Transfers	70.00	
A/R MepaChrg	4,729.11		650.00	5,379.11
		MEPA Charge	3,688.00	
		Payment	-2,968.00	
		Transfers	-70.00	
A/R Other	20,170.56		-68.00	20,102.56
		Payment	-68.00	
A/R W/O	27,396.35		0.00	27,396.35
CCR	-12,000.00		0.00	-12,000.00
CCU	-39,000.00		0.00	-39,000.00
MEPA	-150,000.00		-3,688.00	-153,688.00
		MEPA Earned-	-3,688.00	
Principal	2,133,586.40		-12,226.19	2,121,360.21
		Principal	-12,226.19	
Repayment			0.00	

Reconcile the following accounts to the Trial Balance:

- AR
- CC
- CR
- MEPA Liability

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### Financial Statement Reporting of Mutual Help and NAHASDA Units

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

SEE SEC 4-PROPRIETARY FUND FS

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### Capital Assets

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

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

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

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### Internal Controls For Capital Assets

**Document procedures and follow procurement requirements.**

Using IHBG funds to Purchase asset?

- Utilize the **Class Tracking** feature for the original purchase; and a **contra-expense** account to reclassify the asset from the Income Statement to the Balance Sheet.

When constructing a building:

- Charge cost to Construction Work In Progress (CWIP)
- Move the asset from CWIP to an Asset account (Building) when construction is complete;
- Remember: when using grant funds first code to expense then use a contra expense account to move the asset to CWIP.

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**Internal Controls For  
Capital Assets**

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

**Review and Reconcile to:**

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

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**Depreciation**

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

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**Accounting for Donated Assets**

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

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### Disposition of Capital Assets

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

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

POLL QUESTION – WHAT AMOUNT IS PROGRAM INCOME?

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### Equipment

- Intangible personal property – includes information technology systems (IT):
- A useful life > One year AND
- Exceeds the lesser of Tribe/TDHE’s capitalization level, or \$5,000.
- Must comply with §200.313 except in all cases in which the equipment is sold, the proceeds shall be program income.

IHBG – per 24 CFR §1000.26 (a)(8)

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### Equipment – Management Requirements

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

1) property records must be maintained that include:

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

Refer to § 200.313(d)(1)

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### Equipment – Management Requirements

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

Refer to § 200.313(d)(2-5)

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### Fixed Asset and Depreciation Schedule

Review Schedule in Audit Worksheet Page 15&16

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## Section 7: Program Income

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**What is Program Income [§1000.62]?**

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

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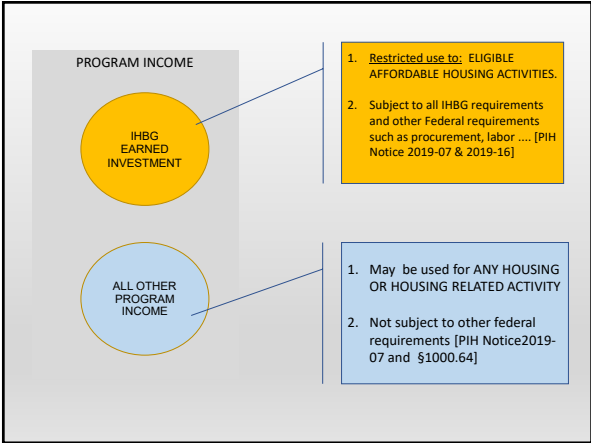
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**Program Income – Permissible Use**

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

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

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

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**Program Income –Examples of Permissible Uses**

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

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**Program Income –Example Of Housing Related Activities**

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

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**What is Not Program Income?**

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

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**What is not Program Income?**

- Interest earned on planning and administration reserves. *It can only be used for affordable housing activities – specifically, for planning and admin expenses. [PG 2014-10(R)]*
- MH payoff proceeds unless MH home was substantially rehabbed with IHBG funds.
- Fees charged borrowers to issue or service loans.
- LIHTC developer fees earned by the recipient when acting as the developer [Section 104(4) of NAHASDA].
- Credits, such as purchase discounts, refunds, insurance proceeds.

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**Program Income generated from 1937 Housing Act Units**

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

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

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**Substantial Rehabilitation of 1937 Housing Act Rental Units**

- Substantial Rehabilitation costs accumulate towards the 40% of DC&E of the unit. *Once the total cumulative cost of the unit EXCEED THE 40% OF DC&E OF THE UNIT, ALL RENTAL INCOME FROM THAT UNIT BECOME PROGRAM INCOME.*
- What is Substantial Rehab?
  - PIH Notice 2019-07 provides some examples but does not define substantial rehab costs. Instead, it refers to CPD 16-02 for Tribes/TDHEs for guidance on what would be considered Substantial Rehab.

**Best Practices:**

- Review and update written Maintenance Policy and Procedures to define Maintenance Costs versus Substantial Rehabilitation Costs.
- Items to consider:
  - Is the rehab work considered substantial that it will result in extending the useful life of the property and therefore, must be capitalized?
  - Will the cost exceed the amount Tribe/TDHE establish for maintenance costs?

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**Example 1: Calculating Program Income from 1937 Housing Units**  
**No substantial rehab with IHBG funds**

Tribe has 100 2 BR FCAS rental units

Step 1: Look up Tribe's Allowable Expense Level attached as an Appendix to PIH Notice 2019-07. Tribe's AEL = \$150.  
 Step 2: 46% of AEL (\$150) = \$69  
 Step 3: Determine the amount of rent to be excluded as Program Income from this project:

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

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**Example 2: Calculating Program Income from 1937 Housing Units**  
**Substantial Rehab with IHBG funds**

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

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

Step 1: Determine number of rental units subject to Program Income exclusion: 100 units less 10 units = 90 units.  
 Step 2: Determine the amount of rent to be excluded as Program Income from this project:

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

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**SUMMARY OF EXAMPLE 1 & 2**

	EXAMPLE 1	EXAMPLE 2
CALCULATED ANNUAL OF:	NO SUBSTANTIAL REHAB (100 UNITS)	NO SUBSTANTIAL REHAB ON 90 UNITS (10 HAD SUBSTANTIAL REHAB)
TOTAL RENT COLLECTED	\$ 90,000	\$ 90,000
NON-PROGRAM INCOME	\$ 82,800	\$ 74,520
PROGRAM INCOME	\$ 7,200	\$ 15,480

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201

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

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

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

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202

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

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

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

**Treatment of Proceeds Of Sale (POS):**

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

*Review PIH Notice 2019-07*

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203

### Reporting Program Income

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

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

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

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

*Refer to Program Guidance 2019-07*

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### EXERCISE SOLUTION

- Winnebago Tribe (Nebraska) has 2 bedroom , 100 Low Rent units.  
 In FY 2020, Tribe collected \$100,000 from the low rent units.
1. AEL for Tribe = \$140
  2. 40% of AEL for Tribe = \$64
  3. 46% of DC&E limit for 2-BR = \$21,923
  4. What is the Program Income Exclusion for the Tribe?  
 $12m \times 100 \text{ units} \times \$64 = \$76,800$
  5. How much of the \$100K collected is Program Income?  
 $\$100,000 - \$76,800 = \$23,200$
  6. Assume 20 units were substantially rehabbed. Rents collected is \$100,000
    - a. What is the Program Income Exclusion?  
 $12m \times 80 \text{ units} \times \$64 = \$61,440$
    - b. How much is Program Income?  
 $\$100,000 - \$61,440 = \$38,560$

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### Section 8: Recordkeeping, Reporting & Monitoring

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### Record Keeping

- Requirements in "Subpart F-Recipient Monitoring, Oversight, and Accountability" of NAHASDA regulations.
- Maintain records for a minimum of 3 years after the end of the program year that the funds were expended [§1000.552].
- If audit, litigation, or other action
  - Keep 3 years or end of action, whichever is longer.
- NAHASDA Section 408 requires recipient to make housing plans, policy, or annual report available to the general public.
- Consider a Records and Retention Program to manage records.
- Safeguard protected personally identifiable information.

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

• **§200.327:** Must use standard OMB approved reports & reporting frequency must be established by the federal award.

- NAHASDA Program:
  - SF-425 - Quarterly
  - IHP/APR Report: Form HUD 52737 – Annually

• **§200.328(a) & (e):** Must perform self-monitoring processes to assure compliance with the federal grant and awarding agency may make site visits.

- NAHASDA Program:
  - Required self-monitoring, at least annually
  - HUD onsite monitoring

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### Annual Performance Report (APR)

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

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

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

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### Annual Performance Report (APR)

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

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

PROGRAM NAME (See to program names in Section 3 above)	IHP			APR		
	(L)	(M)	(N)	(O)	(P)	(Q)
	Total funds to be expended in 12-month program year	Total funds to be expended in 12-month program year	Total IHBG (only) funds expended in 12-month program year	Total all other funds expended in 12-month program year	Total funds expended in 12-month program year (O+P)	Total funds expended in 12-month program year (O+P)
202X-01 Senior Low Rent (1937 Act Housing)			27,995	27,995	0	27,995
202X-02 Development - Family Housing	250,000	315,000	565,000	225,638	314,660	640,298
202X-03 Housing Services	14,250	23,100	37,350	11,476	16,800	28,276
202X-04 Modernization/ Rehabilitation	51,448	0	51,448	51,332	0	51,332
202X-05 Mutual Help Program	91,691	11,326	103,017	4,259	10,520	15,179
202X-06 Tenant Based Rental Assistance	5,000	0	5,000	1,865	0	1,865
Planning and Administration	110,000	0	110,000	110,879	0	110,879
Loan requirement - describe in 4 and 5 below.	98,000	0	98,000	97,188	0	97,188
<b>TOTAL</b>	<b>590,564</b>	<b>349,426</b>	<b>939,584</b>	<b>530,622</b>	<b>342,380</b>	<b>873,002</b>

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

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**IHBG CARES ABBREVIATED APR**

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

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

SOURCE: IHBG\_CARES\_RECIPIENT\_TRAINING\_4.27.2020 v3.pdf

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**Original and Extended APR Due Dates**

Recipient Fiscal Year )	APR Due Date (90 calendar days after the end of the FY)	APR Submission Extension deadline due to COVID (PIH 2020-33)
Jan. 1, - Dec. 31, 2019	March 30, 2020	9/27/2020
Apr 1, - Mar. 31, 2020	June 29, 2020	12/30/2020
Jul. 1, - June 30, 2020	September 30, 2020	12/30/2020

PIH 2020-33: HUD will assess whether additional extensions are needed and may grant further extensions.

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### Reporting IHBG Funds

- Quarterly Reporting – SF 425:**
  - Investment activity must be reported quarterly on SF-425, Line 12 OR
  - On an attached worksheet. [See SF-425 and Investment Worksheet handout] – OPTIONAL, but highly encouraged to use!
- Income from investment is PROGRAM INCOME – therefore, must report on line 12 of SF-425 or on a page attached to the form. *NOTE: Remember = Investment income can only be spent on AFFORDABLE HOUSING ACTIVITIES, NOT RELATED HOUSING ACTIVITIES.*
- Annual reporting – APR (Form HUD-52737)** to document compliance and are subject to compliance monitoring.
  - Income from investment is reported in Section 5 of Form HUD-52737 as IHBG Program Income.
- Investment income is included with other program income.
- Reference PG Notice 2014-07, PIH 2019-16, and PIH 2019-07*

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REFER TO HANDOUT

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### IHBG INVESTMENT REPORTING WORKSHEET SF-425: ITEM 12 REMARKS ATTACHMENT

IHBG #gyhwp hqy@harradyj @ rrvhhw  
 Wtp ashh@wefp hqy@harradyj @ rrvhhw / 0588hwp #54hwp darr,  
 Wtp ashh@wefp hqy@harradyj @ rrvhhw / 0588hwp #54hwp darr,

Hf hqy@harradyj @ rrvhhw: \_\_\_\_\_ IHBG #gyhwp: \_\_\_\_\_  
 Hf hqy@harradyj @ rrvhhw: \_\_\_\_\_  
 Hf hqy@harradyj @ rrvhhw: \_\_\_\_\_

Hf hqy@harradyj @ rrvhhw	Hf hqy@harradyj @ rrvhhw	Hf hqy@harradyj @ rrvhhw	Hf hqy@harradyj @ rrvhhw	Hf hqy@harradyj @ rrvhhw	Hf hqy@harradyj @ rrvhhw	Hf hqy@harradyj @ rrvhhw	Hf hqy@harradyj @ rrvhhw
1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9
10	10	10	10	10	10	10	10
11	11	11	11	11	11	11	11
12	12	12	12	12	12	12	12

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### Federal Financial Report SF-425

Fiscal 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

- Q1, Q2, and Q3 reports must be submitted no later than 30 days after the end of the calendar quarter.
- The fourth quarterly report is the final report for a Recipient's 12-month program year and is due 90 days after Q4.
- The quarterly reports are due based on the Recipient's program year (fiscal year).

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### Self-Monitoring Requirements

**NAHASDA: Section 403(b), Periodic Monitoring**

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

**24 CFR 1000.502**

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

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### Self-monitoring Overview




OBSERVE/REVIEW  
ACTIVITIES OVER THE  
COURSE OF A YEAR



DETECT DEFICIENCIES  
AND TAKE STEPS TO  
CORRECT THEM



RECORD/REPORT  
THROUGH THE  
ANNUAL  
COMPLIANCE  
ASSESSMENT AND  
APR



ASSESS COMPLIANCE  
WITH THE IHP AND  
NAHASDA, STATUTES  
AND REGULATIONS

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## Self-monitoring Tools

- Self-Monitoring tools are available at:

The screenshot shows the HUD.gov website with a search bar and navigation menu. The main content area is titled 'GRANT OVERSIGHT AND MONITORING'. A yellow callout box on the right side of the page reads 'ALASKA OFFICE OF NATIVE AMERICAN PROGRAMS (AKONAP)'. The page number '223' is visible in the bottom right corner.

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## Self-Monitoring

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

- operated effectively and efficiently
- follow all program guidelines
- Achieved the goals they have established for their program.

- No due date imposed, but must complete at least annually
- HUD does not mandate how the self-monitoring process is to be done.
- Report the Self-monitoring results in the APR.

**Reference:**

- §403(b) and 24CFR §1000.502
- HUD handbook at :[https://www.hud.gov/sites/documents/DOC\\_8747.PDF](https://www.hud.gov/sites/documents/DOC_8747.PDF)

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## Monitoring Responsibility of Recipient

- The Tribe, as grant beneficiary, is responsible for monitoring the TDHE for compliance with all program requirements of the IHP and NAHASDA.
- To comply with this requirement, TDHE is required to submit to the Tribe the following documents for the year's activities:
  - 1) Periodic progress reports;
  - 2) The annual Self-Monitoring assessment report;
  - 3) The Annual Performance Report (APR); and
  - 4) Independent auditor's report.

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**Monitoring Responsibility of Recipient for Subrecipients**

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

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

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**What if I Find Problems?**

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

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**HUD Monitoring**

HUD monitors to determine whether the Tribes:

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

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**HUD Monitoring**

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

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**Self-Monitoring Mutual Agreements**

- Self-Monitoring Mutual Agreements (SMMA) intent: To promote effective self-monitoring in accordance with Section 403(b) of NAHASDA and the IHBG regulations at 24 CFR § 1000.502(a)
- Candidate for SMMA:
  - recipients that have well-established systems
  - are interested in improving their self-monitoring efforts
  - and accept the terms of the SMMA.
- Benefits of entering into such an SMMA:
  - ONAP’s pledge to conduct on-site monitoring of the recipient less frequently.
- Reference: PG 2007-08

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**Section 9:  
Audit Requirement, Auditor and  
Auditee Responsibilities**

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**Audit Requirements, Auditor and Auditee Responsibilities**

**What is an Audit?**

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

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

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**What is an Audit?**

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

3) The single audit must be conducted:

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

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**Why is a Single Audit Required?**

a) NAHASDA program compliance requirement:

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

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### Why is a Single Audit Required?

- b. Federal agencies (HUD, BIA, EPA, Federal Highways), rely on the single audit... to ensure compliance with federal programs.
- c. Provide assurance to stakeholders such as HUD, banks, and other funders that the Tribe/TDHE's financial information reported are materially accurate.
- d. Audits may identify non-compliance and other issues that require you to strengthen your internal controls to lower the risk of future non-compliance

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### § 200.425 Audit Services

#### What are allowable audit costs?

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

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

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### Allowable Audit Costs

#### Allowable audit costs specific to the NAHASDA program:

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

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**Unallowable Audit Costs § 200.425(a)**

**Unallowable audit costs:**

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

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**Auditor Responsibilities**

Under the Single Audit Act, the Auditor will review:

**1) Financial Statements to:**

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

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**Auditor Responsibilities**

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

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

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

Auditor test internal controls to assure:

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

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### Auditor Responsibilities

**3) Determine Compliance of Major Programs**

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

**4) Follow-Up On Prior Audit Findings:**

The auditor must follow-up on prior year audit findings and must perform procedures to assess the reasonableness of the prior audit findings prepared by the Recipient (auditee).

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

The auditor must complete, and sign specified sections of the online data collection form (SF-SAC) – a form for Reporting on Audits of States, Local Governments, Indian Tribes and non-profits.

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### § 200.518(a) – (e) Major Program Determination

1. Auditor must use risk based approach to determine which federal programs are **major programs**.

2. Auditor must follow these steps to determine **major programs to audit**

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

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

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

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

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

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### Auditee Responsibilities

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

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

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

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

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**Auditor Selection**

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

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

Reference § 200.509

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**Procure Audit Services**

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

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

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**Procure Audit Services**

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

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

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## Review & Evaluate Responses

**Review Committee:**

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

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## Evaluation Criteria



Evaluate each proposal for:

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

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## Auditor Selection Evaluation Tool

REFER TO HANDOUT

CRITERIA	MAXIMUM POINTS TO AWARD
Qualifications of the firm's staff as it relates to this project. This list shall include the entire audit team, including partners, managers, and audit staff, and shall specify qualifications (CPA, CFA, candidates, and experience the same or manager) have on performing the audits of similar size and entity type.	15
Alaska Native/American Indian owned business preference (if applicable) OR Small/Minority/Women-Owned/Section 8 Business Concern (if applicable). (Maximum points shall be 15)	15 OR 5
Experience auditing Tribes federal grants, including TANF/EDA, For profit, Not-for-profit and companies involved in social enterprise. Provide a list of clients served in the last five years by the above categories.	20
Technical assistance team: The Tribe is seeking qualified and experienced staff that can answer technical questions regarding accounting, presentation and audit of various business types, including capital development, property management, social enterprise, and general governmental, for-profit, not-for-profit companies.	20
Price: Include price for audit of combined financial statements, statement of cash flow, notes to financial statements, and supplemental information, including the management discussion and analysis, as well as stand alone financial statements and tax returns. If price is subject to change based on major programs with regard to state and federal single audit requirements, price structure must be clearly defined. In addition, price structure should reflect experience of senior and manager of audit team.	25

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**Procure Audit Services**

**Exercise:**

Review handout on sample request for proposal Audit services

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**Engagement Letter**

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

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

• Review sample Engagement Letter handout

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**Prepared By Client List (PBC)**

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

Review sample PBC

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## Financial Statements

**AUDITEE responsibilities:**

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

Reference: § 200.510

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## Schedule Of Expenditures of Federal Awards (SEFA)

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

- Federal agency (HUD)
- Grant award (Indian Housing Block Grant)
- Grant number
- Catalog of Federal Domestic Assistance Number (CFDA) – now called **ASSISTANCE LISTINGS TITLE AND NUMBER**
- Grant Award amount
- Eligible expenditures



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Mogonah Tribe Schedule of Federal Awards Year Ended December 31, 2016				
Federal Grant or Contract Title	Award Number	CFDA Number	Total Grant Award	Eligible Expenditures
U.S. Department of Housing and Urban Development (HUD) Indian Housing Block Grant	01T02XXXXX	14.862	\$ 125,000	\$ 130,622
Indian Community Development Block Grant Loan Guarantees	0000000000	14.862	150,000	150,000
Total U.S. Department of Housing and Urban Development	None	14.869	\$50,000	\$50,000
U.S. Department of Transportation Tribal Transportation Plan	XXXXXXX1	20.205	200,000	200,563
Total U.S. Department of Transportation			200,000	200,563
U.S. Department of Health and Human Services Passed through Alaska Native Tribal Health Corporation Clean Water and Sewer Infrastructure Direct Care Program	XXXXXXX2	93.047	38,500	38,500
Total U.S. Department of Health and Human Services	XXXXXXX2	93.047	20,000	20,000
U.S. Department of the Interior Passed through Bureau of Indian Affairs BIA Tribal Self-Governance	XXXXXXX3	18.032	100,000	100,400
Total U.S. Department of the Interior			100,000	100,400
<b>Total All Federal Financial Assistance</b>			<b>\$ 1,928,500</b>	<b>\$ 1,896,247</b>

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

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

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

**Note 4. Federal Loan Program.**  
The Tribal Loan program (Tribal Loan) is administered directly by Mogonah Tribe, and balances and transactions relating to these programs are included in Mogonah Tribe's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented at December 31, 2016. The ending balance of Tribal Loan at December 31, 2016 was \$763,031.

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**EXERCISE**

Review - Sample Audit Workpapers in preparation for the audit.

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**Section 10:**

**Grant Compliance Requirements**

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**Compliance Requirements**

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

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**EXERCISE**  
Review and Navigate the Compliance Supplement for the IHB Grant.



**2 CFR PART 200, APPENDIX XI**

**COMPLIANCE SUPPLEMENT**

**2 CFR PART 200, APPENDIX XI**

**COMPLIANCE SUPPLEMENT ADDENDUM**

NOTE: Auditors must use this 2020 Addendum and the 2020 Compliance Supplement together.

December 2020

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

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET

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**Testing 2020 Compliance Supplement Requirements**

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

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

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**Program Compliance**

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

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**Program Compliance**

**4. Reporting**

**a) Financial Reporting (SF-425):**

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

**b) Performance Reporting:**

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

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**§ 200.318**  
**General Procurement Standards**

- Documented **procurement procedures** required
- Must conform to federal, state, local and tribal laws and regulations
- Must ensure contractors perform in accordance with contracts or purchase orders



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**Program Compliance- Procurement**

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

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

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2 CFR 200.320 Procurement Methods				
Micro Purchases	Small Purchases	Sealed Bidding	Competitive Proposals	Non-competitive
<ul style="list-style-type: none"> <li>Up to \$10,000</li> <li>No quotes necessary</li> <li>Cost must be reasonable</li> <li>Indian Preference is required*</li> </ul>	<ul style="list-style-type: none"> <li>IFB</li> <li>\$10,000 to \$250,000</li> <li>Award to lowest responsive and responsible bidder</li> <li>Minimum 2 quotes</li> </ul>	<ul style="list-style-type: none"> <li>IFB</li> <li>&gt; \$250,000</li> <li>Award to lowest responsive and responsible bidder</li> <li>Minimum 2 quotes</li> </ul>	<ul style="list-style-type: none"> <li>RFP</li> <li>Most advantageous proposal</li> </ul>	<ul style="list-style-type: none"> <li>Emergency</li> <li>Sole Source</li> <li>HUD approval</li> <li>Lack of competition</li> </ul>
<p><b>Program Specific Requirement for IHBG:</b> Not required to comply with 2 CFR §200.318 through § 200.326 for goods and services less than \$5,000 per 24 CFR §1000.26(a)(11)(i)</p> <p>Simplified Acquisition Threshold (SAT) are adjusted periodically by the Federal Acquisition Regulations (FAR)</p> <p>Recipients must have and follow their Procurement Policy and Procedures</p> <p>IHBG Recipients must apply Indian Preference unless de minimis procurement is used per 24 CFR 1000.26 (11)(i) when the value is less than \$5,000</p>				

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## Micro-Purchase ~~De~~ minimis Procurement

**PROGRAM GUIDANCE 2019-03-A**

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No competitive quotes are required if the recipient determines that the price is *reasonable*. For more information on the definition of micro-purchase and its use, please see 2 CFR §§ 200.67 and 200.320(a).

**See § 1000.48 (b) & (c)**

**IHBG De Minimis Procurement Exemption:**  
Under the IHBG program, for procurements of goods and services valued less than \$5,000, recipients may continue to operate under the existing statutory de minimis procurement exemption in section 203(g) of the Native American Housing Assistance and Self-Determination Act of 1996.

**NOTE:** Micro-purchase and de minimis exemptions are two different methods for simplifying purchasing. Recipients can develop procurement policies that choose between the two options for purchases under \$5,000. However, tribal preference requirements will apply to all micro-purchases regardless of the value but will not apply to de minimis procurements.

**New Simplified Acquisition Threshold:**  
The simplified acquisition threshold has been raised to \$250,000. Informal purchasing procedures are acceptable, but price or rate quotes are required from an adequate number of sources. For more information on the definition of simplified acquisition and its use, see 2 CFR §§ 200.88 and 200.320(b).

**PROCEDURE:** Recipients should update their procurement policies and procedures to reflect these changes in micro-purchase and simplified acquisition thresholds.

**ADDITIONAL GUIDANCE:** Please contact your Area ONAP Grants Management Specialist for additional guidance.

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## Special Tests and Provisions (1) Wage Rate Requirements

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

**Reference: PG 2003-04**

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**Special Tests and Provisions  
(2) Environmental Review**

**Environmental Review Documentation:**

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

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

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

**Auditor will review whether :**

- HUD provided prior written approval for establishing the investment.
- Tribe/TDHE has an investment policy and procedure that conforms with HUD's investment guidelines?
- The funds kept in a separate account and are the accounts subject to an agreement prescribed by HUD (52736-A for bank accounts or HUD-52376-B for brokers and dealers?

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**Program Compliance – Useful Life**

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

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

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

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



A Little Extra

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**Program Compliance - Insurance**

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

**1. REQUIRED:** for housing units that are owned, operated, or assisted with IHBG funds.

**2. NOT REQUIRED:**

- if amount of (grant) assistance is less than \$5,000; OR
- if there is no risk of loss or exposure to the Tribe.



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**Exercise**

**Review NAHASDA Compliance Requirements at CFDA 14.867**

[https://www.whitehouse.gov/wp-content/uploads/2020/08/2020-Compliance-Supplement\\_FINAL\\_08.06.20.pdf](https://www.whitehouse.gov/wp-content/uploads/2020/08/2020-Compliance-Supplement_FINAL_08.06.20.pdf)

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**Section 11:**

**Audit Report, Auditor Opinion and Reporting**

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**Slide 272**

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

**HOORAY!!**

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



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**Independent Audit Report**

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

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

**Reference: § 200.515**

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**Audit Opinion - Unmodified**

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

A) **Unmodified Opinion** is what you want to receive!

An unmodified opinion means that the:

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

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### Audit Opinion - Modified

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

There are three types of modified opinions:

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




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### Modification of Audit Opinion

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

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### Qualified Opinion



#### 1. Qualified Opinion

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

Examples:

✓ The report misstates or misclassifies accounting entries. Example: capital asset purchases were posted as supplies and were not capitalized on the fixed assets schedule

✓ Financial entries for accrued payroll and leave liability were not booked in the current period resulting in under-reporting of expenses and liabilities

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**Adverse Opinion**

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

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

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**Disclaimer Of Opinion**

**3. Disclaimer Opinion:**

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

Examples:

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

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**Audit Findings – Auditor Responsibility**

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

The auditor must report the following as audit findings:

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

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**Audit Findings – Auditor Responsibility**

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

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**What are Significant Deficiencies?**

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

**Examples:**

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

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**What are Material Weaknesses?**

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



**Examples:**

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

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### Audit Findings – Auditee Responsibility

a. AUDITEE'S general responsibilities:

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

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### Audit Findings - Auditee Responsibility

b. AUDITEE responsibilities for PRIOR AUDIT FINDINGS:

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

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### Audit Findings – Auditee Responsibility

c. AUDITEE responsibilities for CORRECTIVE ACTION PLAN:

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

Reference § 200.511(b & c)

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### Audit Report Submission And Distribution

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

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

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

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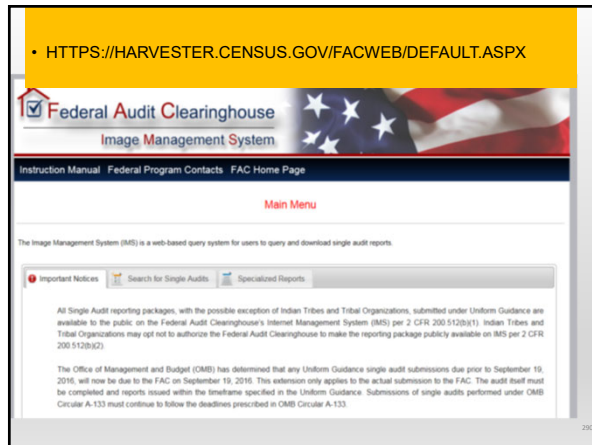
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### Reporting Exception For Indian Tribes & Tribal Organizations

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

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

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### Audit Report Submission And Distribution

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

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

Unless restricted by Federal statutes or regulations, the auditee:

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

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### Audit Deadline Changes Due to COVID-19

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

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

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

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### Management Decision and Time Requirements

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

Reference: § 200.521(d)

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Sample Financial Statements And Audit Workpapers

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

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**Want a Successful Audit?**

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

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**Want a Successful Audit?**

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

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

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

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