

INTERMEDIATE FINANCIAL MANAGEMENT AND AUDIT PREPARATION TRAINING



Section 1:

Introductions, NAHASDA, & Uniform Guidance Overview

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

Trainer Introductions



Maria Tagliavento, White River Consulting, LLC

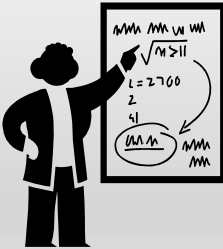


Charles Anderson, Northwest Housing Consultants, LLC

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?	

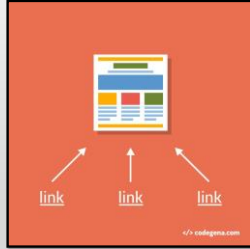
Approach



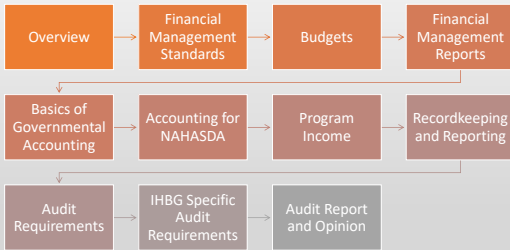
- Overview Presentation
- Exercises and Pop-Up Quizzes
- Discussion and Networking (this training is for you)
- PLEASE unmute or chat if you have any questions or comments you would like to share

Resources

- Website links throughout presentation
- PowerPoint presentation available at www.naihc.net/training-schedule
- Uniform Guidance at www.ecfr.gov
- All NAHASDA/IHBG references available at www.hud.gov/codetalk



Agenda



- 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.



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.



A Quick Overview

1. Transition of the Indian Housing Program from the 1937 Housing Act to the NAHASDA (IHBG) 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

1937 Housing Act → NAHASDA

Housing Act of 1937

- Competitive and rigid
- Many decades of HUD rules
- Traditionally, programs included:
 - Low Rent Units
 - 30% of income as rent
 - Maintenance subsidies
 - Mutual Help Program
 - 15% of income as housing payment
 - Counseling and other subsidies
 - Rehab, Modernization
 - CIAP
 - Comprehensive Grant)
 - Youth/Drug Programs
 - Some Section 8 Vouchers



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

NAHASDA REGULATION

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

UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARD

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

PIH NOTICES

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

PROGRAM GUIDANCES

- https://www.hud.gov/program_offices/public_indian_housing/ih/codetalk/nahasda/guidance

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Shortcut to NAHASDA References

Codetalk: www.hud.gov/codetalk

OFFICE OF NATIVE AMERICAN PROGRAMS (ONAP)

ONAP PROGRAMS							
COVID-19 Recovery Programs	Indian Housing Block Grant Competitive	Indian Housing Block Grant	Indian Community Development Block Grant	Section 184 Home Loan Guarantee	Title VI Leveraging	Tribal HUD-VASH Programs	Hawaiian Programs

QUICK LINKS							
Envision Centers	NAHASDA	Dear Tribal Leader Letters	Environmental	Forms	Homeownership	PIH Notices	Program Guidance

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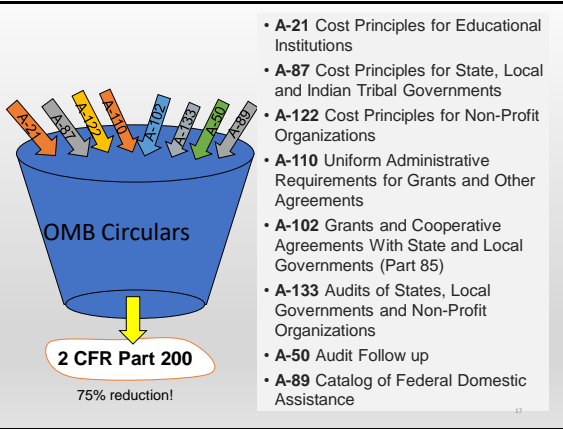
Administrative Requirements For NAHASDA

§1000.26 What are the administrative requirements under NAHASDA?

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

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

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Uniform Guidance: What is it?

Code of Federal Regulations: 2 CFR Part 200

Title 2: Grants and Agreements

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

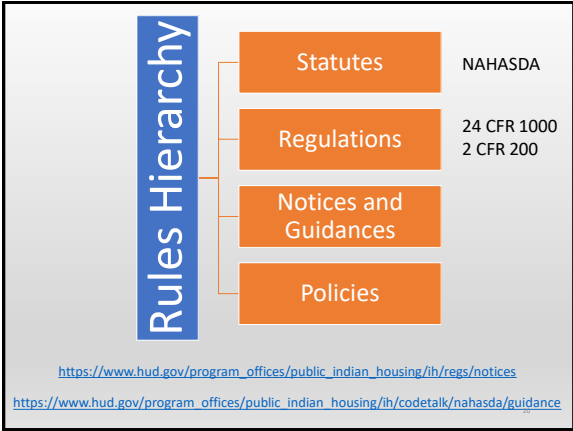
- Now commonly referred to as the "Uniform Guidance" for Federal Awards (2 CFR Part 200).
- Replaces, consolidates and streamlines eight Federal regulations into a single guide
- Applies to all Federal grants and to certain other types of Federal awards

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

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Subparts At A Glance

- Subpart A (200.0 - .1)
 - 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 - .476)
 - Cost Principles
- Subpart F (200.500 - .521)
 - Audit Requirements
- 12 Appendices – I through XII



Section 2:

Financial Management System Standards
2 CFR 200.302

Financial Management System (FMS) Requirements §200.302

REFERENCE	DESCRIPTION
§200.302(1)	Identification of Federal Awards: identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.
§200.302(2)	Financial Reporting: Accurate, current, and complete disclosure of the financial results of each Federal award.
§200.302(3) and §1000.552	Accounting Records: Records that identify adequately the source and application of funds.
§200.302(4) and §200.303	Internal Controls: Effective control over, and accountability for, all funds, property, and other assets.
§200.302(5)	Budgeting: Comparison of expenditures with budget amounts for each Federal award.
§200.302(6) and §200.305	Cash Management: Written procedures to implement the requirements of §200.305-Payments.
§200.302(7) and Subpart E-Cost Principles	Allowable Costs: Written procedures for determining the allowability of costs in accordance with subpart E of this part and the terms and conditions of the Federal award.

Tracking and Reporting Grants with Accounting System

§200.302(1): Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.

§200.302(2): Accurate, current, and complete disclosure of the financial results of each Federal award.

§200.302(3): Records that identify adequately the source and application of funds.

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

	U.S Department of Housing and Urban Development	U.S Department of Housing and Urban Development	U.S Department of Housing and Urban Development	U.S Department of Housing and Urban Development
Federal Agency	U.S Department of Housing and Urban Development	U.S Department of Housing and Urban Development	U.S Department of Housing and Urban Development	U.S Department of Housing and Urban Development
Federal Program	Native American Housing Assistance and Self Determination Act (NAHASDA)	Indian CDBG Program	Native American Housing Assistance and Self Determination Act (NAHASDA)	Native American Housing Assistance and Self Determination Act (NAHASDA)
Assistance Listings Title	Indian Housing Block Grants (IHBG)	Indian Community Development Block Grant Program (ICDBG)	Indian Housing Block Grants – COVID 19	Indian Housing Block Grants – COMPETITIVE
Assistance Listings Number	14.867	14.862	14.867	14.867
Award Number	55-IH-XXXXXXX	8-XX-XXXXXXX	20BVXXXXXX	201CAKXXXX
Award Year	FY2021	FY2021	FY2020	FY2019
Amount	\$5	\$5	\$5	\$5

Used to be CFDA Number

Consider this.....

Financial Reporting: §200.302(b)(2)

In reviewing your accounting system:

- Financial reports that are understandable, reliable, relevant, timely, consistent, and comparable.
- Produce reports in a variety of formats to verify expenses are applied to programs correctly and you can report grant activities to granting agencies.
- Produce financial reports that support IHP/APR and SF-425 reporting requirements using your accounting system.
- Produce timely and accurate financial reports for internal users such as program managers, Board of Commissioners or Tribal Council.

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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 reflect what financial information you want to collect and report.**

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Let's Talk about Software!

What accounting software are you using?

- Accufund
- Great Plains
- MIP
- QuickBooks
- Sage Intacct
- Other

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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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QUICKBOOKS - Tracking IHBG using your Accounting System

1. CHART OF ACCOUNTS

- A list of account names and numbers that are organized in a manner that makes it easy for you to group your financial records into the categories in which they are reported.
- These are the numbers and the descriptions you generally see in the general ledger.
- The usual numbering system is:
 - **Assets:** Start with 1xxx
 - **Liabilities:** Start with 2xxx
 - **Net Assets:** Start with 3xxx
 - **Revenues:** Start with 4xxx
 - **Expenses:** Start with 5xxx – 9xxx



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QUICKBOOKS - Tracking IHBG Using Your Accounting System, Cont'd

2. Tracking Grants & Activities – Example: [USE OF CLASS & SUBSUBCLASS WITH QUICKBOOKS]

- Design Chart of Accounts (COA) to organize grants and "programs" or "activities" of each grant.
- "Class" feature of QuickBooks - useful to organize and track revenues and expenditures by grant, as a management and reporting tool, and aids with financial reporting.
- Use class to track grants.
- Use sub-class to track grant activities.

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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

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 log support, time sheets, travel expense report.

• The documentation should be able to provide enough information to decide 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?

§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.

Objectives of Internal Control

1. The objectives of **internal control (§200.1)** is to promote:
 - Effectiveness and efficiency of operations;
 - Reliability of reporting for internal and external use; and
 - Compliance with applicable laws and regulations.

2. Internal control over compliance requirements for Federal awards - a process implemented to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:
 - a. Transactions are properly recorded and accounted for, in order to:
 - i. Permit the preparation of reliable financial statements and Federal reports;
 - ii. Maintain accountability over assets; and
 - iii. Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;

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Objectives of Internal Control, Cont'd

- b. Transactions are executed in compliance with:
 - i. Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
 - ii. Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
 - iii. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

3. Tribe/TDHE's responsibility (§200.302(4)):
 - a. Must have effective control over, and accountability for, all funds, property, and other assets.
 - b. Must adequately safeguard all assets and assure that they are used solely for authorized purposes.

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

- a. Establish and maintain effective internal controls over grant (IHBG) funds that **SHOULD** comply with:

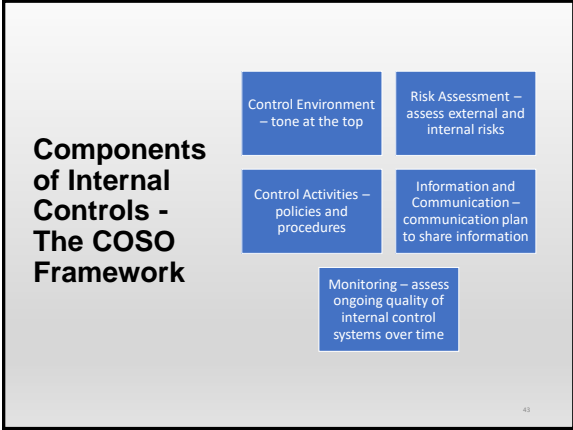
“Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States

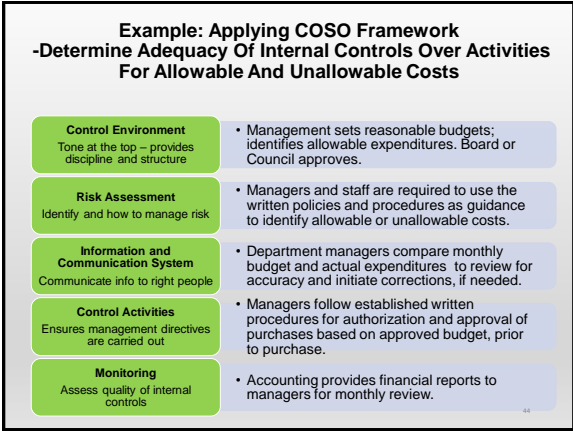
Or

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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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?

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring



Internal Controls

Two types of internal controls:

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

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.

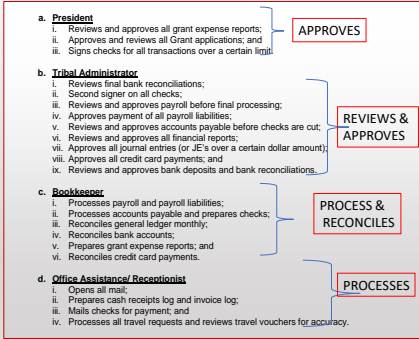
Preventative Controls – Segregation of Duties

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.

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.



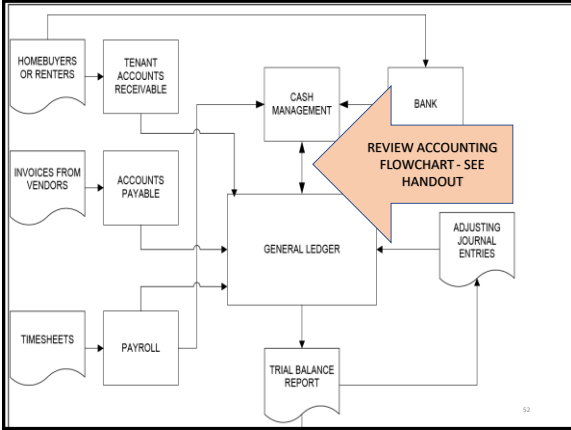
Detective Controls

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



The Accounting Flowchart

- Accounting flowchart is a tool that shows the flow of financial data in your organization.
- It provides a visual presentation of how transactions flow in your systems, identifying where internal controls are needed to ensure responsibility, accountability, reduce risk, and identify where written financial policies and procedures are needed for handling accounting transactions.
- Ensure internal controls are in place at all levels of the financial transactions and decision making.



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

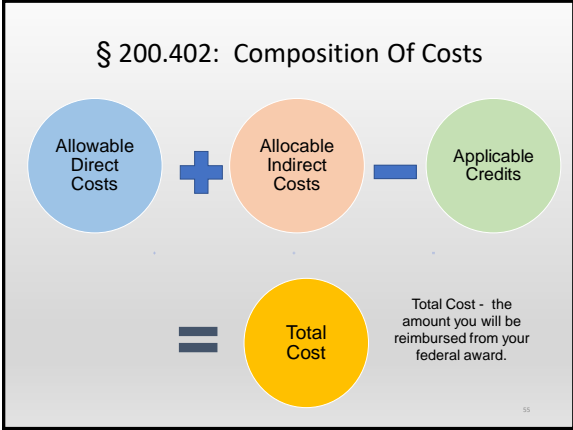
- Uniform Guidance requires Recipients of Federal awards to have **documented policies and procedures**
- **Required to have written procedures to determine the allowability of costs**
- Procedures must be consistent with typical costs that are normally incurred and allowable under the IHBG funds.
-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

Regulations governing IHBG Allowable Costs

➔

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

LET'S REVIEW!



- ### § 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

§ 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

§ 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.

§ 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

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).

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

- 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 §200.01 for MTDC definition)
 - No documentation is required to justify the 10% de minimus rate.
- 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.
- **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 24 CFR 1000.26(b)(1) and (b)(2)

1. COSTS THAT REQUIRE HUD 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.

(Effective as of January 2021)⁽²⁾

Level I	\$221,400
Level II	\$199,300
Level III	\$183,300
Level IV	\$172,500
Level V	\$161,700

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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(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

(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.
- 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

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

- viii. **Budget estimates alone do not qualify as support for charges to federal awards but may be used for interim accounting purposes – must have system of internal controls to review and adjust final amount charged to the federal award is accurate, allowable, and properly allocated.**
- (3) **Charges for the salaries and wages of nonexempt employees**, in addition to the supporting documentation must also be supported by records indicating the total number of hours worked each day.

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



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 the following criteria are met:

- provided under **established written leave policies**,
- costs are equitably allocated to all related activities and federal awards, **and**
- 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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Funding Formula Components

Four components make up formula:

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

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

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Component 1: FCAS [§1000.312]

A. Formula Current Assisted Stock (FCAS) is:

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

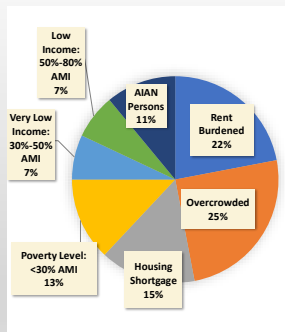
B. Two elements of FCAS in formula

- Operating subsidy
- Modernization allocation

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Component 2: NEED

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



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

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

3

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 FY 2021 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].

- FRF sent to Tribes/TDHEs each year around June 1.
- Tribes/TDHEs must review their data on the **FY 2022** Formula Response Form and report any changes no later than **August 1, 2021, to the IHBG Formula Customer Service Center.**
- Final Allocations: Completed after the budget is appropriated.
 - [Indian Housing Block Grant Program \(IHBG\) Formula | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#)
 - [Formula Response Forms – FY 2022 – IHBG Formula Customer Service Center](#)

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ACTIVITY: Find your formula amount

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

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.

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.

Budget Process

- Identify costs for each planned activity.
 - Where costs need to be allocated across programs, such as payroll, cost allocation plans using an excel spreadsheet should need to be developed.
- Staff capacity
 - Can the work be accomplished with current staff levels or will there be need to hire extra staff?
- Administrative costs of activities?
- Review the current statement of activities (revenues and expenses) to determine whether the operating expense budget should be at the same levels as the previous year.

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Build The Budget

- Develop a sources and uses budget for each of the activities.
- Identify DIRECT COSTS and ALLOCABLE INDIRECT COSTS.
- Create an allocation table(s) for Allocable Costs.
 - 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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Approve And Implement The Budget

APPROVAL

The governing body (Tribal Council) formally adopts the budget by resolution.

IMPLEMENTATION

- Enter the budgets into the accounting software system.

COMPARE THE ACTUAL EXPENSES TO THE BUDGET

- Analyze variances:
 - Alerts to errors
 - Cut back or modify spending
 - Change your future budgetary strategy
 - Helps you better plan future budgets

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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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§1000.238: Percentage of IHBG funds for administrative and planning(A&P) expenses

1. If Grant is more than \$500,000:
 - Up to 20% of annual expenditures of grant funds or up to 20% of annual grant amount, whichever is greater.
 - 20% also applies to a Recipient who is a TDHE for multiple grant beneficiaries whose allocation each is more than \$500,000.
2. If Grant is less than or equal to \$500,000:
 - Up to 30% of annual expenditures of grant funds or up to 30% of annual grant amount whichever is greater.
 - 30% also applies to a Recipient who is a TDHE for multiple grant beneficiaries whose allocation each is less than or equal to \$500,000.
3. HUD approval is required if a higher % is requested by the recipient.
4. Recipients combining grant funds with other funding may request HUD approval to use a higher % based on its total expenditure of funds from all sources for that year.

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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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Shows IHBG as one of many budgets

	UPNORTH TRIBAL HOUSING 20XX BUDGET					Total NAHAKDA Budget	TOTAL BUDGET
	ANTHC Budget	BIA Budget	CCS Budget	ICDBG Budget	IRR Budget		
4000 - Rental Income						38,500	38,500
4010 - Administrative Exp						4,320	4,320
4300 - Federal Grants	38,500	125,000	20,000	150,000	265,000	590,824	1,189,094
4500 - Proceeds from Debt						315,000	315,000
4501 - Interest Income						0	0
Total Income	38,500	125,000	20,000	150,000	265,000	948,324	1,548,814
Expense							
5000 - Salaries & Wages-Tribe Paid		80,000		145,350		241,220	466,570
5005 - Benefits		14,400		26,163		43,420	83,983
5130 - Legal		6,000		30,000		0	36,000
5135 - Accounting/Auditing		4,720	967	10,250		20,364	36,301
5200 - Travel		5,500		5,700		5,000	16,200
5406 - Utilities - Fuel		1,000	200	800		13,200	15,200
5407 - Utilities - Water/Sewer		1,000	200	800		10,600	12,600
5408 - Utilities - Electri		1,500	200	800		14,533	17,033
5505 - Telephone & Communications		2,500	700	2,500		5,260	10,960
5550 - Insurance-general liability		1,500	200	2,500		3,000	7,200
5600 - Supplies		2,780	1,533	25,137		6,003	35,453
5605 - Fuel Operations		250				0	250
5610 - RRM Buildings						6,100	6,100
5615 - Grounds/keeping/snow removal						5,000	5,000
5700 - Program Assistance-Emergency		3,850				5,000	8,850
5710 - Child Care Assistance			16,000			0	16,000
5780 - Interest Expense						36,000	36,000
5800 - Capital Assets-Building						454,784	454,784
5800.99 - Contra Exp-Buildings						0	0
5803 - Land Improvements				150,000		0	150,000
5803.99 - Contra Exp-Land						0	0
5804 - Capital Infrastructure	38,500					0	38,500
5804.99 - Contra Exp-Infrastructure						0	0
5805 - Capital Assets - Equipment				15,000		0	15,000
5805.99 - Contra Exp - Equipment						0	0
5900 - Principal Payments on Loan						70,500	70,500
5900.99 - Contra Exp-Principal Payments						0	0
Total Expense	38,500	125,000	20,000	150,000	265,000	939,914	1,538,456
Net Income	0	0	0	0	0	8,410	8,410

Revenue and Expense September 30, 202X					
Account Number & Description	Period to	Year to	Annual Budget	% Used	Budget Variance
	Date Actual	Date Actual			
311000 11 000 000 Dwelling Rents	17,855.00	120,509.95	235,769.00	51.11	(115,259.05)
369000 00 070 000 Other Revenues	3,708.80	3,708.80	0.00	0.00	3,708.80
390010 00 070 000 IHBG Grant Revenue	263,876.20	1,613,308.15	3,807,579.00	42.37	(2,194,270.85)
Total Revenue	320,551.93	1,977,507.80	4,556,945.00	0.43	(2,579,437.20)
411000 00 070 000 Administrative Salaries	75,566.86	284,994.66	587,175.00	48.54	302,180.34
411001 00 070 000 Fringe Benefits	31,026.09	118,959.23	270,716.00	43.94	151,756.77
413000 00 070 000 Legal Expense	0.00	630.00	180.00	350.00	(450.00)
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
Total Expenditure	320,551.93	1,977,507.80	4,556,945.00	0.43	2,348,987.78
Excess Revenue over (under) Expenditures	0.00	0.00	0.00		(230,449.42)

COVID RELATED FUNDS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- The Coronavirus Aid, Relief and Economic Security (CARES) Act:
 - IHBG - CARES: See [QIAP-CARES ACT_website](#)
- The American Rescue Plan Act of 2021:
 - IHBG - ARP: See [QIAP-ARP_website](#)
- ICDBG - CARES
- ICDBG-ARP

U.S DEPARTMENT OF TREASURY

- Emergency Rental Assistance (ERA1) - [Payments to Tribes and TDHES](#)
- Homeowner Assistance Fund (HAF) - **ALLOCATIONS AND PAYMENTS FOR TRIBES**: The Department of the Treasury will publish Tribal allocations after the Tribal consultation process.

Required Reporting	IHBG-CARES Grant # 20BV-	IHBG-ARP Grant # 21AH-
Indian Housing Plan (IHP)	Abbreviated IHP Due at application.	
Annual Performance Report (APR)	Due 90 Days after Program Year End and 90 Days after project completion.	
Federal Financial Report (SF-425)	Due 30 Days after quarter end, and Final SF-425 due 90 Days after project completion. Reports Cumulative expenditure for the life of the grant.	
Annual IPA Audit	If grantee meets annual \$750,000 federal funds expended threshold, required IPA audit due 9 months after Fiscal Year End.	
FFATA	Due for all contracts and sub-grants that meet the thresholds.	
Other Reporting	Quarterly CARES ACT reporting due in CARS Portal (once website is live).	

HUD ONAP COVID
 FAQ Round 9 July
 2021 .pdf

CHANGES DUE TO COVID-19

- Review [PIH 2021-14\(HA\)](#) Attachment for IHBG CARES grant – Supersedes PIH 2020-13 and PIH 2020-33 IHBG CARES – Implementation Training.
- 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

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.

**Section 4:
Financial Management Reports**

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.

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?

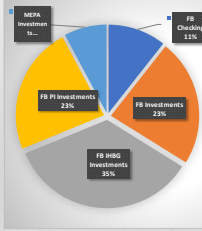
Take the "noise" out of your financial reports!

Revenue and Expense April 30, 2021						
Account Number & Description	Period to Inception		Grant	% Used	Budget	Variance
	Actual	To Date				
311000 Capital investments	0.00	352,229.00	0.00	0.00	352,229.00	
311000 Int'l travel and/or	0.00	76,100.27	0.00	0.00	76,100.27	
311000 Location	593.00	9,834.00	0.00	0.00	9,834.00	
311000	6,836.00	382,163.27	0.00	0.00	382,163.27	
311000	1,139.00	31,813.76	0.00	0.00	31,813.76	
300000	0.00	347,776.74	0.00	0.00	347,776.74	
300000	0.00	6,177.64	0.00	0.00	6,177.64	
300000	821.86	14,734.68	0.00	0.00	14,734.68	
300000	3,945.03	61,658.64	0.00	0.00	61,658.64	
300000	203.83	224,868.69	0.00	0.00	224,868.69	
300000	0.00	27,687.75	0.00	0.00	27,687.75	
300000	0.00	94,498.81	0.00	0.00	94,498.81	
300000	0.00	44,175.08	0.00	0.00	44,175.08	
300000	0.00	467.99	0.00	0.00	467.99	
300000	0.00	174.20	0.00	0.00	174.20	
300000	0.00	320.00	0.00	0.00	320.00	
300000	0.00	1,303.00	0.00	0.00	1,303.00	
300000	70.00	13,673.81	0.00	0.00	13,673.81	
300000	0.00	75.78	0.00	0.00	75.78	
300000	0.00	495.00	0.00	0.00	495.00	
300000	203,926.43	12,198,307.17	0.00	0.00	12,198,307.17	
300010	0.00	469,259.20	475,000.00	98.85	(1,740.80)	
300010	0.00	349,628.76	348,700.00	98.19	(928.76)	
300010	0.00	575,862.33	624,000.00	92.29	(48,137.67)	
300010	0.00	7,000.00	0.00	0.00	7,000.00	
Total Revenue	218,136.44	20,612,187.52	1,469,700.00	1,427.15	(18,667,632.52)	
411000	112,549.23	1,177,706.40	0.00	0.00	(1,177,706.40)	
411000	0.00	4,465.63	0.00	0.00	(4,465.63)	
411000	997.51	133,705.62	0.00	0.00	(133,705.62)	
411000	51,181.31	1,903,828.11	0.00	0.00	(1,903,828.11)	
411000	0.00	1,180.79	0.00	0.00	(1,180.79)	
411000	298.42	70,238.47	0.00	0.00	(70,238.47)	
413000	0.00	2,424.88	0.00	0.00	(2,424.88)	
413000	0.00	2,325.25	0.00	0.00	(1,325.25)	

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Cash & Investments		
	Total	%
FB Checking	\$ 176,229	11%
FB Investments	\$ 372,816	23%
FB IRIS Investments	\$ 560,000	35%
FB IRP Investments	\$ 174,000	11%
MEFA Investments	\$ 125,000	8%
Total	\$ 1,308,045	100.00%



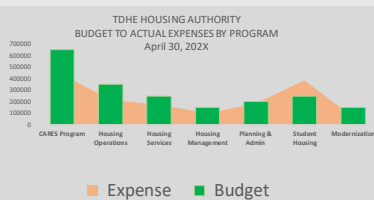
TDHE Housing Authority
Cash and Investments
April 30, 2021

UpNorth Tribal Housing Statement of Net Position April 30, 2021	
2021	
ASSETS	
Current Assets:	
1111 - First Bank - Checking	\$ 176,229
1112 - First Bank - Investments	372,816
1113 - First Bank - IRIS Investments	560,000
1114 - First Bank - IRP Investments	174,000
1115 - Tribal Accounts - Receivables	1,000
1119 - Petty Cash	500
1421 - Grants Receivable - CDBG	4,500
1422 - Grants Receivable - BIF	69,222
1501 - Prepaid Expenses	12,000
Total Current Assets	1,308,045
Noncurrent Assets:	
1100 - IRIS Security Deposits	1,200
1101 - IRIS Investments	69,000
Total Noncurrent Assets	70,200
Total Assets	\$ 1,378,245
Fixed Assets:	
1901 - Land	120,000
1902 - Land Improvements & Infrastructure	198,000
1910 - MRI Homes	200,000
1911 - Buildings	1,429,775
1912 - Furniture and Equipment	47,445
1913 - Accumulated Depreciation	(461,175)
1914 - Construction Work in Progress	2,000,000
Total Fixed Assets	2,886,045
TOTAL ASSETS	\$ 4,264,290

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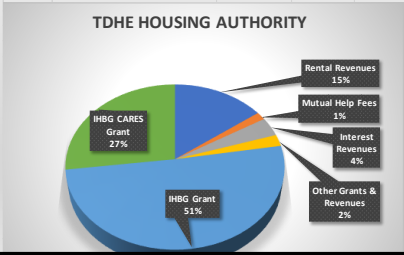
BUDGET TO ACTUAL April 30, 2021		
Description	Expense	Budget
CARES Program	436,999	650,000
Housing Operations	213,489	350,000
Housing Services	171,111	250,000
Housing Management	98,103	150,000
Planning & Admin	183,556	200,000
Student Housing	387,295	250,000
Modernization	60,654	150,000
	\$ 1,551,207	\$ 2,000,000



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Description	Total	% of Total
REVENUES		
Rental Revenues	240,000	14.84%
Mutual Help Fees	25,000	1.55%
Interest Revenues	60,000	3.71%
Other Grants & Revenues	36,537	2.26%
IHBG Grant	819,205	50.64%
IHBG CARES Grant	436,999	27.01%
Total Revenues	\$ 1,617,741	100.0%



Section 5: Basics of Governmental Accounting

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.

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* (GASBCS 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

GOVERNMENTAL FUND FS

- **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

-GOVERNMENTAL FUND FINANCIAL STATEMENTS

DON'T CONFUSE MAJOR FUNDS WITH MAJOR PROGRAMS!

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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General Fund- always a major fund

Major Funds

TDHE HOUSING AUTHORITY
Balance Sheet - Governmental Funds
December 31, 202X

All non-major funds

	General Fund	NAHASDA Program Special Revenue Fund	NAHASDA Development Capital Project Fund	Rehabilitation Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 9,853,242	-	-	-	278,849	10,132,091
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
Total assets	\$ 18,426,140	13,577,254	121,004	-	630,268	33,754,666
Liabilities, Deferred Inflows of Resources and Fund Balances						

REVIEW GOVERNMENTAL FUND FINANCIAL STATEMENT

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Proprietary Funds

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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Basis of Accounting - When to Record a Transaction?

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

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

The accounting basis determines WHEN transactions will be recorded.

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Cash Basis of Accounting

CASH BASIS – (not GAAP)

- Record revenue when cash is received.
- Record expenses when you make a payment.
- 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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Grant Revenue Recognition

When Government grants are classified as "Non-Exchange Transactions", there are EXCEPTIONS to revenue recognition under either the full accrual or modified accrual basis of accounting:

- Revenue is recognized when all eligibility requirements have been met.
- Eligibility requirements are conditions specified by the grantor that must first be met, such as eligible expenditures, eligible recipients or time requirements for a transaction to occur.
- If grant funds are received prior to meeting eligibility requirements, they are recorded as deferred revenue.

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Grant Revenue Recognition Example - IHBG

- HUD provides IHBG funds to eligible Tribes/TDHEs.
- Tribes/TDHEs must expend funds according to NAHASDA Statutes and Regulations, and 2 CFR Part 200.
- **Grant revenue** is recognized only when transactions meet **eligibility requirements**:
- **Eligibility requirement:** Allowable expenditure must occur before revenue is recognized – grants are **EXPENDITURE DRIVEN**.
 - Incurred eligible IHBG expenditure? Recognize Revenue for the eligible expenditure.
 - Drew down IHBG funds for investment purposes? Eligible expenditure has not occurred: Record the funds as "**Unearned Revenue Or Refundable Advance**"; **Not As A Grant Revenue**.

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

Measurement Focus

WHAT Transactions To Record?

- 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.

Review Governmental Fund Financial Statement

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GOVERNMENT -WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business-type Activities	Total
Assets and deferred outflows of resources:			
Current:			
Cash and cash equivalents	\$ 10,132,091	-	10,132,091
Investments	7,764,636	-	7,764,636
Receivables, net	530,793	416,620	948,413
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	(23,290,135)	(108,417)	(23,398,552)
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>

Liabilities and deferred inflows of resources

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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 PROPRIETARY FUND FINANCIAL STATEMENT

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Financial Statement Format Proprietary Fund

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

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EXAMPLES OF ACCOUNTING TREATMENT UNDER MODIFIED ACCRUAL VS FULL ACCRUAL

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

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.

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	



Inventories and Prepaid Expenses

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



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

Description	Debit	Credit	
Prepaid Expense	\$24,000		Record prepaid expense as an asset at time of purchase
Cash		\$24,000	
Recognize insurance expense each month			
Insurance Expense	\$2,000		To record monthly insurance expense (1/12th of \$24,000)
Prepaid Insurance		\$2,000	

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).

Accounting for Capital Assets using IHBG funds

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

Capital Asset Example 1 – Governmental Fund vs Proprietary Fund

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

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

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

2. Proprietary Fund:

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

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

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Capital Assets Example 2 – Governmental Fund vs Proprietary Fund

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

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

Cash	\$400,000	
Proceeds from Sale of Assets		\$400,000
To record the sale of a capital asset.		

2. Proprietary Fund:

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

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

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Statement of Net Position

December 31, 202X

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

	Governmental Activities	Business-type Activities	Total
Assets and deferred outflows of resources:			
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	19,400,310	(194,477)	19,205,833
Non-current:			
Capital assets	61,346,207	290,920	61,637,127
Accumulated depreciation	(23,290,135)	(108,417)	(23,398,552)
Total non-current	38,056,072	182,503	38,238,575
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	\$ 57,770,932	(11,974)	57,758,958

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TDHE HOUSING AUTHORITY

Balance Sheet - Governmental Funds

December 31, 202X

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

	General Fund	NAHASDA Program Special Revenue Fund	NAHASDA Development Capital Project Fund
Assets			
Cash and cash equivalents	\$ 9,853,242	-	-
Investments	7,764,636	-	-
Receivables (net)	345,657	-	-
Due from other funds	1,127,912	13,577,254	121,004
Inventories	12,659	-	-
Prepaid items	347,034	-	-
Total assets	\$ 19,451,140	13,577,254	121,004
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	109,705	9,725	85,893

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.

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 (debit)	\$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.

Compensated Absences Governmental Fund vs Proprietary Fund

Paid time off made available to employees in connection with vacation leave, sick leave, and personal leave.

- A liability must be accrued for Compensated Absences as the benefits are earned by the employees during the fiscal year.
- Journal entry is the same for both the Governmental Fund and the Proprietary Fund.
- Example: Vacation Leave accrued for all employees = \$150,000

Debit - Vacation Leave (Expenditure or Expense Account)	\$150,000	
Credit - Compensated Absences (Liability Account)		\$150,000

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Compensated Absences Governmental Fund vs Proprietary Fund

Reporting of Liability under the Government Fund vs Proprietary Fund

- **The long-term portion of the liability** for compensated absences is reported in the government-wide financial statements and the Proprietary Fund, **not in the governmental fund financial statements.**
- The Governmental Funds will only record compensated absences balances liability that will be paid with current financial resources.
- For example, an employee that is terminating or retiring in the current fiscal year will be paid out of current financial resources and therefore, the accrued liability of compensated absences of the employee will be recorded in the government fund financial statement, not in the government-wide financial statement.

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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

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.

TRIAL BALANCE				
12/31/2020				
Account	Description	Debits	Credits	
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	57,424.87	
1 0 11290 0 0	Accounts Receivable-Other	354.20	0.00	
1 0 11610 0 0	GF Investment	1,534,501.50	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	42,000.00	
1 25 39001 0 70	IHBG 1937 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**

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](#)

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Investment Accounts Depository Agreement

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

Depository Agreement Requirements:

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

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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 Advanc	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 generates 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
 9/1/202X through 9/30/202X
 L-Indian Low Rent - Detail

Page 1/1
 DOORWAYS REPORT

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	-3,011.42	-1,082.24
		Payment	-20,275.45	
		Rent Charge	17,133.03	
		Returned Checks -	531.00	
		Transfers	-400.00	
A/R W/O	4,365.86	W/O Charges - Labor	1,323.92	5,689.78
		W/O Charges -	1,020.00	
		Materials	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 Help 1937 Housing Act Homeownership Program

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

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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 IHBG.
- However, depreciation expense of donated capital assets (not paid by grant, but for which the NAHASDA program benefits, and is not counted towards cost sharing or matching requirements) may be charged to the grants through an allocation plan or indirect cost rate. (200.436).

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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." **24 CFR §1000.26 (a)(8)**

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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

184

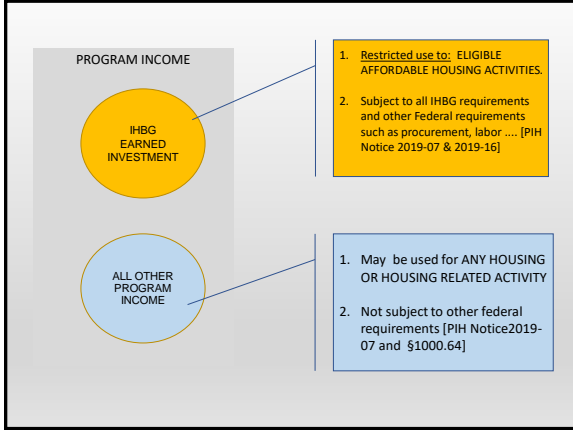
**Section 7:
Program Income**

What is Program Income [1000.62]?

- Program income is defined as “any income that is realized from the disbursement of grant amounts.” That is, it is income realized (generated) from the disbursement or use of IHBG funds; it is income to the IHBG Program of a recipient.
- Program income may be retained and not be spent first before using IHBG funds.
- However, must 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.

Eligible Activities: Affordable or Housing-Related?

- If using IHBG funds, services and activities cannot be provided unless they are **affordable housing activities**
- If using Program Income eligible activities expanded to include **housing-related activities**
- Program Income – income generated from the use of IHBG funds. Does not include interest earned on the investment of IHBG funds



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.

Program Income –Examples of Permissible Uses

- Assisting families to obtain housing.
- 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.
- 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).

Program Income –Example Of Housing Related Activities

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

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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, less than \$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.)

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 exceeds 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.

*Dwelling Construction & Equipment

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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 - \$82,500 = \$7,200.**

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.**

SUMMARY OF EXAMPLE 1 & 2

CALCULATED ANNUAL OF:	EXAMPLE 1		EXAMPLE 2	
	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	\$

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.

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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Program Income from Activities Funded With IHBG and Other Funds

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

Example: Rental Unit construction costs:

NAHASDA	\$120,000 (60%)
Tribal Funds	\$ 80,000 (40%)

For this unit, 60% of rents received would be Program Income and 40% would be non-Program Income.

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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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Tracking Program Income

- Recipients and sub-recipients must track all income received that is generated from the disbursement or use of IHBG funds.
- All such income is potentially program income dependent on whether the total income realized (collected) during a program year exceeds the \$25,000 exemption described at 24 CFR §1000.62(b).
- If more than \$25,000 is collected during a single 12-month period, the first \$25,000 is also considered program income.

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Reporting Program Income

- The Tribe/TDHE is required to record and Track Program Income.
- To ensure proper recording of program income, a recipient may use any of the following:
 - Track program income with a separate program income "fund".
 - If program income is substantial, may consider having a program income bank account.
 - Note: Don't forget to separately track IHBG Investment Income from other program income.
- Accumulated program income should be reported as a "restricted asset" on the financial statements.
- **Refer to Program Guidance 2019-07**

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IHBG Reporting Program Income on SF-425

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

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

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Program Income when using NAHASDA to leverage Development

Program income from proceeds from leveraged IHBG funds in a project is equal to the proportionate amount of IHBG funds used. For example: Tribe uses \$100,000 ICDBG funds to buy land and \$700,000 IHBG funds & Program Income to construct a 4-plex. If the Tribe sold the 4-plex for \$600,000, how much of the sales proceeds is program income?

1 4 Homes funded with ICDBG, IHBG and PROGRAM INCOME Funds		
FUNDING SOURCE	GRANT AMOUNT	% OF TOTAL
ICDBG	100,000	13%
NAHASDA	500,000	63%
IHBG PROGRAM INCOME	200,000	25%
TOTAL PROJECT COST	800,000	100%
2 SALES PROCEEDS RECEIVED FOR ALL 4 UNITS \$ 600,000		
3 SHARE OF PROCEEDS:		
ICDBG	\$600,000 x 13%	\$ 75,000
IHBG	\$600,000 x 63%	\$ 375,000
IHBG PROGRAM INCOME	\$600,000 x 25%	\$ 150,000
	TOTAL	\$ 600,000
4 TOTAL IHBG PROGRAM INCOME - DO NOT HAVE TO USE FIRST		
IHBG	\$	375,000
IHBG PROGRAM INCOME	\$	150,000
	TOTAL	\$ 525,000

EXERCISE 1

Winnebago Tribe (Nebraska) has 100 2-bedroom Low Rent units. In FY 2020, Tribe collected \$100,000 from the low rent units. None of the units had substantial rehab exceeding 40% of the DC&E.

1. AEL for Tribe = \$140
2. 46% of AEL for Tribe = \$64
https://www.hud.gov/sites/dfiles/PIH/documents/PIH-2019-07_AppendixD.pdf
3. 40% of DC&E limit for 2-BR = \$21,923
https://www.hud.gov/sites/dfiles/PIH/documents/PIH-2019-07_AppendixC.pdf
4. What is the Program Income Exclusion for the Tribe?
5. How much of the \$100K collected is Program Income?

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EXERCISE 1 SOLUTION

Winnebago Tribe (Nebraska) has 100 2-bedroom Low Rent units. In FY 2020, Tribe collected \$100,000 from the low rent units. None of the units had substantial rehab exceeding 40% of the DC&E.

1. AEL for Tribe = **\$140**
2. 46% of AEL for Tribe = **\$64**
3. 40% of DC&E limit for 2-BR = **\$21,923**
4. What is the Program Income Exclusion for the Tribe?
12 x 100 units x \$64 = \$76,800
5. How much of the \$100K collected is Program Income?
\$100,000 - \$76,800 = \$23,200

211

EXERCISE 2

Winnebago Tribe (Nebraska) has 100 2-bedroom Low Rent units. In FY 2020, Tribe collected \$100,000 from the low rent units. 20 of the units had substantial rehab exceeding 40% of the DC&E (\$21,923).

1. AEL for Tribe = **\$140**
2. 46% of AEL for Tribe = **\$64**
3. What is the Program Income Exclusion? [Not PROGRAM INCOME]
4. How much is Program Income?

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EXERCISE 2 SOLUTION

Winnebago Tribe (Nebraska) has 100 2-bedroom Low Rent units. In FY 2020, Tribe collected \$100,000 from the low rent units. 20 of the units had substantial rehab exceeding 40% of the DC&E (\$21,923).

1. AEL for Tribe = \$140
2. 46% of AEL for Tribe = \$64
3. What is the Program Income Exclusion?
 $12 \times 80 \times \$64 = \$61,440$
4. How much is Program Income?
 $\$100,000 - \$61,440 = \$38,560$

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Section 8: Recordkeeping, Reporting & Monitoring

214

Uniform Guidance Requirements

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

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Record Keeping and Retention - NAHASDA

Reference NAHASDA regulations 1000.552 - Three (3) year records retention:

- All financial and programmatic records, supporting documents, and statistical records of the recipient which are required to be maintained by the statute, regulation, or grant agreement.
- Records must be retained for **three years from the date the recipient submits to HUD the annual performance report** that covers the last expenditure of grant funds under a particular grant.
- If any litigation, claim, negotiation, audit or other action involving the records, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

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Record Keeping and Retention: Policy Requirements

Adopt a Policy and Include:

- Retention requirements for records (200.333) - How long should you keep the records (1000.552)
- Method to transfer certain records to the federal agency, if required (200.334);
- Methods for collection, transmission and storage of information (200.336);
- Access to records; (200.337) – for the federal agency, the Inspector General's, the Comptroller General of the United States;
- Restrictions on public access to records (200.337) – for example, Personnel files.

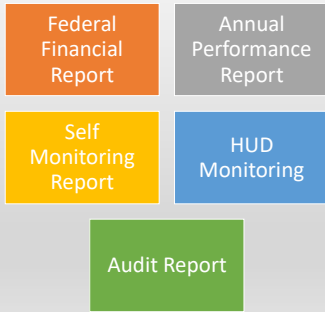
217

Reporting: Uniform Guidance Requirement

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

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NAHASDA Reporting and Monitoring Requirements



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Reporting and Monitoring: Federal Financial Report SF-425

- Submittals are required according to 24 CFR §1000.26 and the Uniform Guidance
- Reports are filed quarterly
- Reference PIH Notice 2014-07
- Report grant cash receipts and grant expenditures – cumulative basis
- Report program income

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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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Reporting and Monitoring: Annual Performance Report

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

- It is a progress report to track the Tribe'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.
- It is a good assessment and planning tool for improving your Tribe's IHP.

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Reporting and Monitoring: Annual Performance Report cont'd

- Source Document for the Financial Section of the APR report - The financial statements!
- Engage everyone in the data gathering and reporting process!
- Reporting Due Date: Ninety (90) days after the Tribe's fiscal year end. The Tribe may seek an extension of an additional 30 days.
- Required to be submitted through the EPIC System (online) unless HUD approves other method due to lack of internet

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

PROGRAM NAME (See to program names in Section 3 above)	Unique Identifier	IHP			APR		
		(J) Prior and current year IHP (only) funds to be expended in 12-month program year	(K) Total all other funds to be expended in 12-month program year	(L) Total funds to be expended in 12-month program year (J+K)	(M) Total IHP (only) funds expended in 12-month program year	(N) Total all other funds expended in 12-month program year	(O) Total funds expended in 12-month program year (M+N)
202X-01 Senior Low Rent (1037 And Housing)				27,966	0	27,966	
202X-02 Development - Family Housing				225,628	314,660	540,288	
202X-03 Housing Services				11,476	16,800	28,276	
202X-04 Modernization/ Rehabilitation				51,332	0	51,332	
202X-05 Mutual Help Program		27,693	111	33,813	4,259	10,920	
202X-06 Tenant Based Rental Assistance		5,000		5,000	1,865	0	
Planning and Administration		110,000	0	110,000	110,879	0	
Loan requirement - describe in 4 and 5 below		98,500	0	98,500	97,188	0	
TOTAL		590,564	349,420	939,984	535,022	342,380	

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

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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



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

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

Reference:

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

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Monitoring Responsibility of Recipient

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

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

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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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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

GRANT EVALUATION OVERSIGHT AND MONITORING (HQ)

Overview

Through oversight and monitoring, the Office of Native American Programs (ONAP) Grants Evaluation Division:

- ensures that programs are implemented in a timely manner in compliance with all applicable requirements;
- identifies instances and trends that indicate superior, satisfactory, or deficient performance;
- develops and implement actions to reinforce, improve, correct, or supplement recipient performance, as appropriate; and
- identifies technical assistance needs and provide pro-active support.

Monitoring

HUD reviews the performance of recipients to determine whether they:

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

HUD monitoring consists of on-site review and off-site (or remote) review of records, reports, and audits. On-site reviews are conducted at the grant recipients' offices and may include visits to housing sites. Grant recipients may be requested to provide additional information to the Area ONAP after completion of the on-site visit and before completion of HUD's review. In unusual situations aside, the Area ONAP will provide written notice and details of the monitoring visit at least 30 days in advance. A remote review consists of a thorough review of all information available in the Area ONAP's files concerning a grant recipient. The Area ONAP may request submission of information from the grant recipient to supplement information available in HUD's records prior to the

- Jump to...
- * Overview
 - * Monitoring
 - * Guidebooks
 - * Monitoring Plans for Recipients
 - * Reporting Requirements
 - * Available Report Forms

https://www.hud.gov/program_offices/public_indian_housing/ih/grants/oversight 234

What if I Find Problems?

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



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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 such as:
 - 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: Guidance 2007-08

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Section 9:

Audit Requirement, Auditor and Auditee Responsibilities

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)

When is a Single Audit Required?

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.

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

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 (Scope) Responsibilities §200.514

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.

249

§ 200.518(b)(1) Major Program Determination

Type A/B Threshold	Total Federal Awards Expended (FAE)
\$750,000	Equal to \$750,000 but LT or EQ to \$25 M
Total FAE times .03	Exceed \$25M but LT or EQ to \$100M
\$3,000,000	Exceed \$100M but LT or EQ to \$1B
Total FAE times .003	Exceed \$1B but LT or EQ to \$10B
\$30M	Exceed \$10B but LT or EQ to \$20B
Total FAE times .0015	Exceed \$20B

M means Million Dollars and B means Billion Dollars.
 LT means Less Than.
 EQ means Equal To.

- Audit threshold and Type A/B minimum threshold is the same at \$750,000
- Type A - Above the threshold
- Type B – Below the threshold

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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**.

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

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

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

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.)

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

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).

206

Evaluation Criteria

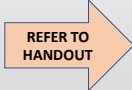


Evaluate each proposal for:

- 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



CRITERIA	MAXIMUM POINTS TO AWARD
Qualifications of the firm's staff as it relates to this project. This list shall include the entire audit team, including partners, managers, and audit staff, and shall specify qualifications (CPA, CMA candidate, and experience the senior and 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/Woman-Owned/Section 3 Business Concern (if applicable). (Maximum points shall be 15)	15 OR 5
Experience auditing Tribes federal grants, including NAHASDA, For profit, Not-for-profit and companies involved in social enterprise. Provide a list of clients served in the last five years by the above categories.	20
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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Section 10:

Grant Compliance Requirements

Compliance Requirements


- The Compliance Supplement is an annual document that is issued by the OMB (available at www.omb.gov).
- This document serves to identify compliance requirements that the Federal government expects to be considered as part of an audit required under the Single Audit Act.
- Auditors utilize the Compliance Supplement as the primary tool in determining the Recipient's compliance requirements on programs undergoing single audit.
- The compliance supplement is modified each year; the 2021 Compliance supplement is effective after June 30, 2021.

EXERCISE

Review and Navigate the Compliance Supplement for the IHBG.

2 CFR PART 200, APPENDIX XI

COMPLIANCE SUPPLEMENT



July 2021
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Testing 2021 Compliance Supplement Requirements

A	B	C	E	F	G	H	I	J	L	M	N		
Activities Allowed or Allowed or Disallowed	Allowable Expenses	Cost Principles	Cost Management	Eligibility	Equipment Management	Matching	Level of Effort, Effort Sharing	Period of Performance	Procurement	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	Y	N	N	N	N	Y	N	Y	N	Y	

There are 12 types of compliance requirements for the IHBG Program – only 6 will be tested in 2021.

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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.
- 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?

210

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

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2 CFR 200.320 Procurement Methods

Micro Purchases	Small Purchases	Sealed Bidding	Competitive Proposals	Non-competitive
<ul style="list-style-type: none"> • Up to \$10,000 • No quotes necessary • Cost must be reasonable • Indian Preference is required* 	<ul style="list-style-type: none"> • IFB • \$10,000 to \$250,000 • Award to lowest responsive and responsible bidder • Minimum 2 quotes 	<ul style="list-style-type: none"> • IFB • > \$250,000 • Award to lowest responsive and responsible bidder • Minimum 2 quotes 	<ul style="list-style-type: none"> • RFP • Most advantageous proposal 	<ul style="list-style-type: none"> • Emergency • Sole Source • HUD approval • Lack of competition

Program Specific Requirement for IHBG: 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)

Simplified Acquisition Threshold (SAT) are adjusted periodically by the Federal Acquisition Regulations (FAR)

Recipients must have and follow their Procurement Policy and Procedures

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

Micro-Purchase ~~vs~~ Minimis Procurement

PROGRAM GUIDANCE 2019-03-A

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 Wage Rate Requirements

- 1. Wage Rate Requirements:** Section 104(b) of NAHASDA requires that **prevailing wage rates** as determined by the Secretary of Labor (commonly known as **Davis-Bacon wage rates**) be paid to all laborers and mechanics employed in the development of affordable housing and that HUD-determined prevailing wage rates be paid to all maintenance laborers and mechanics employed in the operation of affordable housing.
- 2. Application of Tribal Law:** (1) above does not apply 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: [Guidance 2003-04](#)

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Special Tests and Provisions 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 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.

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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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Section 11:

Audit Report, Auditor Opinion and Reporting

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HOORAY!!

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



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Independent Audit Report

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

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

Reference: § 200.515

281

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

286

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)

201

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

202

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.

204

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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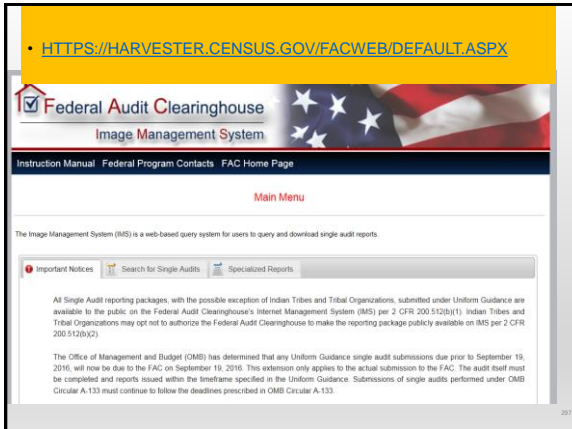
Audit Report Submission And Distribution

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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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	REFER TO COVID-19 RELATED FAQS FOR TRIBES AND TDHES DATED JULY 1, 2021 Q75	30/2020
9/30/2019		31/2020
12/31/2019		31/2021
3/20/2020		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

REVIEW SAMPLE

- 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: HRBG 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

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.

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.

THANK YOU

For participating in the Intermediate
Financial Management and Audit
Preparation Training

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Questions?

907-230-3697

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360-220-9212

nwhousing@gmail.com

Please feel free to contact us with questions!

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