



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Special Attention of:

Administrators, Offices of Native American Programs (ONAP); Tribes; Tribally Designated Housing Entities (TDHEs); Indian Housing Authorities

NOTICE PIH 2023-01

Issued: January 19, 2023

This Notice is in effect until amended, suspended or rescinded.

Cross References:

Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4101 et seq.) (NAHASDA)

24 C.F.R. Part 1000, "Native American Housing Activities"

2 C.F.R. Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards"

SUBJECT: Recent Changes to the Federal Micro-Purchase and Simplified Acquisition Thresholds

1. PURPOSE

The purpose of this Notice is to inform Tribes and Tribally Designated Housing Entities (TDHEs) about increases to the micro-purchase threshold for programs involving Federal funds.

This Notice replaces Program Guidance 2019-03-A.

2. BACKGROUND

On December 12, 2017, the National Defense Authorization Act for Fiscal Year 2018, (Public Law 115-91), was signed into law. The Act raised the Federal micro-purchase threshold from \$3,500 to \$10,000. It also raised the simplified acquisition threshold to \$2m. While the changes were implemented in 2018, the Uniform Guidance and the Federal Acquisition Regulation were not updated to match the Act at the time. On August 13, 2020, the Office of Management and Budget (OMB) issued Final Guidance revising sections of OMB's Guidance for Grants and Agreements, 85 Fed. Reg. 49506 (August 13, 2020). The Final Guidance revised 2 C.F.R. Part 200 and formally adopted the \$10,000 micro-purchase threshold and the \$250,000 simplified acquisition threshold.

Among the revisions in the Final Guidance that became effective November 12, 2020, was a revision to 2 C.F.R. § 200.320(a)(1) to allow non-Federal Entities (including Tribes and TDHEs) to establish a micro-purchase threshold up to \$50,000 based on certain conditions, including maintaining necessary records and self-certification of compliance. The micro-purchase threshold used by the non-Federal entity must be authorized or not prohibited under State, local, or Tribal laws or regulations. In addition, the regulatory update allows Tribes and TDHEs to seek Office of Native American Programs (ONAP) approval for micro-purchase thresholds greater than \$50,000. Tribes and TDHEs must demonstrate organizational and financial capacity through an institutional risk assessment. These regulatory changes seek to ease the acquisition burden for Tribes and TDHEs by streamlining the procurement process.

This Notice applies to the Indian Housing Block Grant (IHBG), Native Hawaiian Housing Block Grant, Tribal Housing and Urban Development-Veterans Affairs Supportive Housing, and Indian Community Development Block Grant programs.

3. NEW MICRO-PURCHASE THRESHOLD

Under the revised 2 C.F.R. § 200.320(a)(1), Tribes and TDHEs may self-certify a micro-purchase threshold amount of up to \$50,000, increased from \$10,000. To the extent practicable, a recipient must distribute micro-purchases equitably among qualified suppliers.

A Tribe or TDHE may establish a threshold higher than the micro-purchase threshold of \$10,000 by self-certifying a threshold amount up to \$50,000 on an annual basis. The Tribe or TDHE must maintain documentation of that annual self-certification in accordance with 2 C.F.R. § 200.334 and 24 C.F.R. § 1000.552 to be made available to ONAP and auditors upon request. Under the revised 2 C.F.R. § 200.320(a)(1)(iv), the self-certification must include the following elements (Self Certification Elements):

- 1) Clear identification of the threshold amount;
- 2) Justification for the threshold amount; and
- 3) Supporting documentation of any of the following:
 - a) A qualification as a low-risk auditee, in accordance with the criteria in 2 C.F.R. § 200.520 for the most recent audit;
 - b) An annual internal institutional risk assessment described below to identify, mitigate, and manage financial risks; or
 - c) For public institutions, a higher threshold consistent with State law.

In accordance with the Single Audit Act, single audits or programmatic audits are required for any recipient that expends \$750,000 or more in Federal funds during its fiscal year. A qualification as a low-risk auditee, in accordance with the criteria in 2 C.F.R. § 200.520, on the most recent audit may support the self-certification. Recipients expending less than \$750,000 are not subject to the Single Audit Act and may consider performing and documenting annual internal institutional risk assessments to identify, mitigate, and manage financial risks as support for the self-certification.

To conduct an internal institutional risk assessment that supports a threshold increase up to \$50,000, Tribes and TDHEs must use and maintain all of the following recipient versions of

ONAP's Monitoring Plans provided on Code Talk and attached hereto as follows:

- Financial and Fiscal Management Monitoring Plan, attached as Appendix A
- Internal Controls Monitoring Plan, attached as Appendix B
- Cash Management Monitoring Plan, attached as Appendix C

Micro-purchase thresholds higher than \$50,000 must be requested in letter format and approved in writing by ONAP. Tribes and TDHEs must submit a request that includes the Self Certification Elements to the Area ONAP for approval. The increased threshold is valid until there is a change in status in which the justification was approved. For example, a change in status would result from a subsequent audit that shows an auditee is no longer considered low risk.

No competitive quotes are required if the recipient determines that the price is *reasonable* based on research, experience, purchase history or other information and maintain the associated documents to support this approach within the recipient files. For more information on the definition of micro-purchase and its use, please see 2 C.F.R. §§ 200.1 and 200.320(a).

4. 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, 25 USC § 4133(g).

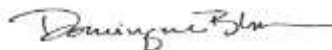
NOTE: Micro-purchase and *de minimis* exemptions are two different methods for simplifying purchasing. Recipients can develop procurement policies that choose between the two options for purchases under \$5,000. However, Tribal preference requirements will apply to all micro-purchases regardless of the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

5. SIMPLIFIED ACQUISITION THRESHOLD

The simplified acquisition threshold is \$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 C.F.R. §§ 200.88 and 200.320(b).

6. ADDITIONAL GUIDANCE

Contact your Area ONAP with questions regarding this Notice.



Dominique Blom
General Deputy Assistant Secretary
for Public and Indian Housing

APPENDICES

APPENDIX A – Financial and Fiscal Management Monitoring Plan A-1
APPENDIX B – Internal Controls Monitoring PlanB-1
APPENDIX C – Cash Management Monitoring Plan.....C-1

Appendix A: Financial and Fiscal Management Monitoring Plan

TRIBE/TDHE NAME:	<u>Regulatory/ Statutory Citation</u>	<u>Other Tools</u>	<u>Ref. Pg.</u>	<u>Remarks</u>
APPENDIX A: Financial and Fiscal Management Monitoring Plan				
I. Purpose				
<p>The purpose of this review is to determine compliance of all HUD-ONAP grants with program financial and fiscal requirements by testing the financial management systems to ensure they meet the standards for financial reporting, accounting records, internal control, allowable costs, source documentation, cash management, record retention, and budget control.</p> <p>Note: This is the basic financial review, and the reviewer should determine which appendices are most appropriate to conduct the review.</p>	<p>24 C.F.R. 1000.26 1000.544 1003.501</p> <p>2 C.F.R. Part 200 Subpart F</p>			
II. Pre-Review Preparation				
A. Obtain and review the following:				
<p>1. 2 C.F.R. Part 200, Subpart F for the monitoring review period. Review the latest audit and identify any open findings or control weakness related to the accounting system. List any areas requiring review.</p>	<p>2 C.F.R. Part 200 Subpart F</p>			

Appendix A: Financial and Fiscal Management Monitoring Plan

<p>2. Auditor Working Papers. Request a copy of the audit program, if applicable, and working papers of the most recent 2 C.F.R. Part 200, Subpart F audit from the auditor. Reduce the scope of the monitoring review based on the adequacy of the auditor’s work.</p>				
<p>3. Other review reports. Examine any other reviews that relate to the accounting system. (prior ONAP monitoring reviews, self-monitoring reviews, internal audits, other external audits.)</p>				
<p>a. Determine any additional testing or reduce scope of monitoring based on these reports.</p>				
<p>4. Financial Cash Transactions Reports. Review the HUD-425s for all HUD-ONAP grants to determine if the reports were filed timely and agree with the Tribe/TDHE’s draw downs from eLOCCS.</p>				
<p>5. Accounting system policies and procedures. Review accounting system policies and procedures for all HUD-ONAP grants for adequacy and list any areas that will be tested.</p>				
<p>6. Listings of all HUD grants. Identify all HUD-ONAP grants that were open in the last three years.</p>				
<p>7. Chart of accounts. Obtain a copy to assist in selection of accounts to review.</p>				

Appendix A: Financial and Fiscal Management Monitoring Plan

<p>8. Reconciliation of the APR. Obtain a copy (preferably an electronic copy) of all applicable reconciliations of APRs to the financial records and most recently audited financial statements. If reconciliation has not occurred, this should be done as soon as possible. The reconciliations should cover all APRs for all IHBG-based HUD-ONAP programs with expenditures during the review period.</p>				
<p>9. Trial Balance. Obtain copies of the trial balances for years under review.</p>				
<p>III. Review</p>				
<p>A. Interview accounting personnel for a description of the overall accounting system transaction flow including data input, data processing, data output, and related internal controls.</p>	<p>2 C.F.R. Part 200</p>			
<p>B. Compare practices to policies and procedures. Document any discrepancies. Note whether the policies and procedures or the practices comply with the applicable requirements.</p>				

Appendix A: Financial and Fiscal Management Monitoring Plan

<p>C. Reconcile the APR - If not completed prior to the review, examine all reconciliations of the APR to the financial records and most recently audited financial statements. The reconciliations should cover all APRs for all IHBG-based HUD-ONAP programs with expenditures during the review period.</p> <p>The IHBG expenditures shown in the APR are cumulative, so annual expenditures in the audits and the financial reports will have to be totaled and compared to the APR amounts reported.</p>				
<p>1. Review the latest APR to determine the total amount reported as expended.</p>				
<p>1. Interview staff who prepared the APR and request copies of the financial reports used to develop the APR. Request that staff describe the APR preparation process step-by-step.</p>				
<p>2. Tie the amounts in the APR to the financial reports provided.</p>				
<p>3. Compare the total amounts from the audits to the amounts reported in the APR.</p>				
<p>4. Discuss discrepancies with staff and request that the discrepancies be resolved.</p>				

Appendix A: Financial and Fiscal Management Monitoring Plan

<p>5. If the APRs cannot be reasonably reconciled to the financial records and/or the Schedule of Expenditure of Federal Awards, this is a problem that should be corrected.</p>	<p>NAHASDA Section 405(b)(1)(B) 2 C.F.R. 200</p>			
<p>D. Transaction Testing: Verify that grant expenditures were allowable, allocable, and reasonable, in accordance with 2 C.F.R. 200, Subpart E. The expenditures must meet the program eligibility requirements.</p>	<p>2 C.F.R. 200, Subpart E</p>			
<p>1. Review the trial balances and charts of account to determine which accounts to test. When selecting accounts to review, consideration should be given to materiality, prior findings, and inherent risk areas such as:</p>				
<p>a. Travel</p>				
<p>b. Employee Morale</p>				
<p>c. Gifts</p>				
<p>d. Holiday parties</p>				
<p>e. Food</p>				
<p>f. Board of Commissioner/Tribal Council expenses</p>				
<p>g. Consulting services</p>				
<p>h. Stipends</p>				
<p>i. Salaries (appropriate allocation to the program)</p>				

Appendix A: Financial and Fiscal Management Monitoring Plan

j. Misc.				
2. For accounts selected for further review, obtain the detailed general ledger to select individual transactions.				
3. Transactions may be selected based on:				
a. High dollar amounts				
b. Review of the account names				
c. Expenditure descriptions				
d. Random sampling				
4. Obtain source documentation for the transactions selected for testing. (Source documents include purchase orders, receiving reports, invoices, vouchers, etc.)				
5. Review source documents for appropriate authorizations, amounts, and allocation. Invoices should be original, marked paid, and coded with the grant being charged.				
1. Verify expenditures are allowable in accordance with 2 C.F.R. 200, Subpart E and eligible in accordance with the program requirements.	2 C.F.R. 200, Subpart, E			
2. Note exceptions and obtain copies of documentation to support the review. The unsupported or unallowable amounts should be questioned in the report.				

Appendix A: Financial and Fiscal Management Monitoring Plan

<p>E. Draw Downs and SF-425s- Ensure that funds drawn from eLOCCS are supported by adequate documentation, are expended within 3 days of deposit, and agree with the SF-425s. If 100% of the IHBG funds are invested, skip this step.</p>	<p>2 C.F.R. 200</p>			
<p>1. Interview employees to determine draw down practices and security procedures.</p>				
<p>2. Obtain the documentation used to support the selected draws.</p>				
<p>3. Request an accounting system report that shows the date the funds were expended. If expenditures were made consistently or systematically late for a reasonable amount of time after the eLOCCS draws, this problem should be corrected.</p>				
<p>4. Select a sample of SF-425s and compare amounts reported to financial records.</p>				
<p>IV. Summary</p>				
<p>Develop the monitoring report by summarizing:</p> <ol style="list-style-type: none"> 1. Compliance with requirements. 2. Violations of the applicable statutes, regulations, or local laws and authorities. 3. Corrective actions that should be taken to address programmatic concerns. 				

Appendix A: Financial and Fiscal Management Monitoring Plan

Reviewer Name:	
Review Date(s):	
Supervisor Name:	

Appendix B: Internal Controls Monitoring Plan

	<u>Regulatory/ Statutory Citation</u>	<u>Other Tools</u>	<u>Ref. Pg.</u>	<u>Remarks</u>
APPENDIX B – Internal Controls Monitoring Plan				
I. Purpose				
<p>The purpose of this review is to test that:</p> <ul style="list-style-type: none"> • adequate controls exist to ensure that information is processed accurately and completely; • physical controls exist to ensure security of assets, including adequate segregation of duties; and • information systems provide reliable data, identify valid transactions, and properly classify costs in a timely manner. <p>If current independent public accountant (IPA) work papers are available, reliable, and document an accounting system review, document the assessment of the IPA’s work. Note: Review any areas the auditor did not review and those where internal control weaknesses, noncompliance conditions, and/or questioned costs were disclosed.</p>	2 C.F.R. Part 200, Subpart F			
II. Review				
A. Review or document the accounting system, including a current description of books of original entry, general and subsidiary ledgers, and any statistical and/or supporting records which demonstrate the initiation of transactions, the flow of documents, and the identification of all points where correcting, adjusting, or other cost transfers can be entered into the system.				
B. Document physical control over assets, and determine if there are any instances where any single individual				

Appendix B: Internal Controls Monitoring Plan

has both custody of assets and responsibility for recordkeeping.				
C. Verify that adequate procedures exist for maintaining adequate documentation for accounting entries (source documents) and for reconciling subsidiary and general ledgers accounts. Selectively test the following attributes to ensure the procedures are operating effectively. Review the sampling methods in the General Instructions.				
1. All accounting entries are supported by source documents.				
2. Source documents tie to accounting entries in subsidiary or general ledgers.				
3. Subsidiary ledgers tie to the general ledger.				
a. Tie subsidiary ledger information (cash receipt ledger, draw downs, etc.) to the general ledger.				
4. For computerized accounting systems, review the system documentation to determine how the system is intended to operate and then selectively test to verify that it is operating effectively.				
D. Verify that a trial balance is prepared on a regular basis and can be reconciled with the financial statements.				
E. Review the number and type of adjusting journal entries.				

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Appendix B: Internal Controls Monitoring Plan

1.	Select a sample to review. Review the sampling methods in the General Instructions.				
2.	Analyze the reasoning for the entries.				
3.	Determine if they are allowable, allocable, and reasonable in accordance with 2 C.F.R. 200, Subpart E.	2 C.F.R. 200, Subpart E.			
4.	Expand sample if initial review disclosed errors.				
F.	Summarize findings of the review.				

Reviewer Name:	
Review Date(s):	
Supervisor Name:	

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Appendix C: Cash Management Monitoring Plan

	<u>Regulatory/ Statutory Citation</u>	<u>Other Tools</u>	<u>Ref. Pg.</u>	<u>Remarks</u>
APPENDIX C – Cash Management Monitoring Plan				
III. Purpose				
The purpose of this review is to ensure that adequate internal controls exist over cash management.				
II. Review				
A. <u>Cash Receipts</u>				
If current audit work papers are available, reliable, and document a cash receipts review, document the assessment of the auditors’ work. Note: Review any areas the auditor did not review and those where internal control weaknesses, noncompliance conditions, and/or questioned costs were disclosed.				
The purpose of this review is to ensure that cash transactions are appropriately documented, recorded in the books of records, and reconciled to bank records.				
1. Review the written cash receipt procedures.				
2. Observe and document the cash receipt process.				
3. Analyze the segregation of duties. The following illustrates an adequate segregation of duties. Determine if the process is adequate. Individuals in each category cannot perform functions in the other categories.				

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Appendix C: Cash Management Monitoring Plan

<p>a. Cash Handlers</p> <p>(1) Receive cash payments (2) Open incoming mail and restrictively endorse checks (3) Issue duplicate receipts (4) Physically take deposit to the bank</p>				
<p>b. Non-Cash Handlers</p> <p>(1) Record cash receipts (2) Post to residents' accounts receivable, as appropriate (3) Record program income, administrative fee, or non-program income, as appropriate (4) Prepare/send account statements to residents</p>				
<p>c. Other Staff Person</p> <p>(1) Prepare bank deposit slip (using receipts) (2) Reconcile monthly bank statements (3) Perform surprise cash audits</p>				
<p>4. Test Practices</p>				
<p>a. Randomly select a sample of bank deposits from the bank statements. Tie to cash receipts journal or general ledger and to receipt books to ensure accurate recording and receipts were issued for all funds deposited. Review the sampling methods in the General Instructions.</p>				

Appendix C: Cash Management Monitoring Plan

b. Summarize review. Select a sample of participant payments from the cash receipts book and ensure that the funds were properly recorded and deposited.				
c. Verify that check totals on bank statements compare to accounts and other source documents. Trace a sample of checks to tenant accounts.				
d. Expand sample or design additional tests as necessary.				
5. Summarize review.				

Reviewer Name:	
Review Date(s):	
Supervisor Name:	

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