Basic Financial Management and Audit Preparation

Virtual Training

June 10-12, 2026

This training is offered by the U.S. Department of Housing and Urban Development (HUD) and the Office of Native American Programs under a cooperative agreement with the FirstPic, Inc.

TRAINER INTRODUCTIONS

Maria Tagliavento

A CPA with a 23-year career in senior and executive level positions in accounting and finance, directly related to the 1937 Housing Act and the NAHASDA Program, followed with 12 years of financial consulting services with a focus on:

- **NAHASDA Program Capacity Building:** Extensive experience providing capacity building, technical assistance, and training to Indian housing authorities, Tribal housing staff, and non-profit organizations.
- **Financial Management & Training:** Designing and delivering classroom training on basic and intermediate financial management, Single Audit preparation, the 2 CFR Part 200, including basic fund accounting, governmental accounting, and financial statement preparation.
- **Consulting Services:** Providing strategic consulting and support services to Tribal and housing organizations for compliance with the statutory and regulatory requirements of the NAHASDA program and the 2 CFR Part 200, financial management, audit, and program improvement.

Marcie Sherer

- Accounting and management experience in Housing, Tribal Government, Non-Profit and Education Industries:
- Housing: 16 years at Cook Inlet Housing Authority as Controller, Finance Director and CFO.
- Education: 10 years at the Lower Kuskokwim School District as Staff Accountant, Accountant and Controller plus 2 years as Assistant Director of Personnel.
- Tribal and Non-Profit Sector: 4 years at the Association of Village Council Presidents as VP of Finance, and 1 year as VP of Business Development.
- Trainer and Consultant: 6 years as a Trainer/Consultant assisting Tribes with accounting and grant management, audit preparation, indirect cost rate proposals, and providing training in Financial Management and Audit Preparation.

LET'S GET TO KNOW ONE ANOTHER

INTRODUCTIONS:

- Name and Tribe
- Position
- How long have you been involved with the NAHASDA Program?
- What accounting software are you using
- What do you want to take away from this training?

TRAINING PURPOSE AND OBJECTIVES

PURPOSE:

To introduce the elements of a sound financial management system (FMS) to enhance your understanding, knowledge and responsibilities for managing and administering the Indian Housing Block Grant in compliance with the:

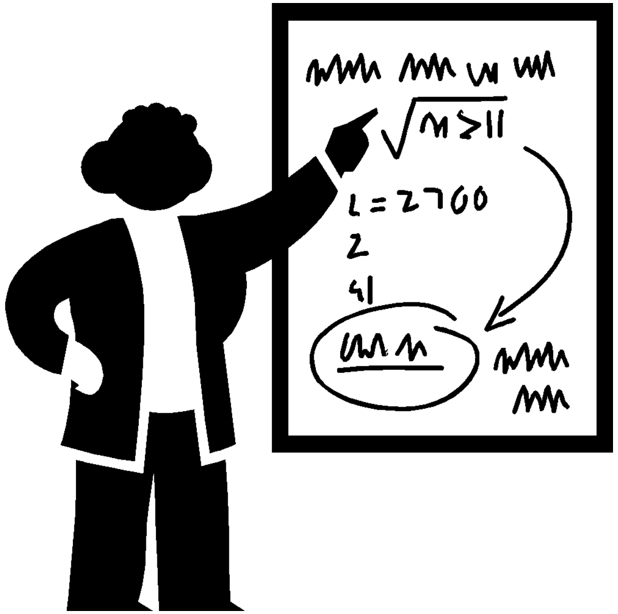
- The NAHASDA Statutes
- NAHASDA Regulations at 24 CFR Part 1000
  - Public and Indian Housing (PIH) Notices and Program Guidance (PG)
- The Uniform Guidance at 2 CFR Part 200

TRAINING PURPOSE AND OBJECTIVES

OBJECTIVES:

- To review the requirements of a sound Financial Management System (FMS) as outlined in 2 CFR 200.302(b).
- For each of the elements described in 2 CFR 200.302(b) of the “Uniform Guidance”:
    - Discuss and provide examples for each FMS element
    - Present sample policies and procedures for compliance, accuracy, and performance in managing the IHBG award.
    - Introduce basic financial transactions and accounting applications relevant to the FMS elements.
    - Present examples of best practices of a sound financial management system.

APPROACH



- Overview with PowerPoint
- Links to references and sample policies and procedures
- Exercises and Pop-Up Quizzes
- Enter comments and questions in chat box (this training is for you)
- Interactive Training - All questions are valid and meaningful.

COURSE SCHEDULE

Let's review the Agenda

1. Introduction
2. NAHASDA & 2 CFR 200
3. Grant Tracking with Accounting System and Financial Reporting
4. Source Documentation / Recordkeeping
5. Internal Controls
6. Budgeting
7. IHBG Funds
8. Allowable Costs

Section 1: NAHASDA & Uniform Guidance Overview

TRANSITION FROM 1937 HOUSING ACT

NAHASDA

1937 Housing Programs
- Low Rent Units
- Mutual Help Program
- Section 8

§202(1) of NAHASDA provides subsidy for modernization and operation of these units.

- Passage of NAHASDA (1996); implemented in 1997
- Eliminated separate programs and **replaced them with the IHBG Formula -** Intent: equitable distribution of annual appropriation.
- 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."

NAHASDA

- Provides funding for housing programs based upon agreed-upon formula.
- Maintenance of existing housing (“CAS” and “NAHASDA” assisted stock) must be prioritized. [SEC. 202. (1) INDIAN HOUSING ASSISTANCE]
- HUD does not dictate programs
  - Tribes determine how the funds will be used for affordable housing for low-income Alaska Native/American Indian (AI/AN) persons.
  - Leveraging of the IHBG funds are encouraged.
  - Tribes are provided maximum flexibility in decision making regarding their housing program.
  - Tribes/TDHEs may design programs within NAHASDA structure and seek HUD approval for “model activities”.
  - May use IHBG Funds on homes that were NOT built with HUD funds.

Funding Formula Components

The IHBG formula consists of four components:

1. Formula Current Assisted Stock (FCAS) **(§ 1000.312-322)**;
2. NEED (§ 1000.324-325);
3. 1996 Minimum (Hold Harmless) (§ 1000.340); and
4. Undisbursed IHBG funds factor (§ 1000.342).

Reference:

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

Component 1: FCAS [§1000.312-322]

(A) Formula Current Assisted Stock (FCAS) is:

1. Housing Developed under the 1937 Housing Act – Before NAHASDA:

   Low Rent ● Mutual Help ● Turnkey

2. 1937 units in the development pipeline (after NAHASDA) – when they become owned or operated by recipients

3. Section 8 – Expired but still managed like Section 8 Program

B. Two Elements of FCAS in Formula:

- Operating Subsidy
- Modernization Allocation

Examples - What Does/Does Not Count as FCAS?

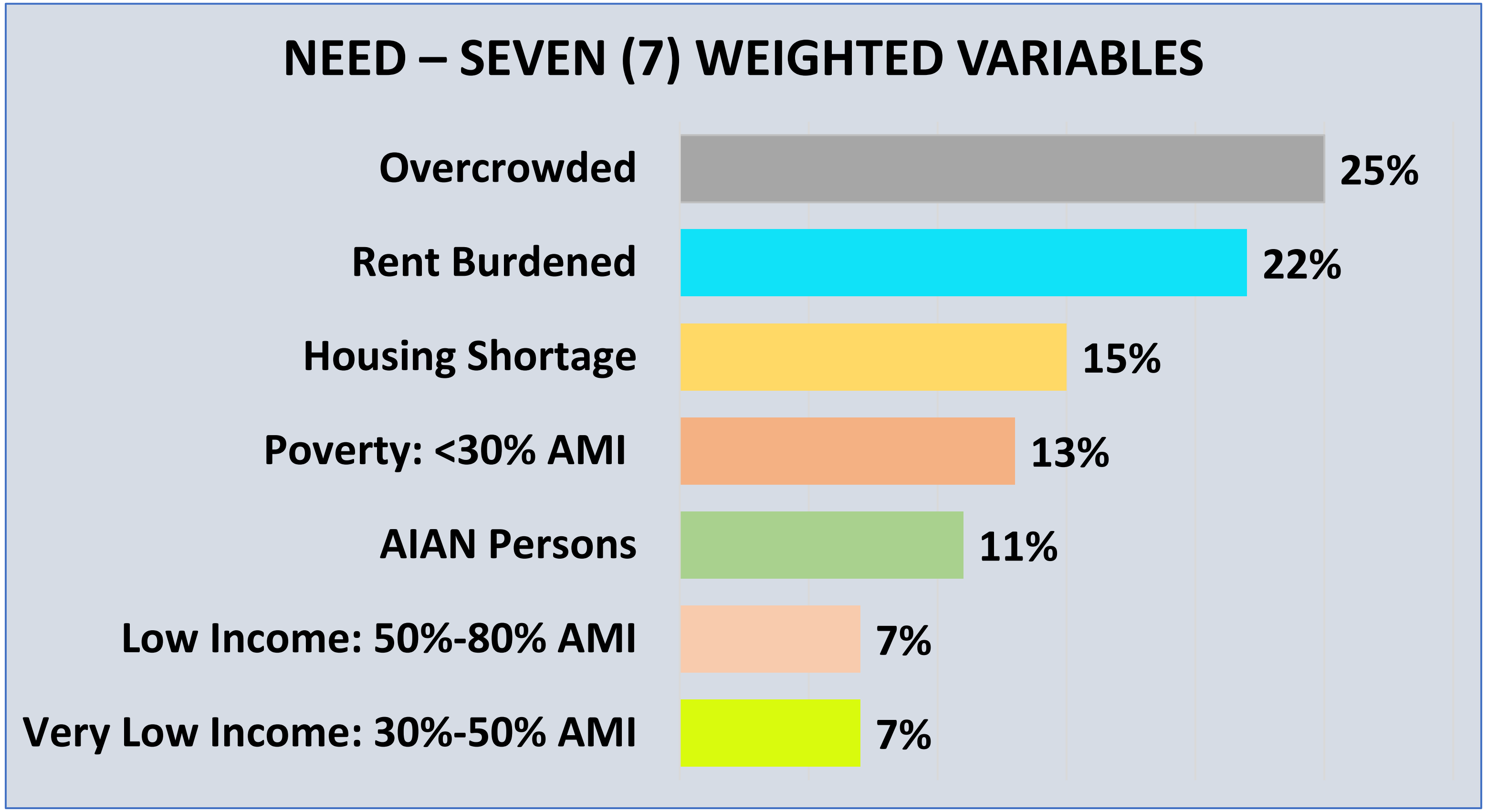
COUNT AS FCAS	DOES NOT COUNT AS FCAS
• Units funded under 1937 Act	• NAHASDA Units
• Units converted before 10/1/1997	• Units converted after 10/1/1997
• Conveyed-Eligible but beyond Tribe/TDHE’s control	• Units built with other grants (HOME, ICDBG)
• Section 8 still in management	• Conveyance Eligible Units with Tenant Accounts Receivables (TARS)
• Demolished Unit, replaced within a year	

Component 2: NEED [§1000.324]

NEED: "The extent of poverty and economic distress and the number of Indian families within the Indian areas of the Tribe."

Need Component Weights consist of:

- Seven (7) Weighted variables
- Based on Decennial Census and American Community Survey (ACS) 5-year data (§1000.330(b)(1) and (b)(2))
- Adjusted for local development costs (TDC)
- Additional References: PIH Notice 2017-14



Component 2 - NEED

Comparison of funding for Tribes based on NEED

	1	2	3	4	5	6	7	
	AIAN Persons	HHLT <=30%	HHLT 30%-50% MFI	HHLT 50%-80% MFI	Over - crowded HH	HH Severe Cost	Housing Shortage	Funding before Adjustments
Weight	11%	13%	7%	7%	25%	22%	15%	Total
Tribe A	142	14	2	9	8	7	24	$111,199
Tribe B	849	40	55	40	110	10	135	$952,177

Overcrowding: > One or more persons per room, without kitchen or plumbing (no bathroom)

Housing Severe Cost: Household Expenses > 50% of Income

Housing Shortage: Household Income < 80% of MFI

May challenge the data described in this section per §1000.336

https://www.hud.gov/helping-americans/public-indian-housing-ihbgformula

Component 2: NEED [§1000.328 & 329]

§ 1000.328 **What is the minimum amount that an Indian Tribe may receive under the need component of the formula? *[FY2025: $86,947]***

§ 1000.329 **What is the minimum total grant allocated to a tribe if there is carryover funds available? [*Distribute carryover funds to Tribes to increase their allocation to 0.011547% of the year's appropriation; If the set-aside carryover funds are insufficient to fund all eligible Tribes at 0.011547% of that year's appropriations, the minimum total allocation shall be reduced to an amount which can be fully funded with carryover funds.]***

FY 2025 Allocation

Formula Current Assisted Stock (FCAS) Component[1]:	$0
Needs Component[2]:	$86,947
24 CFR § 1000.331 Phase Down Adjustments to Moderate Impact of Introduction of New Data Source[3]:	$0
24 CFR § 1000.340(b) Adjustments to achieve FY 1996 Base Year Amount[4]:	$0
Preliminary Current Year Allocation:	**$86,947**
Adjustments for over- or under-funding in prior years[5]:	$0
Initial Allocation:	**$86,947**
24 CFR § 1000.342 Undisbursed Funds Adjustment[6]:	$0
24 CFR § 1000.329 Minimum Allocation Adjustment[7]:	$23,584
FY 2025 Final Allocation:	**$110,531**

FY2025 Minimum $

Carryover Funds share

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

§ 1000.340 What if an Indian tribe is allocated less funding under the IHBG Formula than it received in Fiscal Year (FY) 1996 for operating subsidy and modernization?

- 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.

FY 2025 Allocation

Formula Current Assisted Stock (FCAS) Component[1M]:	$173,913
Needs Component[2]:	$553,652
24 CFR § 1000.331 Phase Down Adjustments to Moderate Impact of Introduction of New Data Source[3]:	-$174
24 CFR § 1000.340(b) Adjustments to achieve FY 1996 Base Year Amount[4]: $ INCREASED	$419,421
Preliminary Current Year Allocation:	**$1,146,812**
Adjustments for over- or under-funding in prior years[5]:	$0
Initial Allocation:	**$1,146,812**
24 CFR § 1000.342 Undisbursed Funds Adjustment[6]:	$0
24 CFR § 1000.329 Minimum Allocation Adjustment[7]:	$0
FY 2025 Final Allocation:	**$1,146,812**

Component 4: Undisbursed IHBG Funds Factor [§1000.342]

- 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.
- Applies only to funds in HUD's LOCCS.

FY 2023 Allocation

Formula Current Assisted Stock (FCAS) Component[1] :	$14,709,661
Needs Component[2]:	$21,599,465
24 CFR §1000.331 Phase Down Adjustments to Moderate Impact of Introduction of New Data Source[3]:	-$16,086
24 CFR §1000.340(b) Adjustments to achieve FY 1996 Base Year Amount[4]:	-$316,944
Preliminary Current Year Allocation:	**$35,976,097**
Adjustments for over- or under-funding in prior years[5]:	-$34,937
Initial Allocation:	**$35,941,160**
24 CFR §1000.342 Undisbursed Funds Adjustment[6]: This Tribe benefited	$978,186
24 CFR §1000.329 Minimum Allocation Adjustment[7]:	$0
FY 2023 Final Allocation:	**$36,919,346**

Formula Response Form (FRF)

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

- Sent each year around June 1 – will receive a "Dear Tribal Leader letter.
  https://ihbgformula.com/fy2025/

- Should review FRF and Final Allocation/Data Form
- Must report and submit responses by August 1, 2026, to Formula Customer Service Center to be considered for FY2027 IHBG allocation.
- Final Allocations: Completed (60 days) after the budget is appropriated
- Formula Response forms found at: https://ihbgformula.com/fy2026/

ACTIVITY: Find your formula amount!

- Formula Response Forms – FY 2026 – IHBG Formula Customer Service Center

LINKS TO THE NAHASDA PROGRAM REFERENCES

CODETALK

- https://www.hud.gov/codetalk

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

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

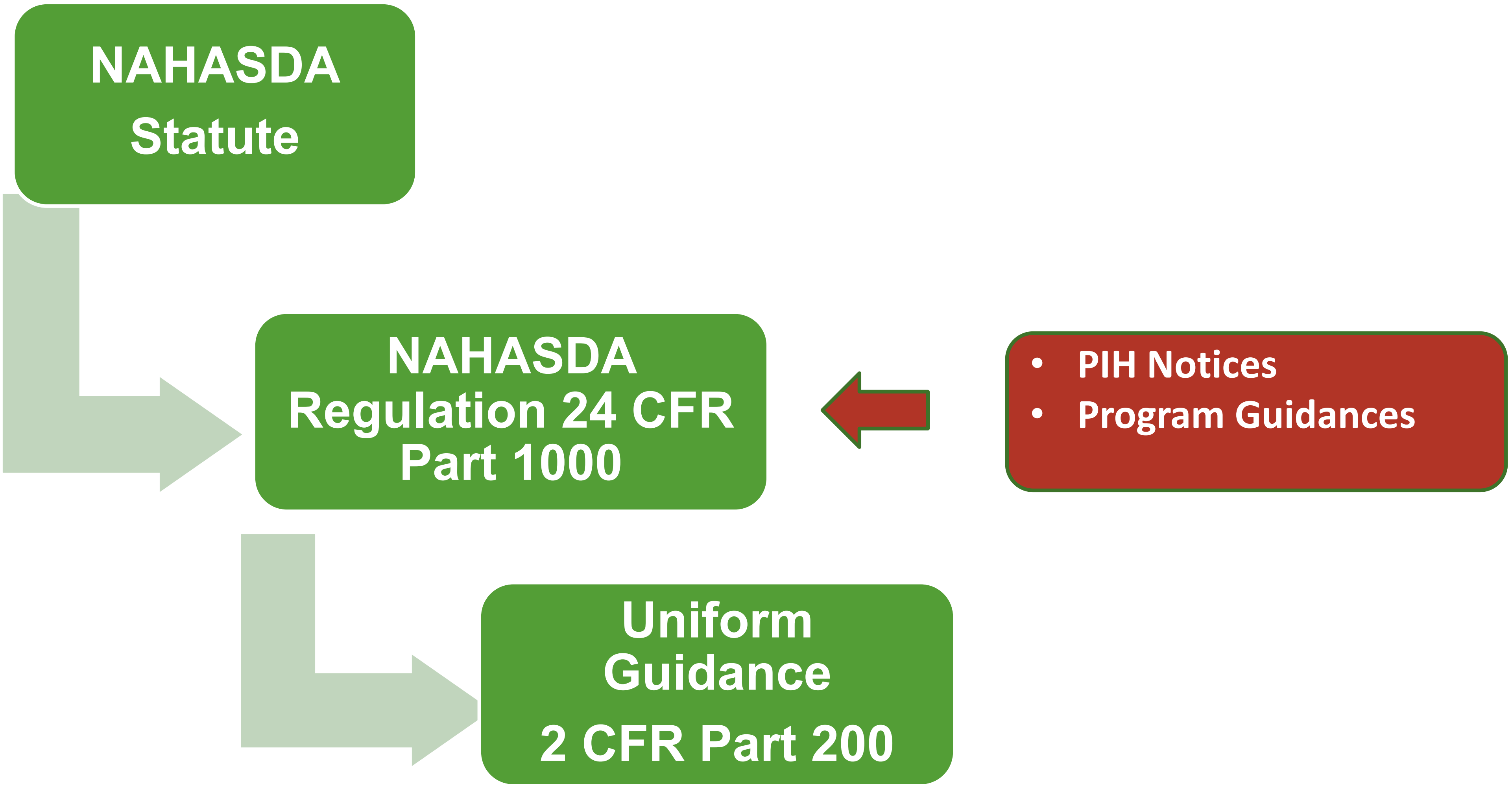
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARD

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

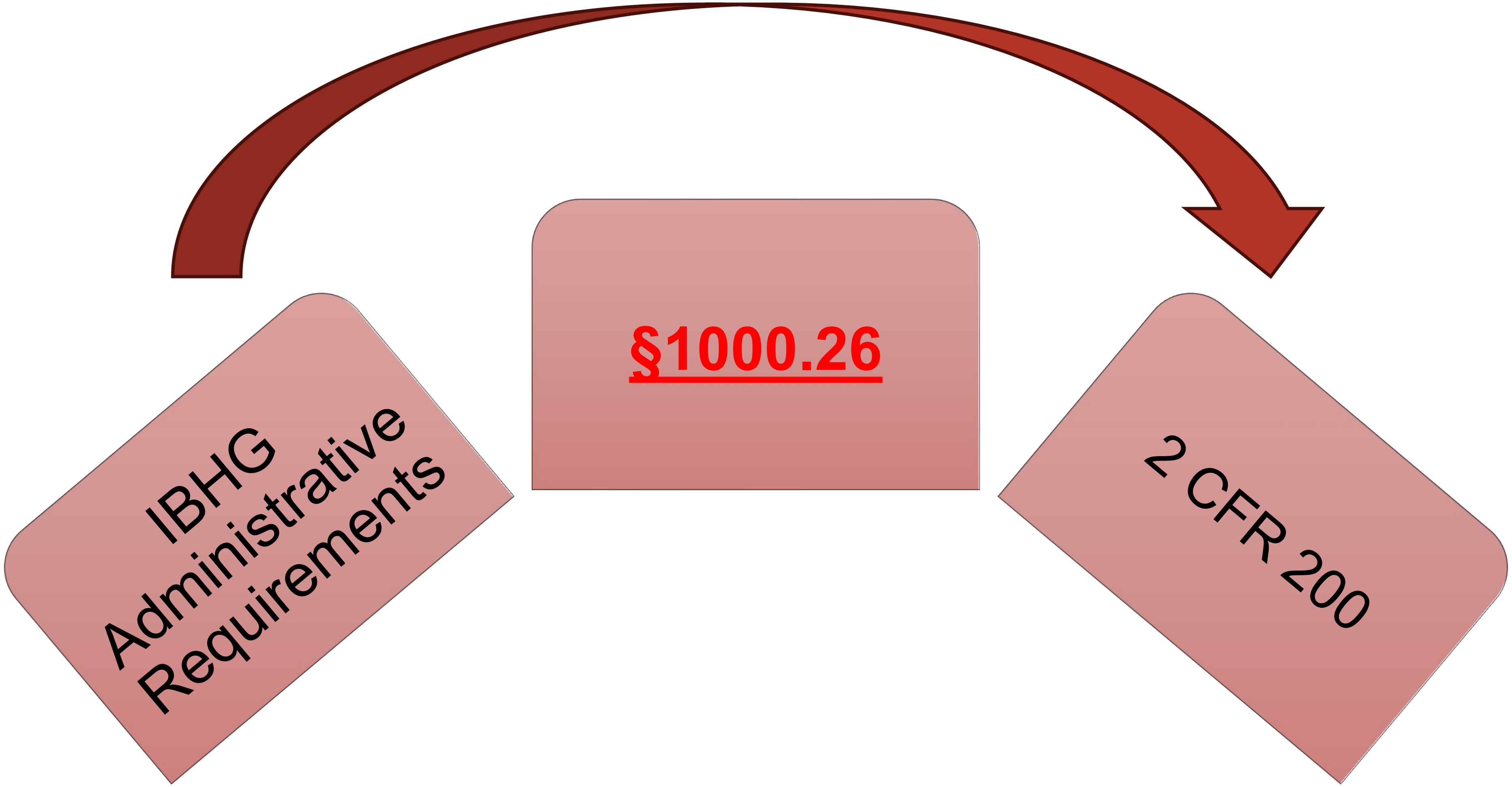
2025 HUD Notices: Key IHBG Updates

- **PIH 2025-01** *(replaces 2022-28)* — **Updated program income guidance**: classify, track, and reuse revenue per new procedures; investment earnings require separate controls
- **PIH 2025-05** *(replaces 2022-23)* — **Investing IHBG funds**: board authorization, approved investment policy, and draw documentation required before §204(b) draws
- **PIH 2025-04** *(replaces 2022-15)* — **SF-425 reporting**: standard grantees annual; investment-authorized recipients semi-annual per Appendix A; GEMS access required

HIERARCHY OF GUIDANCE APPLICABILITY



Link between NAHASDA and the Uniform Guidance



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"…
- **§1000.28** Self-governance Indian Tribes may be exempted from §1000.26 if its administrative requirements, standards and systems meet or exceed the comparable requirements of §1000.26.
  - https://www.ecfr.gov/cgi-bin/textidx?tpl=/ecfrbrowse/Title24/24cfr1000_main_02.tpl

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”
- Commonly referred to as the “Uniform Guidance” for Federal Awards (2 CFR Part 200).
- 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

SUBPARTS AT A GLANCE

Subpart A (200.0 -200.1)

- Acronyms and Definitions

Subpart B (200.100 – 200.113)

- General Provisions

Subpart C (200.200 – 200.217)

- Pre-Federal Award Requirements and Contents of Federal Awards

Subpart D (200.300 – 200.346)

- Post Federal Award Requirements

Subpart E (200.400 – 200.476)

- Cost Principles

Subpart F (200.500 – 200.521)

- Audit Requirements

12 Appendices – I through XII

APPLICABLE UNIFORM GUIDANCE APPENDICES

Appendix II	Contract Provisions for Non-Federal Entity Contracts Under Federal Awards
Appendix VII	States and Local Government and Indian Tribe Indirect Cost Proposals
Appendix X	Data Collection Form (Form SF-SAC)
Appendix XI	Compliance Supplement

STATUTORY & NATIONAL POLICY REQUIREMENTS

§ 200.300 Statutory and national policy requirements

- Federal awarding agency must manage and administer the Federal award to ensure that Federal funding is expended and associated programs are implemented in full accordance with the U.S. Constitution, Federal statutes and regulations….

- The Federal agency must communicate to recipient all requirements and incorporate them into the grant award.

STATUTORY & NATIONAL POLICY REQUIREMENTS

§ 200.301: Performance measurement

The Federal awarding agency must measure the recipient's performance to show achievement of program goals and objectives, share lessons learned, improve program outcomes and foster the adoption of promising objectives.

- **Shift in emphasis from compliance to performance**
  - Performance objectives are clear in the grant award
  - Performance measurement
  - Report program outcome
  - Encourage best practices

- **Financial Requirements**
  - Relate financial data to performance accomplishments
  - Provide cost information to demonstrate cost effectiveness

YOUR RESPONSIBILITY FOR THE FEDERAL AWARD

§200.302 Financial Management outline recipient's responsibilities for managing federal grant awards:

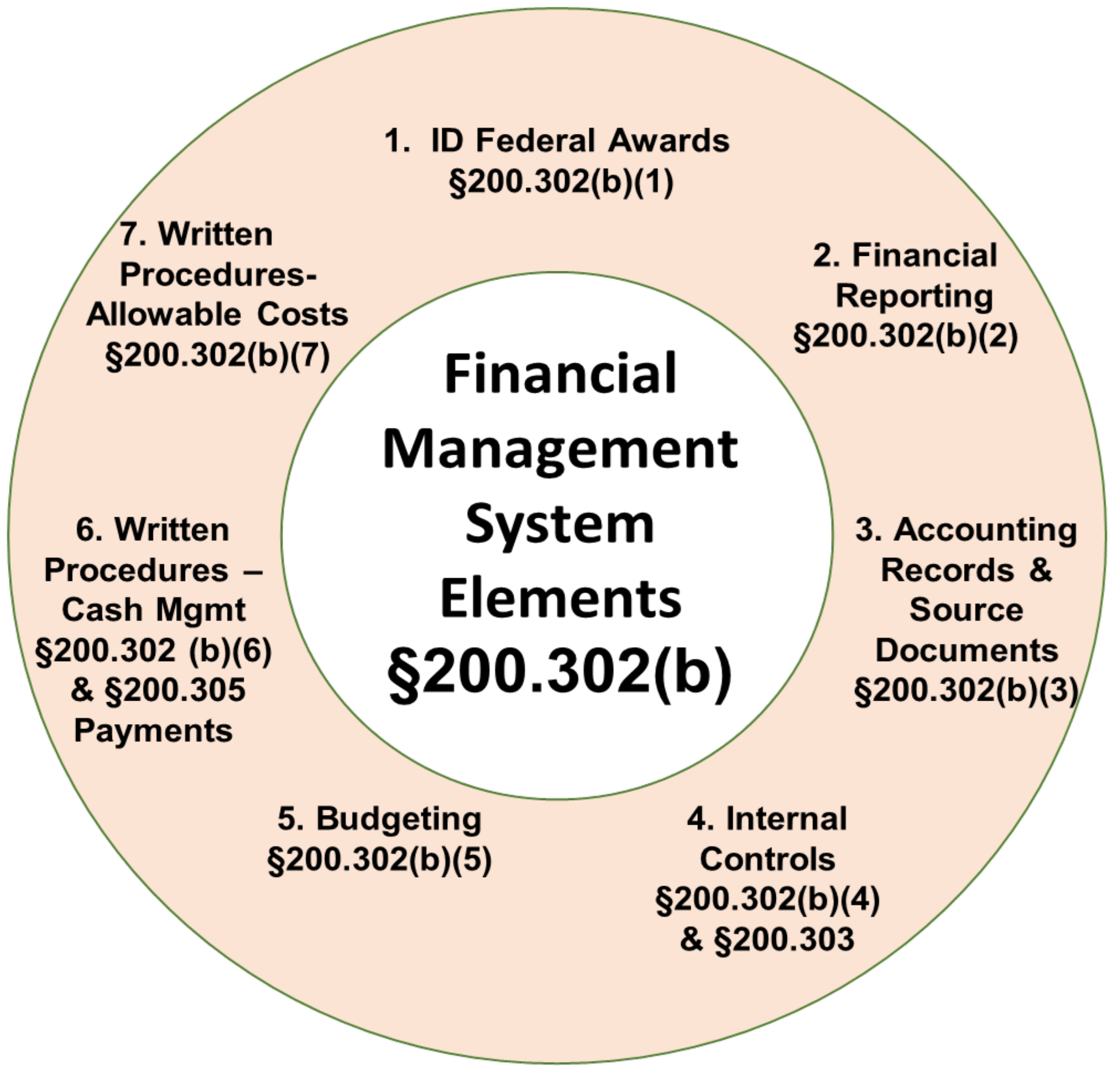
Per **§200.302(b),** the recipient and subrecipient's financial management systems **MUST** provide for the following:

1) Identification of all federal awards received and expended.
2) Accurate, current and complete disclosure of financial results of each federal award in accordance with reporting requirements;
3) Maintaining records that sufficiently identify the amount, source, and expenditure of each Federal award(s);
4) Control and accountability for all funds, property and assets;
5) Budget to actual reports;
6) Written procedures for payments; and
7) Written procedures for determining allowable costs

Section 2: Financial Management System

Requirement of 2 CFR 200:

Recipient must have a financial management system to manage federal awards.



§ 200.302(b)(1) IDENTIFICATION OF ALL FEDERAL AWARDS

The financial management system must identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable:

- **The Assistance Listing title and number**
- **Federal award identification number and year**
- **Name of the Federal agency, and**
- **Name of the pass-through entity, if any.**

§ 200.302(b)(1)
IDENTIFICATION OF ALL FEDERAL AWARDS

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

Federal Agency	Department of Housing and Urban Development, Office of Native American Programs (HUD/ONAP)
Federal Program	Native American Housing Assistance and Self Determination Act (NAHASDA)
Assistance Listings Title	Indian Housing Block Grant (IHBG)
AL Number	**14.867**
Award Number	55-IH-02-0123-0
Award Year	FY2024
Period of Performance	Rollover Grant – One Year Indian Housing Plan (IHP)

Department of Housing and Urban Development, Office of Native American Programs (HUD/ONAP)
Indian Community Development Block Grant (ICDBG)
Indian Community Development Block Grant (ICDBG)
14.862
B-23-SR-02-0044
FY2023
05/05/2023 – 05/05/2026

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

CONSIDER

- What are the compliance and administrative requirements of your federal grant(s)?
- Is your chart of accounts set up to easily track multiple grant activities?
- Do you provide your chart of accounts to program managers for coding transactions?
- Are all your grants set up in your accounting system?
- Can you easily produce revenue and expense reports for each active grant from your accounting system?
- Can you rely on your accounting system to accurately complete your required reports such as the SF 425 and the APR?
- Are you maintaining a (physical or online) file for each of your federal grants?

USE YOUR ACCOUNTING SYSTEM TO RECORD AND TRACK GRANT ACTIVITY

Chart of Accounts

- List of all general ledger accounts
- Design to record revenue and expenses across all grants
- Control for recording transactions for consistently
- Allows for tracking eligible activities of the grant.
- Serves as recordkeeping system
- Helps you make informed decisions
- Reflects financial information you are required to collect and report for each grant i.e. IHP Activities
- Simple or complex – understand each element and/or segment

USE YOUR ACCOUNTING SYSTEM TO TRACK GRANT ACTIVITY

Chart of Accounts Example:

a) **Small Housing Authority with small number of grants, using QuickBooks:**

Activities:

Planning & Administration

Housing Services

Rental Housing

CAS Units/Operating

Capital Development

Class	IHBG	
Subclasses		
	Planning & Administration	
	Housing Services	
	Rental Housing	
	CAS Operating	
	Capital Development	
Account Codes:		
Revenue		
	Federal Revenue	
	Rental Income	
	Other Local Revenue	
Expenses		
	Salaries & Wages	
	Employer Payroll Taxes	
	Rents and Leases	
	Operating Supplies	
	Utilities	
	Communicatons	
	Repair & Mainteancke	
	Insurance	
	Capital - Buildings	
	Capital - Modernization	
	Capital Land	
	Capital Infrastructure	

USE YOUR ACCOUNTING SYSTEM TO TRACK GRANTS

Chart of Accounts Example:

b) Larger Housing Authority with more complicated structure:

Uses segments to track different grants and grant activities

Design Account Code structure to be able to pull information of from your accounting system using different segments

FUND	DEPARTMENT	GRANT	ACTIVITY	OBJECT
01	20	55	100	5300

SEGMENT NAME	NUMBER	DESCRIPTION
FUND	01	GENERAL FUND
DEPARTMENT	20	HOUSING SERVICES
GRANT	55	IHBG
ACTIVITY	100	TENANT BASED RENTAL ASSISTANCE
OBJECT CODE	5300	PROGRAM SUPPLIES

Example: Salaries/Wages charged to Various Programs

Salaries/Wages ACCOUNT OR OBJECT CODE: 411000

Account No. and Description	Program	Activity	Account CODE	Sub-Activity	Grant	Expense Type
01-10 411000 00 055 000	NAHASDA	CAS Operations	Salaries/Wages		IHBG	
01-11 411000 00 055 000	NAHASDA	Housing Services	Salaries/Wages		IHBG	
01-13 411000 00 055 000	NAHASDA	Homeownership	Salaries/Wages		IHBG	
01-13 411000 40 055 000	NAHASDA	Homeownership	Salaries/Wages	Mutual Help	IHBG	
01-14 411000 00 055 000	NAHASDA	P & A	Salaries/Wages		IHBG	
60-20 411000 00 055 000	NAHASDA	CAS Major Rehab	Salaries/Wages		IHBG	
66-30 411000 00 055 000	NAHASDA	Major Rehab-NAHASDA Units	Salaries/Wages		IHBG	
20-91 411000 00 855 808	IHBG -ARP	Emergency Housing	Salaries/Wages		IHBG ARPA	Administration
80-00 411000 00 000 000	LIHTC	n/a	Salaries/Wages		N/a	

CHART OF ACCOUNTS

At the end of the day the most important things to consider are what you need out of your accounting system for:

- Operations and/or development
- Management: provide information needed for decision making
- Reporting: are you able to easily extract information for grant reports
- Growth: you need to be able to manage your growth in a systematic way
- Risk: Budget to Actual, eligible expenditures, compliance
- Meaningful and Useable: you need to be able to get the information needed to meet the requirements of §200.302

CLASS DISCUSSION - open discussion

a) Give an example of what your chart of accounts looks like.

b) What are some of the challenges you face when reporting IHP activity on your APR?

c) What are some of your benefits using your chart of accounts?

d) Do you regularly produce reports for your (Department) Managers, and if so, are they easy to produce from your accounting system?

Three participants to share on-line

EXERCISE

Your Development Department Manager tell you they need to set up an **object code** to track all IHBG Competitive Fund money awarded. They ask you set up a new revenue account named IHBG Competitive Revenue (you already receive IHBG Revenue). The revenue accounts you already have are:

- Federal Revenue
- State Revenue
- Local Revenue
- Other Revenue

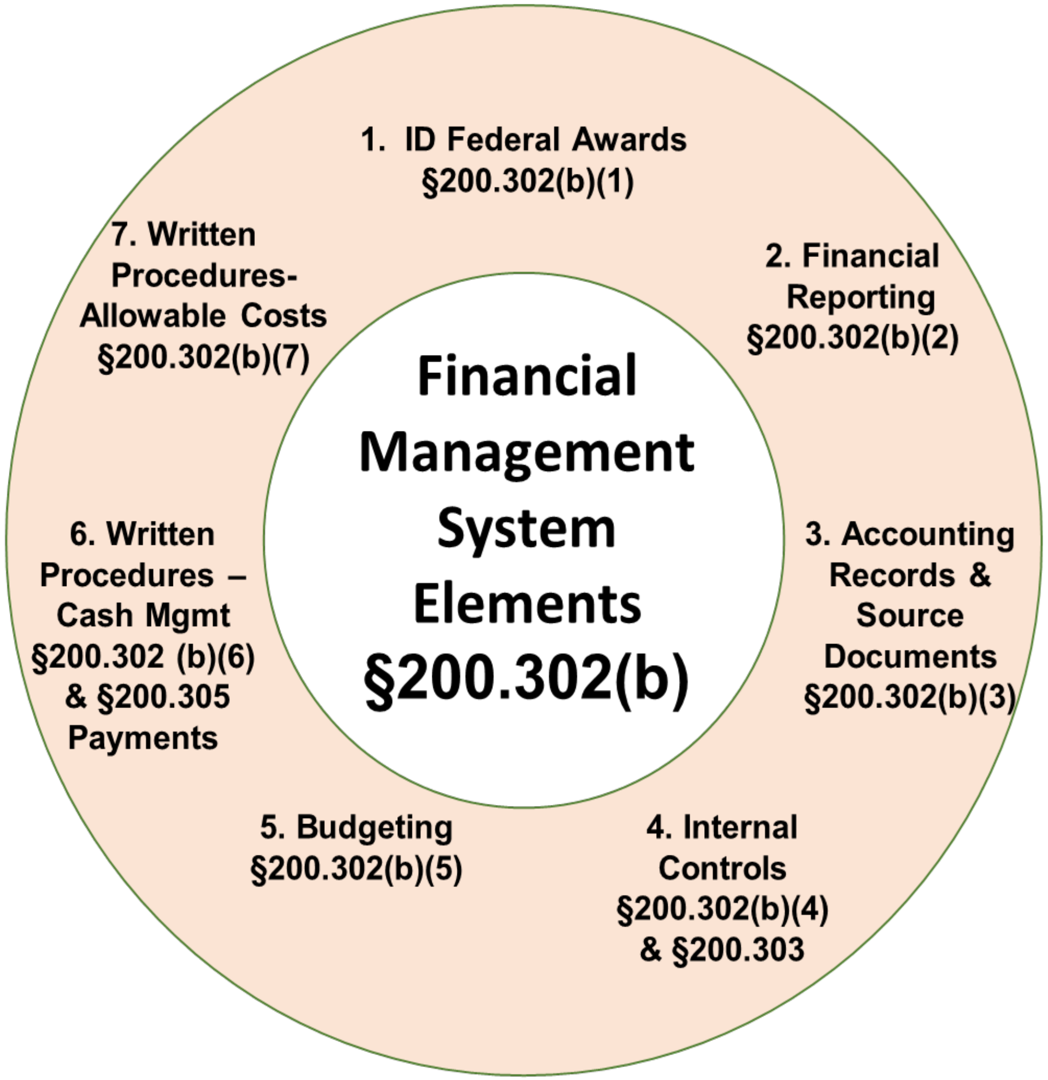
What is your answer?

Section 3: Financial Reporting

Financial Reporting §200.302(b)2)

To enable preparation of necessary financial and progress reports to HUD:

Must maintain accurate, current, and complete data and disclosure of the financial results of each Federal award or program in accordance with the reporting requirements in §§ 200.328 (Financial Reporting) and 200.329 (Monitoring and reporting program performance).



FINANCIAL REPORTING: §200.302(b)(2)

Your accounting system must be able to produce a wide variety of financial reports that demonstrate you are accounting for all funding sources and capturing detailed cost data for each program so you can produce financial reports:

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

Consider: Do you have strong internal controls to ensure the accuracy and reliability of the grant reports?

FINANCIAL REPORTING REQUIREMENTS

ACCURATE	CURRENT	COMPLETE
Financial data must reflect actual values in accordance with Generally Accepted Accounting Principles (GAAP)	Financial report must be up to date to provide relevant information for timely decision-making	ALL financial data must be included to provide a complete picture of the financial position of your organization
• Accounting for revenues and expenditures are accurately recorded in accordance with GAAP. • All transactions are consistently treated. • Transactions are posted in the correct period. • Balance Sheet accounts are reconciled on a regular basis. • Sub-ledgers are reconciled to the General Ledger.	• Ensure all income and expenses of the grant are posted in your accounting system when costs are incurred, which may not be the same period as the date posted. • Revenues are posted when earned. • Consider the conditions of the grant, the grant amount and the grant periods.	• The Tribe/TDHE's accounting system must record ALL transactions for all accounting activities. • Follow your policies, procedures and internal controls to reduce risk of transactions not being posted, of being posted in the wrong period, or not being consistently treated. Also reduces the risk of fraud. • Review financial reports and budget to actual reports, which are tools for ensuring financial information is accurate and complete.

Governmental Accounting

Key concepts to understand governmental accounting:

1. **Fund Accounting**

2. **Basis of Accounting** – Timing of Transactions (***When*** to Record)
   - **Accrual Basis of Accounting**
   - **Modified Accrual Basis of Accounting**

3. **Measurement Focus**– ***What*** Transactions to be recorded

What Is A Fund?

Defined by GASB as:

- A fiscal and accounting entity.
- Each fund is a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein.
- Each fund is segregated for accounting and financial reporting - used to account 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.

Governmental Fund Types

REQUIRED

- **General fund (GF):** 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.

OPTIONAL

- **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.

BASIS OF ACCOUNTING

About Timing of Transactions

WHEN

TO RECORD THE TRANSACTION

1. **Cash Basis – *NOT GAAP: Transaction recorded when cash is exchanged***
2. **Full Accrual**
3. **Modified Accrual**

Basis of Accounting

Full Accrual Basis of Accounting	Modified Basis of Accounting
▪ Emphasizes economic resources. ▪ Record all transactions when the action took place, not the actual transfer of money. ▪ Recognizes revenues when they are earned and available for use, regardless of the timing of related cash flows. ▪ Recognizes expenses when they are incurred, not merely when resources are expended. ▪ Requires capital assets and long-term liabilities to be recorded in the statement of net position. ▪ Depreciation expense is recognized for capital assets over their useful life.	▪ Combines some elements of cash method accounting with the full accrual method. ▪ Focuses on current financial resources. ▪ Recognizes revenues when they are measurable and available. ▪ Recognizes expenditures primarily when liabilities are incurred, <u>only if they are normally expected to be liquidated with current financial resources.</u> ▪ Capital outlays and debt service payments are recognized as expenditures. ▪ Long-term liabilities and assets are generally not displayed on the face of governmental fund balance sheets.

https://cpaexamsmastery.com/bar/4/20/1/

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).

Record Receipt and Use of Grant Funds Received for Investment Purposes

- **Grant Funds Must meet Eligibility requirement before it can be recorded as a REVENUE:** Allowable expenditure of that grant **MUST** occur before revenue is recognized – **"EXPENDITURE DRIVEN".**

- **For Example: Tribe draws $1,000,000** IHBG funds draw from LOCCS for investment purposes.

  1. Recorded as a **LIABILITY, not as IHBG Grant Revenue**:

Debit : Cash – Investment Acct	**$1,000,000**	
Credit: Unearned Revenue/Refundable Advance		**$1,000,000**

Total IHBG amount received to invest is NOT RECOGNIZED AS GRANT REVENUE

  2. **Incurred Grant Expense for equipment purchase of $6,000:**

Debit: Equipment Expense	**$6,000**	
Credit: Accounts Payable		**$6,000**
Debit: Unearned Revenue/Refundable Advance	**$6,000**	
Credit: Grant Revenue		**$6,000**

Grant revenue is recognized AFTER allowable grant expenditure is incurred

Measurement Focus for Government Funds

WHAT

Transactions To Record?

Government Fund Expenditures focus is on:

Flow of Current Financial Resources

- Costs that result in a decrease in current financial resources (modified accrual). Are financial resources obtained during the accounting period enough and available to pay for current expenses?
- The focus is on cash and/or assets that are expected to be converted to cash within the accounting period, or shortly thereafter.
- 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.

Measurement Focus for Proprietary Fund

What

Transactions To Record?

Proprietary Fund Expenditures focus is on:

Flow of Economic Resources

- All assets (current and noncurrent) and all liabilities (current and long-term) are recognized and included on the balance sheet.
- Measures the overall economic position and changes in net position over time.
- This holistic perspective is used to evaluate a government's overall financial position.

GOVERNMENTAL FUND – DUAL REPORTING

Governmental Fund Financial Statements

- **Modified Accrual Basis of Accounting**
- **Measurement Focus: Current Financial Resources**

Government-Wide Financial Statements

- **Full Accrual Basis of Accounting**
- **Measurement Focus: Economic Resources**

PROPRIETARY FUND REPORTING

Enterprise Fund Financial Statements

- **Full Accrual Basis of Accounting**
- **Measurement Focus: Economic Resources**

QUIZ

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 10.
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

§ 200.302(b)(2)
FINANCIAL REPORTING

Financial Management System must provide for accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements in § 200.328 and §200.329.

§ 200.328: Financial Reporting

- Must use only OMB-approved government-wide data elements on recipient financial reports: SF-425 Federal Financial Report
- Must submit financial reports as required by the Federal award and submitted annually and must be due no later than 90 calendar days after the reporting period.
- Reports submitted quarterly or semiannually must be due no later than 30 calendar days after the reporting period.

Refer to PIH 2025-04 for SF 425 Federal Financial Report

SF-425 Federal Financial Report

SF 425 Reporting Frequency:

a. **Quarterly Reporting** – For Tribes/TDHEs approved for IHBG Investment – due 30 days after the end of the quarter – except for 4th quarter – due 90 days after end of quarter.

b. **Annual Reporting** - For all Tribes/TDHEs WITHOUT IHBG Investment – due 90 days after the end of the 4th quarter

Purpose of SF 425 Report:

a. Record and report revenue and expenditures of grant program funds
b. Assess anticipated obligations of grant funds – future expenses that will be paid with grant funds
c. Record and Track Program Income
d. Report IHBG Investment activities

GEMS is the **one-stop shop for all reports of the IHBG Program.**

GEMS Training for ONAP Grantees (youtube.com)

SF-425 REPORTING

Requirements:

1. IHBG Grant Activity
   - Grant beginning balance, grant addition, and grant draws & expenditures
2. Grant Obligations
3. Report combined Program Income and Investment income totaling >$25,000
4. Provide Investments and/or Reserves Activities report with SF-425

Let's Review!

10. Transactions	Cumulative
(Use lines a-c for single or multiple grant reporting)	
Federal Cash (To report multiple grants, also use FFR Attachment):	
a.Cash Receipts - eLOCCS draws - cumulative amounts of cash received as of the reporting period end date	$0.00
b. Cash Disbursements IHBG expenditures per accounting records cumulative for reporting period: **Same as 10e**	$0.00
c. Cash on Hand (line a minus b) Represents immedicate cash needs. Must explain on line 12 if there is excess Cash on Hand for more than 3 business days - the reason for why the draw was made prematurely or other reasons for excess cash.	$0[illegible]
(Use lines d-o for single grant reporting)	
Federal Expenditures and Unobligated Balance:	
d.1 Total Federal funds authorized LOCCS balance at prior FY end	$0.00
d.2 Total Federal funds authorized New grant (once) received	$0.00
d. Total Federal funds authorized (d.1 plus d.2)	$0.00
e. Federal share of expenditures IHBG expenditures per accounting records cumulative for year: **Same as [illegible]** or may exceed	$0.00
f. Federal share of unliquidated obligations (Not expenditures, but future committed funds via awarded such as amounts due to contractors and subrecipients, etc. Recommendation: Report approved IHP Budget balance for the same period end date as this amount represents your approved obligation of IHBG funds you plan to expend for the fiscal year.	
g. Total Federal share (sum of lines e and f)	$0.00
h. Unobligated balance of Federal funds (line d minus g)	$0.00
Recipient Share: N/A. A recipient share is not required under IHBG program	
i. Total recipient share required	
j. Recipient share of expenditures	
k. Remaining recipient share to be provided (line i minus j)	
Program Income:	
l.1 Total Federal program income earned - Carryforward prior FY end unexpended balance	$0.00
l.2 Total Federal program income earned - Current year's cumulative program income	$0.00
l. Total Federal program income earned (l.a plus l.2)	$0.00
m. Program income expended in accordance with the deduction alternative Leave Blank. IHBG recipients are not required to use earned income to reduce the grant amount	
n. Program income expended in accordance with the addition alternative Enter the cumulative amount of program income expenditures for the reporting period	$0.00
o. Unexpended program income (line l minus line m or line n)	$0.00

GRANT ACTIVITY

PROGRAM INCOME

11. Indirect Expense This information is optional for the IHBG program

a. Type	b. Rate	C. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
			g. Totals			

12. *Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:* The remarks should clarify or explain the information contained in the report. Additional pages may be attached. Explanations should be provided for the following:

ATTACH INVESTMENT DOCS

12a) Cash on Hand: Explain any cash on hand that exceeds cash needs of 3 business days, including: (1) funds drawn for investment purposes; and (2) funds drawn down to establish or replenish a reserve for planning and administration.

12b) Invested IHBG Funds. 1) Include: (a) the name and type of investment(s); (b) last four digits of the account number(s); (c) the draw down date(s); (d) the amount(s) drawn down; (e) the date(s) that the IHBG funds were invested in an approved investment under 24 CFR 1000.58(c); (f) the current balance for all IHBG investments; and (g) the amount(s) of investment income earned. (2) Investment activity must be reported quarterly. May choose to report investment activity in 1 of 3 ways: a) on Line 12 of the SF-425; b) on a page attached to the SF-425; or c) use the Investment Reporting Worksheet provided by HUD.

12c) Planning and Administration Reserves: This must include: (a) the amount(s) drawn down; (b) the draw down date(s); (c) the date(s) that the funds were placed in a separate account established for this purpose; (d) amount of interest earned; and (e) current balance of the Planning and Administration Reserve Account(s).

12d) Explain amounts entered on Line 10l (Program Income): Explain amounts entered, if any, that include, but are not limited to, the amount of interest earned on the investment of IHBG funds if the investment income, combined with other earned program income, exceeds the $25,000 threshold of 24 CFR 1000.62(b).

Uniform Guidance on Program Income per PIH 2025-01

On November 12, 2020, the following regulatory changes to 2 CFR Part 200 became effective, **some of which directly affect the retention and use of program income in the IHBG program.**

2 CFR § 200.305 [FEDERAL PAYMENT] was revised and applies to IHBG, except that HUD shall not require a recipient to expend retained program income before drawing down or expending IHBG funds, per the modification at 24 CFR §1000.26.

2 CFR § 200.313 [EQUIPMENT] was revised and applies to the IHBG program. Except in all cases in which the equipment is sold, the proceeds shall be program income, per the modification included at 24 CFR §1000.26.

2 CFR § 200.314 [SUPPLIES] was revised and applies to the IHBG program, except in all cases in which the supplies are sold, the proceeds shall be program income, per the modification included at 24 CFR §1000.26.

WHAT IS PROGRAM INCOME (1000.62)?

REPORT PROGRAM INCOME IN SF-425: 10 (L – 0)

- **Program income is defined as "any income that is realized from the disbursement of (IHBG) grant amounts."**
- Program income may be retained and not be spent first before using IHBG funds.
- Must have a system for accounting for program income - required to be reported on Form SF 425 and the APR, if the total net proceeds exceeds $25,000.
- Not subject to other federal requirements.
- Can only be spent on housing related activities.

When To Recognize Program Income?

CASH BASIS

What does it mean? **"Program Income is defined as any income that is realized from the disbursement of grant funds."**

IT IS PROGRAM INCOME

- Receipt of cash (or equivalent) for rent, proceeds received from sale of properties and equipment purchased with IHBG funds.
- You can deposit the proceeds in your bank account!

IT IS NOT PROGRAM INCOME

- Revenues generated from rental housing, but payment has not yet been received.

Program Income Examples

Reference: §1000.62

- o Proceeds from the sale of homeownership units developed under the 1937 Housing Act *if those units have been substantially rehabilitated using IHBG funds.*
- o The sale proceeds from the disposition of any housing unit built with NAHASA funds
- o Rent or homebuyer payments collected on units constructed, acquired, and/or rehabilitated with IHBG funds that are owned by the recipient or its sub-recipient.
- o Payments of principal and interest earned on grant funds
- Proportional share of income generated from a project that includes both IHBG and other funds (grants and non-grant funds).
- Proceeds from sale of equipment and supplies purchased with NAHASDA funds.

- **Costs incident to the generation of program income shall be deducted from gross income to determine program income.**

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 whether:

1. Substantial Rehab was performed on the unit?
2. Are you tracking the cumulative Substantial Rehab cost of the unit to determine if Rehabilitation is over 40% of the DC&E of the unit size for the cost area as defined by HUD (See Appendix to (PIH Notice 2025-01)?
3. If substantial rehab does not exceed 40% of the DCE for the unit, a calculated portion of the rental income is not Program Income.

Substantial Rehabilitation of 1937 Housing Act Rental Units

- If No Substantial Rehabilitation costs accumulated for the unit, then all rents collected from that unit is split between Program Income and Non-Program Income.

- Substantial Rehabilitation costs accumulate towards the 40% of DC&E of the unit.
  - Once the total cumulative cost of a unit EXCEED THE 40% OF DC&E OF THE UNIT, 100% of RENT PROCEEDS FROM THAT UNIT BECOME PROGRAM INCOME.

- What is Substantial Rehab?
  - PIH Notice PIH Notice 2025-01 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.

Substantial Rehabilitation of 1937 Housing Act Rental Units

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?

  - If rehabilitation records have not been maintained consider all units have been substantially rehabilitated (over 30 years)?

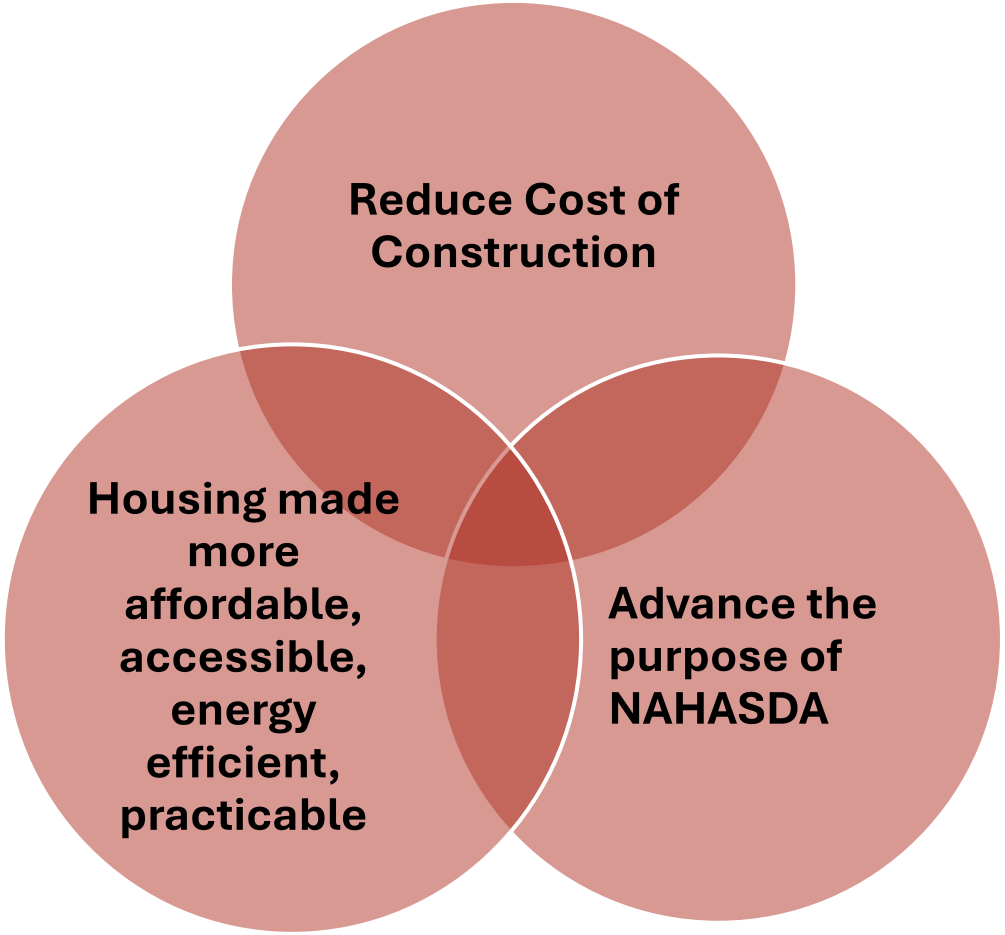
Program Income: Permissible Use

HOUSING-RELATED ACTIVITIES [§1000.10(b)(3)] & § 1000.64 :

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

1. Is determined by the recipient to be beneficial to the provision of housing in an Indian area, **AND**

2. Makes housing more affordable, accessible, energy efficient; Reduces the cost of construction, advances the prupose of NAHASDA



Program Income: Housing Related Activities Examples

- 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).
- 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.
- Funding in a Low-Income Housing Tax Credit development.
- Providing housing services to resident families, including crime prevention and safety for residents.

Program Income: Other Requirements

Not subject to other Federal requirements if Program Income is spent on HOUSING RELATED ACTIVITIES.

However, recipient must:

- Ensure compliance with all other administrative requirements related to the IHBG Program, including recording, reporting, financial management, and other requirements discussed in PIH 2025-01.
- Must have a system for accounting and tracking program income for net proceeds exceeding $25,000:
  - Required to be reported on Form SF 425 and the APR
- If you don't track Program Income:
  - Cannot claim the first $25,000 program income exclusion and ALL proceeds would be considered program income.

Two Types of Program Income

Must Track Separately

"Regular" Program Income per 1000.62 Definition	"Investment" Program Income - Earned from Investment of IHBG Funds
• **Permitted uses: Housing Related Activities** • Not subject to Federal Requirements	• Use on **Affordable** Housing Activities • Subject to all Federal requirements applicable to the IHBG Program.

Per PIH 2025-01 (Program Income) and PIH 2025-05 (Investing IHBG Funds):

1. Interest earned on investments is considered investment program income and to the extent that **investment program income in combination with other earned program income exceeds the $25,000 (including the first $25,000)** threshold of 24 CFR 1000.62(b), it must also be included in the program income reported on the SF-425, Lines 10 (l-o).

2. Amount is subject to the applicable requirements for program income and investment program income.

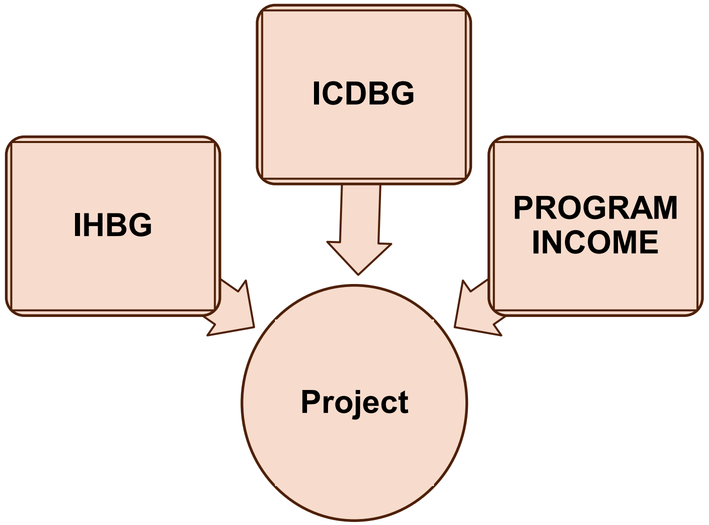
Program Income Treatment Under $25,000

If program income earned by the investment of IHBG funding **in combination with** program income earned from other sources does **not exceed $25,000**, 24 CFR § 1000.62(b) applies:

- These funds will not be considered program income, will not be subject to all Federal requirements applicable to the IHBG Program, and their expenditure is not limited to carrying out affordable housing activities.

- Refer to PIH 2025-01 (Program Income) and PIH 2025-04 (Investing IHBG Funds)

Program Income from Activities Funded With IHBG and Other Funds



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

1	4 HOMES DEVELOPED WITH ICDBG, IHBG and PROGRAM INCOME		
	FUNDING SOURCE	GRANT AMOUNT	% OF TOTAL
	ICDBG	$100,000	12%
	IHBG	$500,000	63%
	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 FROM FUNDING SOURCES		
	ICDB	$600,000 x 12%	$72,000
	IHBG	$600,000 x 63%	$378,000
	PROGRAM INCOME	$600,000 x 25%	$150,000
		TOTAL	$600,000
4	TOTAL IHBG PROGRAM GENERATED:		$378,000

Program Income Exercise

- A Tribe made this entry for September to account for total rents due from tenants from housing constructed with IHBG funds.
  - Debit Accounts Receivable 5,000
  - Credit Rent Revenue 5,000
- At the end of October, the Tribe received payment totaling $3.500, but after performing a bank reconciliation, $500 of the payment was adjusted due to insufficient funds.
- Which is Program Income?
  A. Rent Revenue of $5,000
  B. Rent payment received of $3,500
  C. Adjusted rent payment received of $3,000

Program Income Exercises	Program Income?	
	YES	NO
1. Tribe/TDHE offers a homeownership program and provides loans to eligible borrowers to purchase a home using IHBG funds. Is payment received on principal and interest on the loans Program Income?		
2. The Tribe/TDHE received a refund check of $100 from a vendor because it forgot to deduct 10% sales discount offered from the purchase price of the goods. Is the $100 check from the vendor Program Income?		
3. Tribe/TDHE purchased a maintenance vehicle for $50K. After 5 years the equipment's adjusted basis (after deducting accumulated depreciation) is $25,000. Before selling the vehicle, the Tribe/TDHE spent $2,000 on preparing the vehicle for sale. An offer and payment of $20,000 was accepted. Which is program income?		
A. Adjusted basis of $25,000		
B. $20,000 offer and payment received		
C. $18,000 after the Tribe/TDHE deducted the $2,000 cost of preparing the vehicle for sale		

§ 200.302(b)(2)
FINANCIAL REPORTING

The Tribe/TDHE's financial management system must provide for accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements in § 200.328 and §200.329.

§200.329: Performance Reporting requirements under Section (b) through (d) and (f), "Monitoring and reporting program performance" **DO NOT APPLY per §1000.26(b)(13):**

Performance Reporting for NAHASDA, refer to: § 1000.512 through §1000.521 and use:

- **Form 52737**: Indian Housing Plan (IHP) and Annual Performance Report (APR).

Note: Report through GEMS

Form 52737 ANNUAL PERFORMANCE REPORT (APR)

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

- Required annually to assess compliance with requirement of **NAHASDA**
- **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 (through GEMS).
- 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.
- Self-monitoring results must be included.
- The Recipient may seek a thirty (30) day extension (§1000.514).

Report through GEMS

ANNUAL PERFORMANCE REPORT (APR)

Reports actual IHP activities completed during the 12-month program year compared to those activities approved in the IHP.

- Actual Performance on approved activities in the IHP, to include outcome number, measurement and output completed, the targeted type of household assisted, and the types and levels of assistance (Program Descriptions).

- Actual sources and uses of funds (Budgets)

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

		IHP			APR		
PROGRAM NAME (tie to program names in Section 3 above)	Unique Identifier	(L) Prior and current year IHBG (only) funds to be expended in 12-month program year	(M) Total all other funds to be expended in 12-month program year	(N) Total funds to be expended in 12-month program year (L + M)	(O) Total IHBG (only) funds expended in 12-month program year	(P) Total all other funds expended in 12-month program year	(Q) Total funds expended in 12-month program year (O+P)
202X-01 Senior Low Rent (1937 Act Housing		[illegible]	[illegible]	40,173	27,995	0	27,995
202X-02 Development – Family Housing		[illegible]	[illegible]	[illegible]	225,628	314,660	540,288
202X-03 Housing Services		[illegible]	[illegible]	[illegible]	11,476	16,800	28,276
202X-04 Modernization/ Rehabilitation		[illegible]	[illegible]	[illegible]	51,332	0	51,332
202X-05 Mutual Help Program		[illegible]	[illegible]	33,013	4,259	10,920	15,179
202X-06 Tenant Based Rental Assistance		5,000		5,000	1,865	0	1,865
Planning and Administration		110,000	0	110,000	110,879	0	110,879
Loan repayment – describe in 4 and 5 below.		98,000	0	98,000	97,188	0	97,188
TOTAL		590,564	349,420	939,984	530,622	342,380	873,002

Source information is Financial data from your general ledger for the APR Totals in Column (O) and (P)

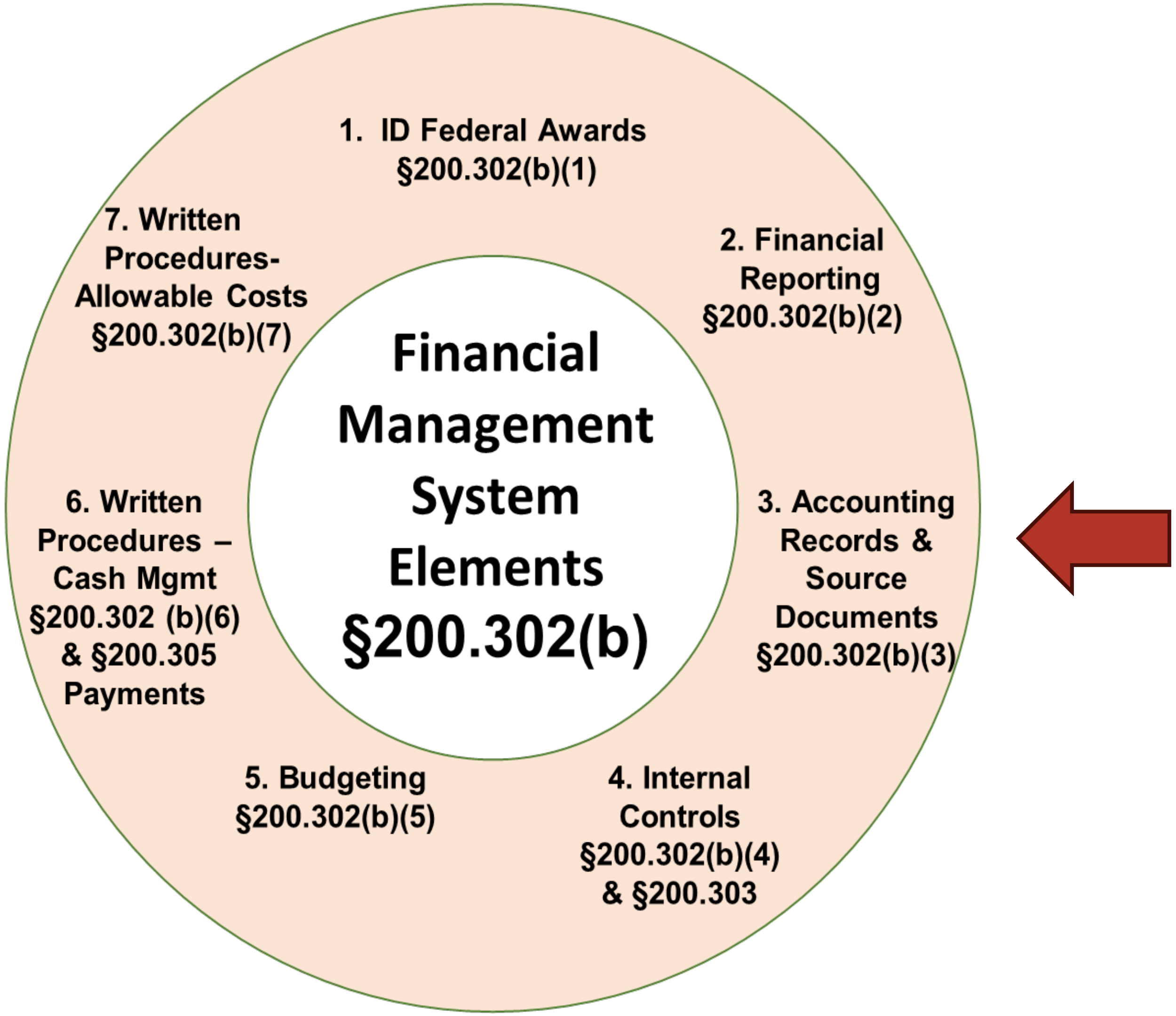
ANNUAL PERFORMANCE REPORT (APR)

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

Section 4: Accounting Records, Source Documents, Recordkeeping and Retention

Recipient and Subrecipients MUST:

§200.302(b)(3) Maintain records that sufficiently identify the amount, source, and expenditure of Federal funds for Federal awards……



ACCOUNTING RECORDS & SOURCE DOCUMENTS §200.302(b)(3)

Must provide records that sufficiently identify the amount, source and expenditure of Federal funds for Federal awards. These records must contain information pertaining to Federal awards:

- Authorizations – approvals
- Financial Obligations – payables, contracts, subrecipients
- Unobligated balances – grant funds on hand
- 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

Use of grants must be supported with source documents

Must have an accounting system with chart of accounts that can record ALL activities of the grants such as Revenues and Expenses, Assets, Liabilities, etc.

Identify and document source documents and their eligibility to each grant

REQUIREMENTS	IDENTIFY SOURCE DOCUMENTS AND ELIGIBLE TO FEDERAL AWARD
Authorization:	Example: Supervisor reviewed and signed timesheet authorizing time for recording and charging payroll costs to the grant.
Financial Obligations	Example: Signed contracts and Subrecipient Agreements that requires/obligates the Tribe/TDHE to make payment based on the agreement but not yet paid.
Unobligated Balances	Use your accounting system to track unobligated grant balances - what's available of the grant to expend. It represents the total federal funds authorized for a grant minus grant expenditures and any unliquidated obligations (obligations incurred but not yet paid).

Adequately Identify and Document Source and Application of Each Grant Fund

REQUIREMENTS	IDENTIFY SOURCE DOCUMENTS AND ELIGIBLE TO FEDERAL AWARD
Assets	Record of capital assets purchased with required data to support the asset (date of purchase, funding source, life of asset, make, model, location etc.). Use your Capitalization Policy and Procedures and prepare a Schedule of Capital Assets by Class of Assets (Land, infrastructure, Buildings, Equipment) and Depreciation Schedule.
Expenditures	Review allowability of costs for each grant. Only eligible and allowable expenditures/expenses can be charged to the grant. Must have approved invoices to support expenditures.
Income	Income for each grant must be supported by receipts of draws from grantor or LOCCS equivalent to eligible grant expenditures. Must have evidence of receipts for all other income generated for each specific grant (for example: Rent payment received).
Interest Earned	Example: Track and record Interest earned from approved IHBG investment in your accounting system and should be supported with investment statements documents.

IHBG RECORD KEEPING & RETENTION

<u>§ 1000.552 How long must the recipient maintain program records?</u>

- Maintain records for a minimum of 3 years after the end of the program year that the funds were expended [§1000.552].
- If audit, litigation, or other action
  - Keep 3 years or end of action, whichever is longer.
- NAHASDA Section 408 requires recipient to make housing plans, policy, or annual report available to the general public.

Consider a Records and Retention Software Program (including Policy and Procedures) to manage records.

RECORD RETENTION REQUIREMENTS
UNIFORM GUIDANCE REQUIREMENTS

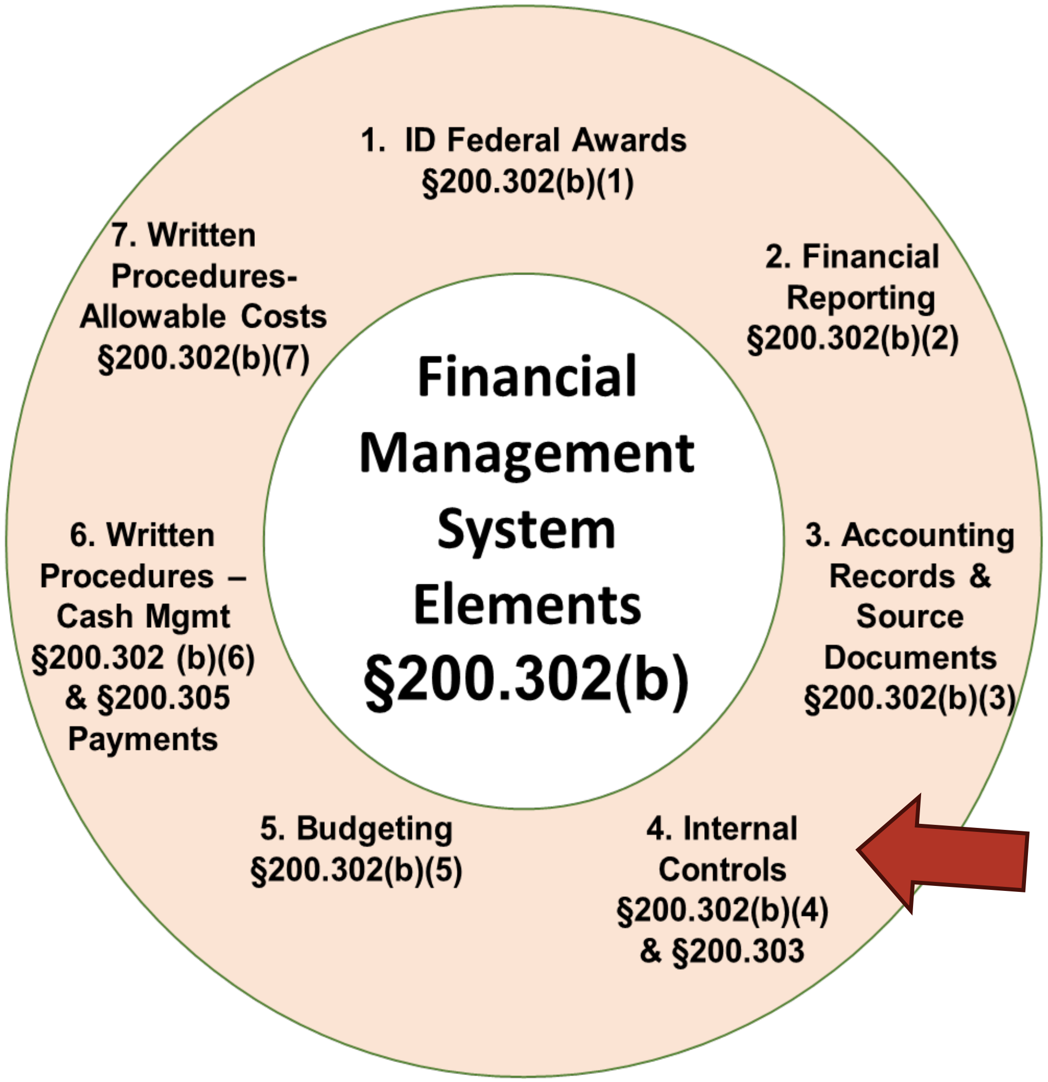
What to include in your Records and Retention Policy:

- §200.334 – Generally Retention Requirements for Federal awards is three years from the date of submission of the final financial reports (with exceptions).
- IHBG - Refer to IHBG §1000.552 – must retain records for three years from the end of the tribal program year during which the funds were expended.
- § 200.335 – Federal Agency may Request for Transfer of Records if records possess long-term retention value.
- § 200.336 - Methods for Collection, transmission, storage of information. May be required to store Federal Information in machine readable formats.
- § 200.337 – Access to Record – for the federal agency, the Inspector General, the Comptroller General of the United States, or other authorized representative;
- § 200.338 - Restrictions on public access to records – for example, Personnel files that have Personally Identifiable Information (PII).

Section 5: Internal Controls

Recipients/Subrecipients MUST have:

§200.302(b)(4) Effective control over and accountability for all funds, property, and assets. The recipient or subrecipient must safeguard all assets and ensure they are used solely for authorized purposes. See § 200.303 (Internal Controls).

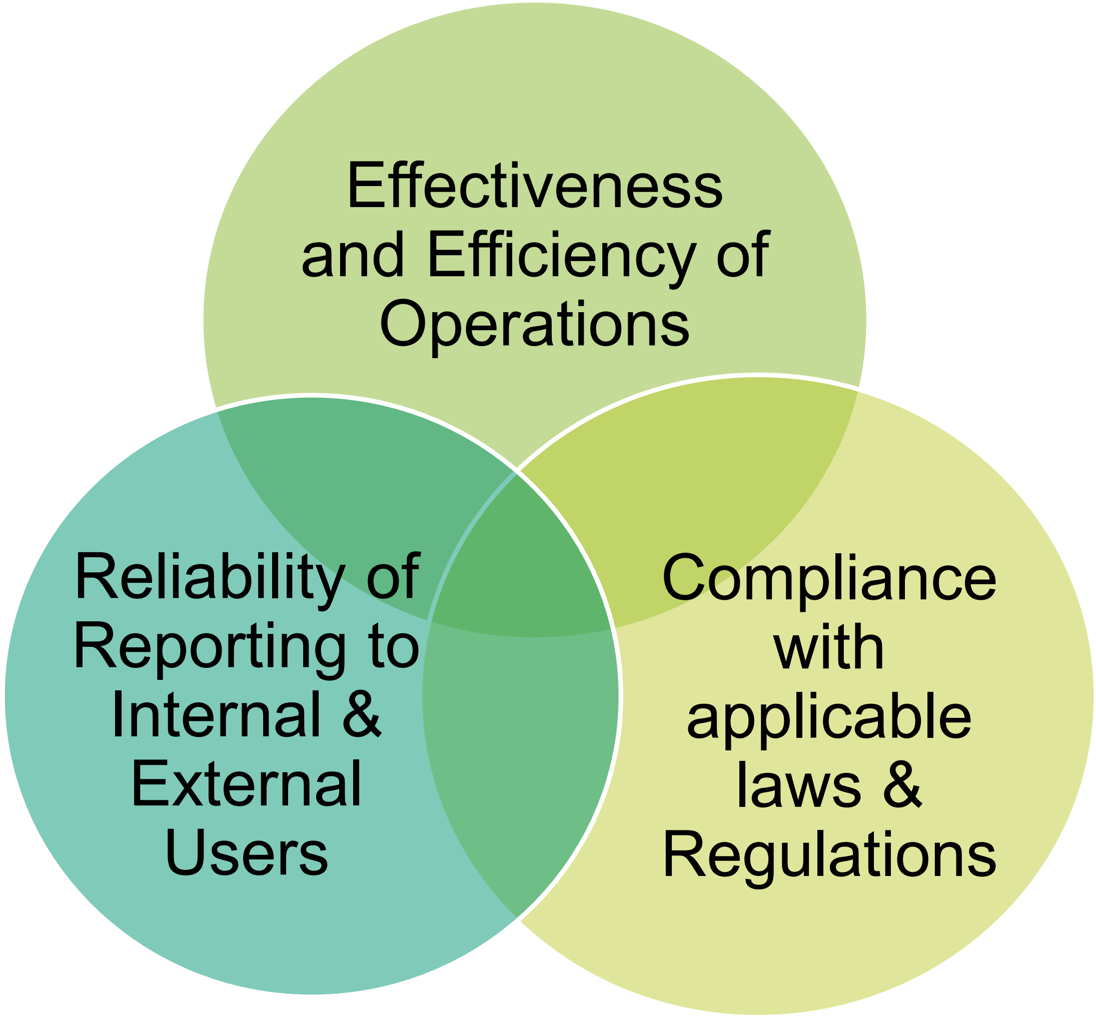


§ 200.302(b)(4)
FINANCIAL MANAGEMENT – INTERNAL CONTROLS

For all Funds, Property, and Assets acquired with Federal Grants, you MUST:

- Have effective control and accountability for all funds, property and assets
- Safeguard all assets and assure that they are used solely for authorized purposes.

INTERNAL CONTROLS OBJECTIVES



INTERNAL CONTROLS: A PROCESS

Internal control is a **PROCESS** that is implemented to control risks.

With strong internal controls the Tribe/TDHE will:

- **Safeguard** all assets and assure they are used solely for authorized purposes.
- Maintain **accountability** and assign **responsibility**.
- Provide reasonable assurance that policies, processes, behaviors and other aspects of an organization **facilitate effective and efficient operations**.
- Prepare reliable and quality internal and external **financial reports**.
- Demonstrate **compliance** with Federal statutes, regulations, and the terms and conditions of the Federal award.

INTERNAL CONTROLS [§200.303]……

Recipient **MUST** establish and maintain effective internal controls over the Federal award (IHBG) that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations and conditions of the Federal award.

Internal controls **SHOULD ALIGN** with either

> “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:

COMPONENTS OF INTERNAL CONTROLS: THE COSO FRAMEWORK

Control Environment – tone at the top

Risk Assessment – assess internal and external risks

Control Activities – policies and procedures

Information and Communication – communication plan to share information

Monitoring – assess ongoing quality of internal control systems over time

APPLYING COSO FRAMEWORK

Example: Internal Controls Over Activities *For Allowable And Unallowable Costs*

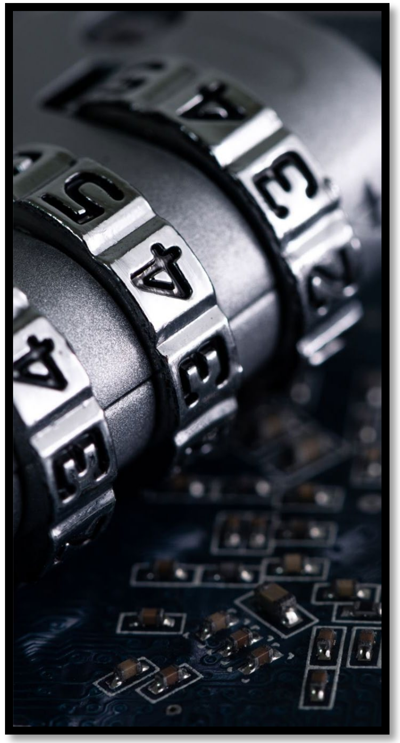
Control Environment Tone at the top – provides discipline and structure	• Management sets reasonable budgets; identifies allowable expenditures and revenue sources. Board or Council approves.
Risk Assessment Identify and how to manage risk	• Managers and staff are required to use the written policies and procedures as guidance to identify allowable or unallowable costs.
Information and Communication System	• Department managers review monthly budget to actual expenditures for accuracy and initiate corrections.
Control Activities Ensures management directives are carried out	• Managers follow established written procedures for authorization and approval of purchases based on approved budget, prior to purchase.
Monitoring Assess quality of internal controls	• Accounting provides financial reports to managers for monthly review; includes the reports to the Board.

TYPES OF INTERNAL CONTROLS

1. **Preventative.** controls to prevent undesirable activities from happening:

   a) **Physical controls**
      - Video Surveillance
      - Use of Safe to store cash

   a) **Administrative controls**
      - Written Policies and Procedures
      - Segregation of Duties
      - Approval and Signing Authority Limits



2. **Detective.** Controls that Identify problems after they have occurred.

Need both to reduce risk.

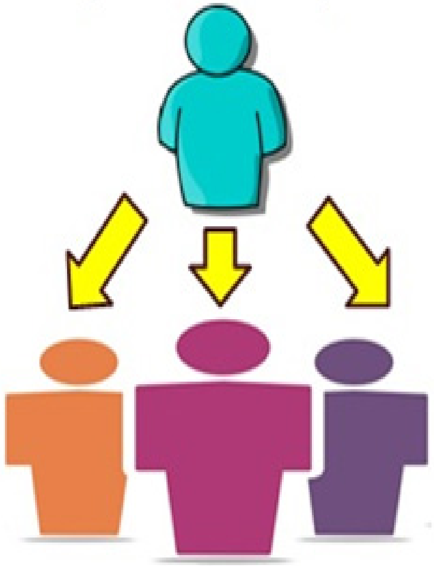
Preventative Controls

Incorporate Preventative Controls in written policies and procedures, such as:

- Segregation or division of duties
- Signing authority
- Proper authorization of transactions
- Adequate documentation to support transactions
- Supervision and/or monitoring operations
- Record retention

Segregation of Duties Definition

- Segregation of Duties(SOD) is a concept of separating "incompatible duties" so that 1 person doesn't have all 3 duties
  - Authorization = approving
  - Safekeeping = holding the asset or access to asset
  - Record keeping = keeping track of the asset/liability
- Having 2-3 person required to complete a process



EXAMPLE

1. **PREVENTATIVE CONTROL**
   a. **ADMINISTRATIVE CONTROL**
      - **Segregation of Duties**

PURCHASE ORDERS: REQUIRES MULTIPLE APPROVERS – SEGREGATION OF DUTIES:

1. Person A: Writes the Purchase Order
2. Person B: Approves the Purchase Order
3. Person C: Approves Invoice
4. Person D: Signs the Check

DETECTIVE CONTROLS

Incorporate detective controls activities through

- Written Policies and Procedures, and
- Activities such as

Annual Audits	Monthly reconciliation of bank accounts
Signing and Approval authority designation	Review and reconcile other balance sheet accounts
Self-monitoring	Conducting physical inventory

INTERNAL CONTROLS

We will cover internal controls for these select areas:

1. **Cash Receipts**
2. **Handling Accounts Payable and Disbursements**
3. **Bank Reconciliations**
4. **Journal Entries**
5. **Capital Assets**
6. **Credit Cards**
7. **Payroll**

ACCOUNTING SYSTEM WITH ENTERPRISE RESOURCE PLANNING (ERP) CAPABILITIES

What is ERP and does you accounting system have fully integrated ERP capabilities?

ERP - It is a software system that integrates all the core processes and functions of a business into a single, unified platform.

- **One Source of Truth:** All departments (finance, development, procurement) use the same database, so information is consistent and up-to-date across the company.
- **Automation:** It automates repetitive tasks such as payroll, invoicing, and order processing, reducing manual errors.
- **Improved Collaboration:** Because data is shared, teams can work together more effectively. For example, a sales order can automatically trigger a warehouse to pick items and finance to generate an invoice.
- **Real-Time Data & Reporting:** Management has instant access to live data to make faster, better-informed decisions.

ERP ROLE IN INTERNAL CONTROLS - example

Microix Accounting Systems (typically used with MIP Fund Accounting) act as a robust ERP internal control for accounts payable by automating the procure-to-pay workflow. It enforces segregation of duties, utilizes multi-level digital approvals for requisitions, and provides real-time budget checking to prevent unauthorized or over-budget spending.

- **Electronic Workflow Approval:** Requisitions are submitted electronically and routed through a defined, multi-level approval process tailored to organization policies before becoming purchase orders.

- **Encumbrance Accounting:** By using the Microix Requisition Module with the MIP Fund Accounting encumbrance module, funds are committed upon requisition approval, preventing overspending.

- **Automated Conversion and Accuracy:** Approved requisitions are automatically converted into purchase orders and transferred to MIP, reducing manual data entry errors and preventing unauthorized vendor purchases.

- **Segregation of Duties:** System controls allow restricting users' access rights, ensuring that the staff member who creates a requisition is not the same person authorized to approve it or issue payment.

- **Vendor Management and Audit Trail:** The system maintains comprehensive logs of all transactions and changes, providing a clear audit trail for compliance, while restricting vendor file access.

INTERNAL CONTROLS: CASH RECEIPTS

1. **Responsibility and Segregation of duties:** Designate different staff to perform different functions. For example:
   - Receptionist - receives rent/homebuyer payments and issues receipts.
   - Housing department person enters receipts into Housing Data Management System (HDS or KANSO)
   - Bookkeeper - reconciles payments received to cash receipts and prepares the bank deposit. Bookkeeper also posts the cash receipts to the accounting system.
   - Tribal administrator - reviews the bank deposit to the deposit ticket, and reviews and approves the bank reconciliation.

Rita Crundwell and the Dixon Embezzlement
THE $53 MILLION BAMBOOZLE: How the trusted comptroller of a small Illinois town became the biggest municipal embezzler in U.S. history, according to the feds—and no one noticed!

INTERNAL CONTROLS: CASH RECEIPTS

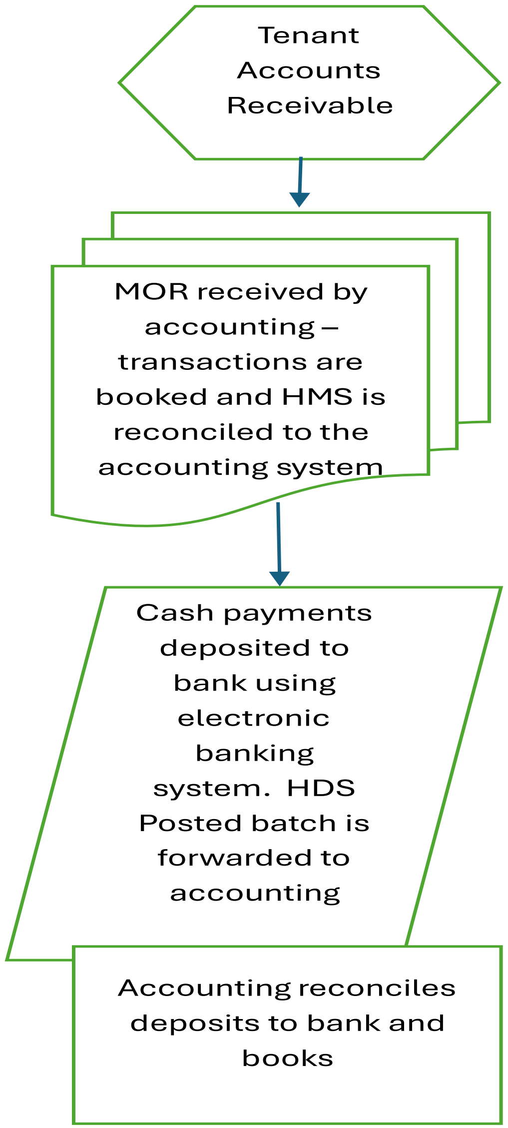
2. **Physical Preventative Controls**
    - Do not accept “cash”
    - Store Payments in a secure, locked fireproof safe
    - Limit access to storage areas
    - Use automated direct deposit

INTERNAL CONTROLS: CASH RECEIPTS

3. **Administrative Preventative Control**
    - Written procedures for cash management
    - Policy to accept only checks or money orders and electronic payments (no cash)
    - Record all cash receipts – Use pre-numbered receipt books, daily log of receipts or directly record tenant and homebuyer payments to Housing Management System (HDS/KANSO). Provide copy of receipt to tenant.
    - Reconcile cash receipts daily, sign and submit receipts log with checks to bookkeeper to verify and make ready for deposit.
    - Three-way reconciliation: HMS cash receipts report; bank deposit slip; general ledger
    - Make timely deposit - Deposit all cash in bank daily.
    - Bond personnel who handle cash
    - Require employees to take vacations and cross train

TENANT ACCOUNTS RECEIVABLE PROCESS

TENANT ACCOUNTS RECEIVABLE PROCESS



Monthly Operating Reports (MOR) are produced from your Housing Management System (HMS). These reports are used to "book" tenant rent, fees, and other transactions to your accounting system. MOR's are produced 3 business days after the end of the month

Accounting Manager prepares the journal entry to book tenant rent, fees, Insurance etc. from the Property Management Reports, enters into the accounting system, reconciling HDS to the accounting system

Reconciliation is reviewed and approved by Senior Accountant.

Daily Cash Payments from Tenants are received at the Property, entered into the HMS, batched, and deposited to the bank using electronic banking. Bank deposit and Cash received reports are submitted to Accounting to post to the GL. Source documents are stamped "Processed" and stored in a secure place for three months.

Accounting receives the daily deposit batch report with all supporting documentation, signs onto electronic banking and verifies deposit reconciled to the bank account. Accountant then posts the cash received, debiting cash and crediting Tenant Accounts Receivable.

Bank reconciliation is completed within 5 days after the end of the month. Hard copies of checks are authorized to be destroyed (electronic copies of checks are retained as part of the bank statement).

INTERNAL CONTROLS:
ACCOUNTS PAYABLE & DISBURSEMENT

1. Responsibility and Segregation of duties: multiple people are involved in receiving, processing, authorizing and distribution.

- Division of duties for procurement, receipt, processing invoices, payment
- Signing authority

Example:

a) Invoices are received by *Receptionist* who date stamps them received.
b) *Accounts Payable Clerk* Process invoices for Payment.
c) *Accounting Manager* reviews and approves Check batch for payment
d) Checks with support documents are reviewed and signed by *authorized check signers*.
e) Checks are mailed to vendor by *Accounts Payable Clerk*.
f) Check copy with supporting documentation are filed by *Accounts Payable Clerk.*

INTERNAL CONTROLS:
ACCOUNTS PAYABLE & DISBURSEMENT

2. Physical and Preventative Controls

a) Elect to receive all invoices via e-mail to accounts payable e-mail address.

b) Use prenumbered checks.

c) Authorized signers for checks using maximum amounts included in policy (check signer A can sign checks up to $10,000, etc.).

d) Additional controls if utilizing electronic signing.

e) Regular review and authorizing of bills to be paid (invoices entered but not paid).

f) Regular and timely bank reconciliations and attention to outstanding checks.

INTERNAL CONTROLS: ACCOUNTS PAYABLE & DISBURSEMENT

EXAMPLE

1. Receiving and processing of invoices:
   a. Paper invoices are received at the front desk and routed to the Accounts Payable Clerk. May required invoices to be billed to an e-mail accounting address.

   b. Accounting receives invoice, matches invoice with procurement and receiving documents.

   c. Invoices are entered into Accounts Payable system for payment
      i. Use the invoice number to track payments to vendors
      ii. Submit accounts payable batch to Accounting Supervisor for review and approval
      iii. Print checks and submit check batch to authorized signer (with source documents attached) for review and signature.
      iv. Copy of signed checks is attached to the invoice which is filed in accounts payable files.
      v. Endorsed checks are mailed to the vendor.

INTERNAL CONTROLS: ACCOUNTS PAYABLE & DISBURSEMENT

2. Other considerations:
   a. Process for invoices received that do not have required documents (procurement and receiving reports)
   b. Process for purchases and payments using credit cards
   c. Process for recurring invoices i.e. utilities.
   d. Reconciling to vendor statements
   e. Cash management - Ensure there is enough funds in the bank account to make payments.
   f. Use pre-numbered checks or electronic transfer of funds via ACH (Automated Clearing House).
   g. Store check stock in a secure place.
   h. Require two signatures on all checks.
   i. Additional review for payments made using ACH payments.

INTERNAL CONTROLS:
CAPITAL ASSETS

Definitions per 2 CFR 200:

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established by the recipient or subrecipient for financial statement purposes, or $10,000. See the definitions of *capital assets, computing devices, general purpose equipment, information technology systems, special purpose equipment,* and *supplies* in this section.

Real property means land, including land improvements, structures, and appurtenances thereto, and legal interests in land, including fee interest, licenses, rights of way, and easements. Real property excludes moveable machinery and equipment.

Personal property means property other than real property. It may be tangible or intangible. Example: Furniture, vehicle.

INTERNAL CONTROLS: CAPITAL ASSETS

Capital assets are a major cost to the NAHASDA program

- Tangible or intangible assets.
- If the project meets the rules of Public infrastructure, must comply with Buy America Build America (BABA) requirements in PIH 2024-35 (Revised)
- Useful life of more than one year.
- **Includes land, buildings, equipment and intellectual property.**
- Acquisition cost **that exceeds the lesser of Tribe/TDHE’s capitalization level, or $10,000**
- Must be capitalized in accordance with Generally Accepted Accounting Principles (GAAP)
- Track all capital assets in your accounting system.
- Must provide insurance coverage per §200.310.
- 2 CFR 200.313 Equipment – Title is conditional title

INTERNAL CONTROLS: CAPITAL ASSETS

Must follow Tribe/TDHE’s written policies and procedures for capitalization and treatment of capital assets to include:

- All capital procurements or capital developments should be reviewed through the (capital) budget process.
- **Must assess for Public Infrastructure requirements to see if BABA applies**
- Internal controls for authorizing and purchasing capital assets.
- Definition of classes of assets, useful life, and depreciation method.
- Physical inventory of fixed assets at least every two years (§200.313).
- Process for disposing of assets
- Requirement to consistently maintain and update Capital Asset Ledger, Depreciation Schedule and Accumulated Depreciation to support Capital assets recorded in the general ledger.

INTERNAL CONTROLS: CAPITAL ASSETS

§ 200.310: Insurance Coverage

At a minimum, Recipient/Subrecipient must provide and maintain equivalent insurance coverage for real property and equipment acquired or improved with federal funds as provided to property owned by the Recipient/Subrecipient.

NAHASDA Specific Insurance Requirements

§1000.136-140 and Program Guidance 2014-03 (R) – Insurance requirements under the IHBG Program

- **Insurance is REQUIRED**:
  - Tribe/TDHE housing units owned, operated, or assisted with IHBG funds
  - Privately owned housing with IHBG assistance of $5,000 or more **[§1000.136(b)]**
  - Where repayment of all or part of the assistance is part of the assistance agreement for a privately owned housing unit.
- **Insurance NOT REQUIRED** on Privately Owned Housing if:
  - There is no risk of loss of exposure to the Tribe/TDHE, OR
  - Assistance is less than $5,000.
- **ADEQUATE** insurance is full coverage to replace property for loss from fire, weather, liability claims, including flood insurance.

NAHASDA Specific Insurance Requirements §1000.136-140 cont'd

- **Insurance coverage must be for the longer of:**
  - The useful life (affordability period) of recipient or privately owned units, OR
  - The term of a repayment or forgiveness agreement for all or part of the IHBG assistance for privately owned housing units.
- Any actual losses that could have been covered by permissible insurance are generally unallowable.
- **Contractors and subcontractors** are required to have insurance and have recipient named as additional insured.

INTERNAL CONTROLS:
CAPITAL ASSETS - EQUIPMENT

Regarding Per §1000.26(a)(8):

Section 200.313, "Equipment," applies, except that in all cases in which the equipment is sold, the proceeds shall be program income.

INTERNAL CONTROLS: CAPITAL ASSETS – EQUIPMENT § 200.313(a) TITLE

Unless otherwise provided by a statute,

- Title must vest as a “CONDITIONAL TITLE” to the Recipient/Subrecipient subject to the following conditions:
  - use the equipment only for the authorized purposes…in period of performance, or until the property is no longer needed for the purposes of the project.
  - not encumber the property without (HUD) approval.
  - follow USE requirements of paragraphs (c)
  - **NOTE: Disposition requirement in 200.313 (e) does NOT apply for equipment purchased with IHBG funds. NAHASDA does not require that IHBG recipients request disposition instructions.**

INTERNAL CONTROLS:
CAPITAL ASSETS – EQUIPMENT
§ 200.313(c)(1) USE

- Order of priority for equipment use when the equipment is no longer needed for original program/project, to:
  - Activities under a federal award from the federal awarding agency which funded the original program or project (e.g. another HUD funded program).
  - Activities under federal awards from other federal awarding agencies.

INTERNAL CONTROLS:
CAPITAL ASSETS – EQUIPMENT
§ 200.313(c)(2) USE

****DURING THE TIME THE EQUIPMENT IS BEING USED ON THE PROJECT****

- Must also make the equipment available for use on other projects or programs currently or previously supported by the federal government, provided the work will not interfere with the work on the projects or programs.
- Use must follow order of priorities from 200.313(c)(1)(i-ii).
- Use for non-federally-funded programs or projects is also permissible as long as such use does not interfere with the purpose for which the equipment was purchased - but user fees should be considered if appropriate.

INTERNAL CONTROLS: CAPITAL ASSETS – EQUIPMENT USE § 200.313(c)(3 & 4)

A Recipient/Subrecipient:

- is encouraged to earn program income but *must not use equipment acquired with the federal award to provide services for a fee that is less than what private companies charge for equivalent services*, unless specifically authorized by federal statute for as long as the federal government retains an interest in the equipment.

- may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

INTERNAL CONTROLS: CAPITAL ASSETS – EQUIPMENT §200.313(d) MANAGEMENT REQUIREMENTS

1) Maintain a schedule of capital assets by category (Buildings, Land & FFE) to include

- description of the capital asset/property
- serial number or other ID number
- source of funding for the property, including Federal Award Identification Number (FAIN)
- title holder
- acquisition date and cost or fair market value
- funding source and any restrictions
- location of the asset
- use and condition of the asset
- Disposition data, including date and sale price of the asset

INTERNAL CONTROLS:
CAPITAL ASSETS – EQUIPMENT
§200.313(d) MANAGEMENT REQUIREMENTS

Physical and Preventative Controls

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

NOTE: Record of additional information is helpful for insurance and other business purposes such as serial number, Vendor, Make and model.

Refer to § 200.313(d)(2-5)

INTERNAL CONTROLS:
CAPITAL ASSETS: USEFUL LIFE & DEPRECIATION

- Maintain a schedule of capital assets by category for capital assets with a useful life > one year and cost of $10,000 or more (defined by policy).
- Establish a Useful Life Schedule for each asset category.
- Depreciate assets using the Straight-Line method of depreciation
- Calculate depreciation beginning the first full month an asset is placed into service.

  Example: annual depreciation for a vehicle with an acquisition cost of $50,000 and a useful life of 10 years = $5,000 ($50,000 divided by the Useful life of 10 years).

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

CAPITAL ASSETS AND DEPRECIATION SCHEDULE

Upnorth Village Tribal Housing
Fixed Assets Schedule
December 31, 20XX

Date	Item	Source	Beginning Balance	Additions	Deletions	Ending Balance
Land						
6/1/1998	Land/Office Bldg: 1.5 acres	Donated Village Corp	30,000	0		30,000
7/15/2015	Land/Triplex 1.5: acres	Donated Village Corp	30,000	0		30,000
11/31/2015	Land/2 x 4 plexes	Donated Village Corp	60,000	0		60,000
		Total Land	120,000	0	0	120,000
Infrastructure/Land Improvements						
1/6/20XX	4 Plexes water sewer	ANTHC	0	38,500		38,500
1/6/20XX	4 Plexes Sand and Gravel Pad	ICDBG		150,000		150,000
		Total Land		188,500	0	188,500
Buildings						
1/1/1991	MH Homes (4)	HUD	2	0	0	200,000
1/1/1996	1937 Act 8 unit multifamily	HUD		0	0	630,700
10/1/2000	Office Building	BIA/NAHASDA		0	0	424,075
7/20/2011	single family home	NAHASDATitle VI		0	0	230,000
7/20/2011	single family home	NAHASDATitle VI				
1/1/2012	single family home	NAHASDATitle VI				
1/1/2012	single family home	NAHASDATitle VI				
		Total Buildings				
Equipment						
7/1/2010	Allweld Boat 18' w/Murcury 115 HP	EPA/IGAP				
12/1/2015	Honda 4 wheeler VIN 1234	EPA/IGAP				
3/31/2015	Ford single cap VIN 6698	BIA TPA				
7/15/20XX	Honda 4 wheeler VIN 9988 & Trailer	IRR				
		Total Equi				
		Total Al				
Construction in Progress						
	(2) 4 plexes under contruction	NAHASD				
		Total CWI				

Let's Review Sample

…ember 31, 20XX

Date	Item			Beginning …umulated …preciation	20XX Additions	20XX Deletions	Ending Accumulated Depreciation	Net
				0			0	30,000
				0			0	30,000
				0			0	60,000
				0	0	0	0	120,000
		…500	240	0	1925		1,925	36,575
		…,000	0	0			0	150,000
		…88,500		0	1,925	0	1,925	186,575
Buildings								
1/1/1991	MH Homes (4)	200,000	0	non-depreciable			0	200,000
1/1/1996	1937 Act 8 unit multifamily	630,700	360	420,467	21,023	0	441,490	189,210
10/1/2000	Office Building	424,075	360	215,571	14,136	0	229,707	194,368
7/20/2011	single family home	230,000	360	33,861	7,667	0	41,528	188,472
7/20/2011	single family home	230,000	360	33,861	7,667	0	41,528	188,472
1/1/2012	single family home	230,000	360	30,667	7,667	0	38,333	191,667
1/1/2012	single family home	230,000	360	30,667	7,667	0	38,333	191,667
		2,174,775		765,094	65,826	0	830,920	1,343,855
Equipment								
7/1/2010	Allweld Boat 18' w/Murcury 115 HP	21,500	120	11,825	2,150	0	13,975	7,525
12/1/2015	Honda 4 wheeler VIN 1234	7,689	84	92	1,098	0	1,190	6,499
3/31/2015	Ford single cap VIN 6698	26,750	120	2,006	2,675	0	4,681	22,069
7/15/20XX	Honda 4 wheeler VIN 9988 & Trailer	11,506	84	0	685	0	685	10,821
		67,445		13,923	6,608	0	20,531	46,914
		2,550,720		779,016	74,359	0	853,376	1,697,344
Construction in Progress								
	(2) 4 plexes under contruction	429,060	0					
		429,060		0	0	0	0	0

INTERNAL CONTROLS: CAPITAL ASSETS: ACCOUNTING

How do you account for CAPITAL EXPENDITURES to show that it is both an EXPENDITURE of the IHBG GRANT, as well as a CAPITAL ASSET in your financial records?

1. First: Record the capital expenditure as a grant expenditure of the IHBG to capture the expenditure of the vehicle as a cost of the IHBG grant.
2. Second: If equipment and capital costs are equal to or exceed Tribe/TDHE's capitalization threshold you must also record the capital purchase as an ASSET.

See worksheet samples in reference material

- Accounting for Fixed Assets
- Grant Accounting for Fixed Assets

INTERNAL CONTROLS:
Payroll

Responsibility & Segregation of duties:

- Personnel Policies and/or Employee Handbook details the responsibilities of the Employer and Employee, includes Employee Benefits, and other Human Resource policies.
- Employee fills out timesheet, Supervisor reviews and approves, P/R Clerk Processes Payroll and Accounting Supervisor approves final processing.
- Approval process for all new hires/changes in employment, terminations.
- Process for charging and review of staff time charged to various grants and programs based on actual work performed.
- Process for reviewing payroll checks, direct deposits, payroll liabilities and payments.
- Budgets should be accurate and reasonable - involves significant planning and documentation to support budget allocations. Budgets support positions approved for operations.

INTERNAL CONTROLS: Payroll

Physical and Preventative Controls:

- Follow written policy and procedures in Personnel Policy that define the treatment, rights, obligations and relations of people in your organization.

- Use hire documents that include the details of employment including DOH, rate of pay, benefits, authorizing deductions, pay periods, etc. The employer is required to provide employee with I-9 and W-4 to fill out at employee's hire date.

- Use Payroll Action Forms (PAF). As the authorizing document for employee set up in payroll.

- Use of timesheets or leave reports for all time worked and leave taken.

- Procedures to insure timely submittal of payroll reports and payments for workers compensation, Federal Withholding, Social Security and Medicare Liability, and other payroll deductions and/or benefits.

- Review budget to actual reports of each grant for planned vs actual work allocated to grant(s).

INTERNAL CONTROLS: Payroll

SAMPLE PAYROLL ACTION FORM (PAF)

NAME	EMPLOYEE NAME
JOB TITLE	HOUSING COORDINATOR
DOH OR EFFECTIVE DATE OF CHANGE	OCTOBER 1, 2021
EXEMPT OR HOURLY	HOURLY
PAY RATE	$25.00 PER HOUR
HOURS PER DAY	8
BENEFITS: YES/NO	YES
ACCOUNT CODE	7220
CLASS	600 NAHASDA
SUBCLASS 1:	100 ADMINISTRATION
SUBCLASS 2:	300 YOUTH ACTIVITY

EMPLOYEE SIGNATURE ______________________

AUTHORIZING SIGNATURE ______________________

INTERNAL CONTROLS:
Payroll

§200.430(i) Standards For Documentation Of Personnel Expenses

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed and must be supported by:

(i) Policies and procedures: Should consider Employee eligibility and payment for holidays, various leave, paid travel time, training and administrative leave;

(ii) A System of Internal Control: documented processes provide reasonable assurance that the charges are accurate, allowable, and properly allocated (*example - employee certification and supervisor approval*);

(iii) Payroll Records: position descriptions, hire documents, payroll authorization forms, timesheets, check copies etc. are incorporated into the official records of the recipient.

INTERNAL CONTROLS:
Payroll

§ 200.430(i) Standards For Documentation Of Personnel Expenses

(iv) Timesheets reflect actual hours worked or, if allocation models are used, the methodology to support the percentage breakdown on all activities for federally funded and non-federally funded activities.

(v) Allocation models created for budget purposes are estimates and can be used for different projects from the same funding source, BUT charges to multiple projects funded with different Federal grants should be based on actual time worked on those projects.

(vi) **Repeat:** Budget estimates alone do not qualify as support for charges to federal awards – You must have a system of internal controls to review and adjust final amount charged to the federal award to ensure the charge is accurate, allowable, and properly allocated.

INTERNAL CONTROLS:
Payroll

TIMESHEETS: NON-EXEMPT EMPLOYEES

- Non-exempt employees receive an hourly wage and are eligible for overtime pay under the Fair Labor Standards Act (FLSA).
- Record actual hours worked by funding source, activity or project (Employer defined).
- Record of time worked (timesheet) must be certified by employee.
- Timesheet must be reviewed and approved by the supervisor.
- An employee working more than 8 hours in a day and/or more than 40 hours in a week, must be paid time-and-one-half (1.5 times) his/her hourly rate for those extra hours worked (Alaska - know your State requirements).

INTERNAL CONTROLS: Payroll

Tribe/TDHE

Employee Name: ________________ Employee Position: ________________ Employee ID: ________

Week end: 9/30/2023

Date	Day	Type	Hours	PROGRAM / PROJECT 1	Hours	PROGRAM / PROJECT 2	Hours	PROGRAM / PROJECT 3	Hours	PROGRAM / PROJECT 4	Hours	PROGRAM / PROJECT 5	Hours	TOTAL
9/24/2023	Monday	Regular												0.00
***	Monday													0.00
9/25/2023	Tuesday	Regular												0.00
***														0.00
9/26/2023	Wednesday	Regular												0.00
***														0.00
9/27/2023	Thursday	Regular												0.00
***														0.00
9/28/2023	Friday	Regular												0.00
***														0.00
9/29/2023	Saturday	Regular												0.00
***														0.00
9/30/2023	Sunday	Regular												0.00
														0.00
													Total Hours	0.00

*** Identify other hours: Example: Overtime, Personal Time, etc

Document time worked EACH day by project/grant

COMMENTS:

Employee signature: Date:

Supervisor signature Date:

Department Manager O/T approval Signature

- HR/accounting set up accounts in payroll system that links hours worked on projects/activities to specific grants.
- Overtime hours must be approved before hours are incurred and authorized by Department Manager.
- Timecards filled out accurately by employee. Charge hours worked by Program/Project based on Work Orders completed.
- Must be signed by employee and authorized by Supervisor

INTERNAL CONTROLS:
Payroll

TIMESHEET- EXEMPT EMPLOYEES

- Must qualify for exempt status based on position and responsibilities, i.e. work in bona fide executive, administrative, professional, outside sales, and computer-related fields.
- Each position must meet requirements set out in the Fair Labor Standards Act (FLSA) to qualify as exempt.
- Receive a salary for the work, not less than weekly base payment set by the FLSA.
- Not eligible to receive overtime pay.
- Salary is not subject to reduction because of the quality or quantity (actual hours) of work in a week, BUT
    - Employers can require exempt employees to:
        - work a minimum workweek,
        - track time AND
        - require exempt employees to use leave for full and partial days off
    - Employer may consider a leave report rather than a time sheet.

https://www.dol.gov/agencies/whd/fact-sheets/17a-overtime
https://www.dol.gov/agencies/whd/overtime/rulemaking/faqs

Best Practices

If you do not require an exempt employee to track hours worked, Consider having an exempt employee submit a "leave report" every pay period to track the type of leave hours taken during that payroll period for recording and accounting of exempt employee's leave benefits.

Any leave taken will be deducted from the exempt employee's leave bank.

Partial days leave are allowable. However, an employer may not reduce weekly pay of exempt employees for time not worked.

EXEMPT PERSONNEL LEAVE REPORT

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

Period from | **Period to**

First Name | **Last Name** | **Employee ID#**

Position Title

Department

Type of Leave Taken	Dates Taken	Total Days
Personal		
Jury Duty		
Bereavement		
Administrative		
Holiday		
Leave without Pay		

Total Days Taken

Comments

Employee Certification:

Supervisor Certification:

After signatures, submit to Payroll Department

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

INTERNAL CONTROLS: Payroll

ACCURATE REPORTING

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

Exempt Employees:

- Track actual hours worked if charged to a federal grant.
- Tracking hours does not affect salary amount for given pay period.
- No overtime paid.

EXEMPT EMPLOYEE PAYROLL ALLOCATION TO GRANTS			
ANNUAL SALARY	$ 72,000.00	A	
BI-WEEKLY SALARY (80 HOURS)	**$ 2,769.23**	B	
HOURS TRACKED FOR THE PAY PERIOD	Hours worked	% of Total Hours	$2,769.23 Salary Allocation
		D	D x B
Project A - ICDBG	25.00	28%	$ 769.23
Project B - OTHER	25.00	28%	$ 769.23
NAHASDA - DEVELOPMENT	40.00	44%	$ 1,230.77
TOTAL	90.00	100%	**$ 2,769.23**
NOTE: NO OVERTIME PAID			

INTERNAL CONTROLS: PAYROLL

Payroll Guidance and Reporting: https://www.irs.gov/forms-pubs/about-publication-15

- File FWHT, SS and Medicare tax liabilities withing the required timeline for your entity (either semi-weekly or monthly) to comply with IRS requirements

Required to file taxes using electronic funds transfer (EFT):

Quarterly: Complete and file Form 941 Employer's quarterly Federal Ta Return and Schedule B to report your liability for income taxes, Social Security tax and Medicare tax liabilities.

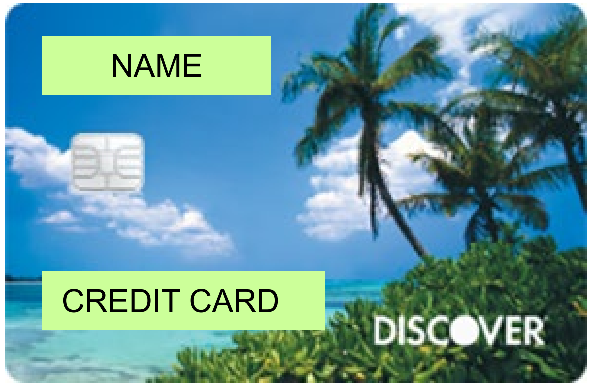
Annually: The employer is required to issue Form W-2 to employees to report employee's annual wages and taxes withheld from paychecks.

Payroll Record Retention: Per IRS – Keep employment tax records for at least 4 years after the date that the tax becomes due or is paid, whichever is later.

INTERNAL CONTROLS:
Business Credit Card

BENEFITS of having company business credit cards?

- Efficient method for making purchases.
- Effective tracking of expenses, i.e. matching all charges against statements
- Documented travel expenses and other purchases.
- Accountability to holder/user of the card



RISKS: Unauthorized use or unallowable costs such as:

- Personal use of business credit card
- Unallowable purchases or purchases above authorized limits
- Loss of receipts.

INTERNAL CONTROLS:
Credit Card

The use of credit cards for purchases requires a high level of control by the organization. Internal controls should include the following:

Responsibilities & Segregation of Duties:

- Written policy – Document a credit card policy that details the rules for using the card.
- Limit use of the credit card through procedures and strict management oversight.
- Establish cardholder responsibilities, including purchase limits and allowable purchases.
- Prohibit personal use of business credit card.
- Outline consequences if business card user deviates from the policy.
- Incorporate procurement requirements of using credit card for purchases.
- Control the number of credit cards assigned and prohibit card sharing.

Preventative Controls:

- Controls to ensure invoices are received in a timely manner with required information: business purpose, account code, approvals.
- Review and approval for processing and payment. Approvals documented on the invoice.
- Establish spending limits – Assign spending limits to employees appropriate for their position.
- Reconcile monthly – The monthly credit card bills should be reconciled timely to receipts by the Accounting Office.
- Credit card statements should be paid timely to avoid penalty and finance charges.
- Attach consequences on users for missing receipts, i.e. freeze credit card for that user.

INTERNAL CONTROLS:
Credit Card

Responsibility and *segregation of duties*

- **Card Administrator:**
  - Has access to on-line banking and on-line statements of card-holders.
  - Can control credit card usage and limits through on-line access.
- **Cardholders:**
  - Sign an “Agreement and Acknowledgement of Understanding.”
  - Documents cost code, business purpose and signature on face of the invoice or pay request
  - Submits invoices within agreed timeline submittal to Supervisor for review and approval.
- **Accounting:**
  - Credit card charges are entered into the Accounts Payable system on a timely basis.
  - Charges are reconciled to the statement prior to payment.
  - Credit card payments are made within required timeframe to avoid penalties and interest.

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 Framework did the Tribe/TDHE overlook?

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

REVIEW

CREDIT CARD PROCEDURE

REVIEW

SAMPLE CREDIT CARD HOLDER AGREEMENT

INTERNAL CONTROLS: Bank Reconciliation

The bank reconciliation process compares the cash balance of a Tribe/TDHE's GL Bank balance to the amount reported on the bank statement.

- The Recipient's cash accounts must reconcile to the bank statements.
- Reconciling bank accounts **each month** is an important internal control as it:
  - confirms the Recipient's book cash balance
  - allows for review of cleared and outstanding checks
  - confirms all transactions that have cleared the bank are posted in the general ledger.

Recommendation

- Keep a separate general ledger (GL) account for each bank account. This facilitates the bank reconciliation process, which should be performed monthly.
- Follow up on checks that have not cleared the bank for several months.
- Obtain bank statements electronically for timely reconciliation.
- Conduct bank reconciliations using your accounting system. This ensures accuracy of your accounting records

INTERNAL CONTROLS:
Bank Reconciliation

Administrative Preventative Controls:

- Utilize online banking for control and quick access to bank accounts.
- Maintain a bank reconciliation file.
- File bank reconciliations by account and month for easy access and use in various audits.
- Periodically, require the bank reconciliation to be completed by someone other than the bookkeeper.
- Include bank reconciliation process in written financial management policies and procedures.

INTERNAL CONTROLS:
Bank Reconciliation

Physical and Preventative Controls:

- Perform bank reconciliations timely.
- Include segregation of duties – review and approval.
- Research all outstanding checks and deposits for accuracy.
- Manage ACH receipts and payments – establish a process.
- Verify and reconcile electronic Tenant Rent Deposits timely (daily).
- Ensure all Federal funds are fully insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Insurance (NCUI).

INTERNAL CONTROLS:
Bank Reconciliation

Common Oversights:

- Not performing bank reconciliations timely (monthly) so cash balances in the general ledger are not supported (not correct).
- Reconciliations are not reviewed and approved by someone other than the person preparing the bank reconciliations.
- Not posting grant eLOCCS drawdowns timely (when they are received).
- Not managing the outstanding checks (research checks over three (3) months to determine the cause and reissue if necessary), causing cash balances to be incorrect.
- Not insuring Federal funds:
  - Must have bank depository agreement with bank
  - Bank Accounts must be fully insured by the FDIC or NCUA and/or must be fully collateralized
  - Refer to FORM 52736-A or Form 52736-B for IHBG investment.

INTERNAL CONTROLS:
Bank Reconciliation

BANK RECONCILIATIONS – PROCEDURES

- Reconciling bank accounts each month is an important internal control.

Description	Bank Statement	General Ledger (Books)
Unreconciled Ending balances @ 12/31/20XX	$170,309.67	$171,352.51
Deposit in Transit-has not been received by the bank – Need to account in bank	+$19,923.50	Already recorded in GL
Outstanding Checks – have not cleared the bank – Need to account in bank	-$18,900.66	Already recorded in GL
Monthly bank charges and fees - Need to record in GL	Already included in bank account	-$120.00
Bank interest earned - Need to record in GL	Already included in bank account	+$100.00
Reconciled Ending balances at 12/31/20XX	**$171,332.51**	**$171,332.51**

	SAMPLE: BANK RECONCILIATION FIRST TOWN GENERAL OPERATING			
		1111 First Town Bank General Operating		
Step 1	Balance per Bank Statement December 31, 20XX			170,309.67
	Add:	Deposits in Transit		19,923.50
	Less:	Outstanding checks		(18,800.66)
		Adjusted Balance per Bank		171,432.51
Step 2	Balance per Books at December 31, 20XX			171,352.51
	Adjustments:			
	add:	Interest earned		100.00
	less:	Monthly bank charges		(120.00)
	Less:	Returned checks		0.00
		Adjusted Balance per Books		171,332.51
	Deposits in Transit:			
	12/31/20XX		Rent Payments Prop 1	1,203.50
	12/31/20XX		Rent Payments Prop 2	850.00
	12/30/20XX		IHBG Draw	17,870.00
				19,923.50
Step 3	Outstanding Checks			
	Date	Check No	Payee	Amount
	12/07/20XX	1429	Jungle JJ Flooring	8,900.00
	12/15/20XX	1523	Staples office Jet	539.65
	10/26/20XX	1533	Circle Air	439.00
	12/15/20XX	1534	James White LLC	2,300.00
	11/30/20XX	1906	James Jones	2,174.36
	11/28/20XX	1544	Standing Lumber yard	4,447.65
			Total	18,800.66

Prepared by: ______________________________ Date: _______________

Approved by: ______________________________ Date: _______________

SEGREGATION OF DUTIES

Sample Procedures for Internal Controls on Bank Reconciliations

Responsibility and Segregation of Duties:

- The Receptionist receives the banks statement and stamps it received;
- The Bookkeeper reconciles the bank statement, attaches the reconciliations, signs and dates it as completed.
- The Tribal Administrator reviews and approves the reconciliation.

Must sign and date

INTERNAL CONTROLS:
Journal Entries

1. An accounting journal entry is the action of recording accounting transactions into your accounting system.

2. Journal entries create an audit trail of the transactions made that can be followed and traced to original documentation that are attached to the journal entry and filed as part of your accounting transaction records.

3. Accounting software automatically posts journal entries to the general ledger when transactions are recorded through subsidiary ledgers, such as the Cash Management, Accounts Receivable, Accounts Payable and Payroll.

4. It may be necessary to create and post manual journal to the general ledger or to post transactions that do not post through the subsidiary ledgers for:

Correcting Posting Error	Post entry to correctly classify payroll charge to the right class for work performed.
Adjusting Entries	Book month end allocations or indirect cost allocations.
Adjust Accounting Balances	Recording depreciation of expenses and accumulated depreciation.

INTERNAL CONTROLS:
Journal Entries

An adjusting journal entry (AJE) form is the control document for creating a journal entry and should include:

- Adjusting Journal Entry number
- Account numbers, account name, class or fund, and account descriptions
- Debit and credit amounts that balance
- Reason for the journal entry
- Preparer name, signature and date signed
- Reviewer/approver's name, signature and date signed
- All AJE's are to be signed by both the preparer and reviewer prior to posting

The preparer is responsible for:

- Providing detailed supporting documents and ensuring they are complete and accurate.
- Documenting the reason to justify the AJE.
- Ensuring AJE is in balance (debits = credits), and the correct funds/classes are identified
- Preparer cannot approve the same journal entry.

All posted journal entries and related documentation should be maintained in an accessible file for review by management and external auditors, if necessary.

INTERNAL CONTROLS:
Journal Entries

SAMPLE GENERAL JOURNAL ENTRY FORM

UPNORTH VILLAGE | **AJE NUMBER**

DATE	ACCOUNT	CLASS	DESCRIPTION	Debit	Credit
XX-XX-XXXX	XXXX	XXX	enter description (shows in General Ledger)	$$$	
	XXXX	XXX	enter description (shows in General Ledger)		$$$
		TOTAL			

posting date/date of transaction

short description of why you are creating the journal entry.

Name and signature of preparer

Prepared by: Date

Date of Preparaton

Name and sigature of reviewer/approver

must be different from the Preparer, such as the Administrator or Council Member

Approved by: Date

Note: The reviewer/approver looks over the journal entry and supporting documentation before posting. Each journal entry should have complete documentation to support the transaction. There should always be two signatures for every entry

DESIGNING INTERNAL CONTROLS
EXAMPLE 1

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

a. **President**
   i. Reviews and approves all grant expense reports;
   ii. Approves and reviews all Grant applications; and
   iii. Signs checks for all transactions over a certain limit.

APPROVES

b. **Tribal Administrator**
   i. Reviews final bank reconciliations;
   ii. Second signer on all checks;
   iii. Reviews and approves payroll before final processing;
   iv. Approves payment of all payroll liabilities;
   v. Reviews and approves accounts payable before checks are cut;
   vi. Reviews and approves all financial reports;
   vii. Approves all journal entries (or JE's over a certain dollar amount);
   viii. Approves all credit card payments; and
   ix. Reviews and approves bank deposits and bank reconciliations.

REVIEWS & APPROVES

c. **Bookkeeper**
   i. Processes payroll and payroll liabilities;
   ii. Processes accounts payable and prepares checks;
   iii. Reconciles general ledger monthly;
   iv. Reconciles bank accounts;
   v. Prepares grant expense reports; and
   vi. Reconciles credit card payments.

PROCESS & RECONCILES

d. **Office Assistance/ Receptionist**
   i. Opens all mail;
   ii. Prepares cash receipts log and invoice log;
   iii. Mails checks for payment; and
   iv. Processes all travel requests and reviews travel vouchers for accuracy.

PROCESSES

DESIGNING INTERNAL CONTROLS

REMEMBER: INTERNAL CONTROLS ARE UNIQUE TO YOUR ORGANIZATION

COMPLIANCE: Are expenses eligible to the grant; are you in compliance with federal and state requirements; are you following GAAP? Do you have policy and procedure for consistent treatment of like transactions?

EFFECTIVENESS AND EFFICIENCY: Is there separation of duties; are you protecting your assets; do policies and procedures ensure effective and efficient operations while assigning authority and responsibility?

RELIABILITY: Do your internal controls ensure reliable finance reporting; is everyone held to the same standard; can the granting agency rely on your financial reports to be accurate and compliant?

SAMPLE POLICIES AND PROCEDURES

INTERNAL CONTROLS EXERCISE

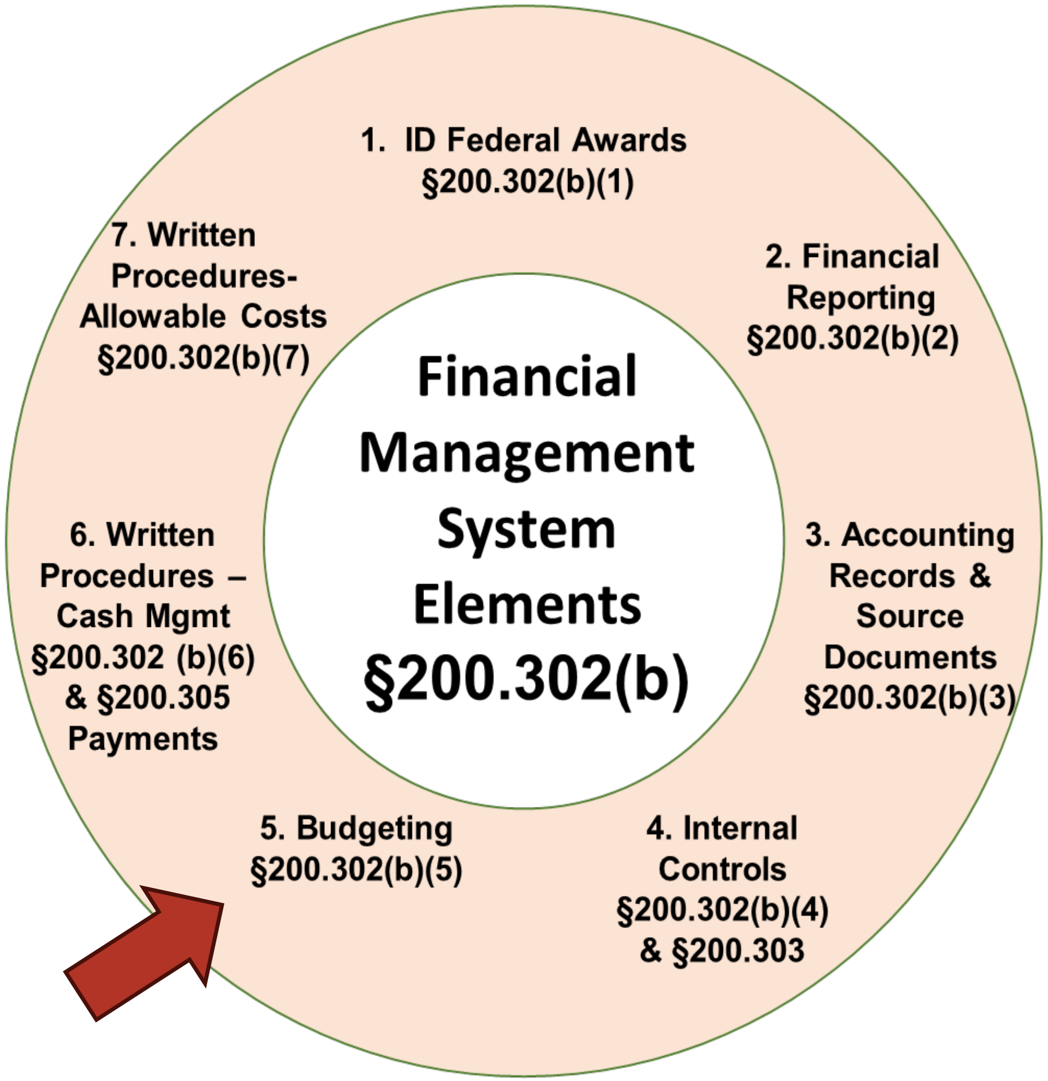
Consider Internal Controls in your organization.
Name an internal control for each of the following:

- Cash collections
- Cash disbursements
- Payroll disbursements
- Assets
- Journal Entry

Section 6: Budgeting

Recipients/Subrecipients MUST provide:

§200.302(b)(5) Comparison of expenditures with budget amounts for each Federal award.



BUDGET PROCESS

Start with strategic priorities → Know your resources → Identify activities → Ensure program eligibility → Determine Capacity

1. **<u>Start Early and Engage Everyone!!!</u>**
2. Start with strategic priorities-Consider short and long-term strategic goals and objectives.
3. What are the needs of Tribal members and how many families can be served?
4. What is the housing inventory in the community?
5. Plan to build? Need a multi-year Capital Budget.
6. Identify and budget all program activities
7. Ensure planned activities are program eligible
8. Identify <u>all sources of funds</u>. What sources of funds are available or will be needed to achieve the program goals for the coming program year?
9. Identify all expenses.
10. Determine capacity need: current and future growth.
11. Use prior year’s budget as a starting point for current year budget.

WHY IS BUDGETING IMPORTANT?

- 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.
- Financial plan for operations and development
- Management tool - measures recipient's performance to your plan
- Realistic estimate of sources of funds to perform and achieve goals and objectives
- Planned expenditures to achieve planned outcomes
- Provides information for analyzing Budgeted to actual expenditures
- Budget should be realistic, consistent, flexible, and measurable
  - Budgets help set targeted outcomes
  - Strategy requires funding
  - Identify Tribal priorities
  - Control and Accountability

BUDGET CONTROLS: QUESTIONS TO ASK

- Are defined activities measurable?
- Can activity be completed within budget timelines?
- What are your total resources available?
- Are costs being applied consistently, and are all costs allowable to the Program(s?,
- Are activities progressing as planned?
- Is the cost/unit in line with expectations?
- Who is responsible and accountable?

BUILD THE BUDGET

a) Develop a sources and uses budget for each of the activities.

b) Budget DIRECT COSTS = Costs that are incurred specifically for the Federal award.

c) Identify all COSTS = Cost are necessary for the overall operations of the Recipient. Include allocable Direct Costs.

d) Identify ALLOCABLE INDIRECT cost: those cost that benefit the IHBG and other work of the recipient (or other Federal awards).

   i. Apply Indirect Cost Allocation methodology

   ii. Based on the proportional benefit received (to the Federal award)

   iii. Cost allocation method must be reasonable and documented

   iv. Certify Cost Allocation Method(s) and retain in your files.

e) Remember Budget limits for Planning and Administrative Costs

Cost can be identified specifically with a particular final cost objective (of the Federal award)

Costs directly support the Federal award – costs incurred to achieve the objectives of the Federal award.

DIRECT COSTS

Costs that are normally treated as indirect costs can be charged directly to a Federal award if they are integral, specifically identifiable and not recovered as indirect costs.

Cost incurred for the same purpose in like circumstances must be treated consistently as direct or indirect costs

INDIRECT COSTS

(§200.414) Indirect Costs are:

- Administration: general administration and general expenses such as the director's office, accounting, personnel.
- Facilities: depreciation, equipment, capital improvements, interest on debt, and operations and maintenance expense.
- Not always easy to classify as direct or indirect cost but must be afforded consistent treatment.
- If Recipient has a negotiated indirect cost rate they must apply it to all Programs
- Recipients that do not have a Federally negotiated IDCR may elect to charge a de minimis rate of up to 15% of modified total direct costs (MTDC)

ALLOCABLE COSTS

A cost is allocable if the goods or services involved are chargeable or assignable to that Federal award or other cost objective **in accordance with relative benefits received** (§200.405).

This standard is met if the cost:

1. Is incurred specifically for the Federal award;
2. Benefits both the Federal award and other work of the recipient and can be distributed in proportions that may be approximated using reasonable methods; or
3. Is necessary to the overall operation of the non-Federal entity and is assignable to the Federal award.

QUESTION

An employee works on several units in 2 different buildings. One was built with NAHASDA funds and one was built using LIHTC. His supervisor changes his timecard and charges all his time to the NAHASDA program because there are funds in that budget whereas the LIHTC program does not. The supervisor was justified in assigning all the employee's time to NAHASDA because Personnel wages and expenses are allowable costs under any federal grant so it should not matter where it is charged to.

True or False, and WHY?

ALLOCABLE COSTS §200.405

- All activities that benefit from the indirect cost must receive the appropriate allocation of the costs.
- Costs allocable to a particular Federal award cannot be charged to other Federal awards to overcome fund deficiencies.
- Must document the allocation method and basis used to create the allocation.
- Recipient may obtain written approval from the Federal agency for cost allocation models, but this is not required.
- Must consistently apply direct and indirect costs and cannot charge like costs as direct if they are indirect costs.

COST ALLOCATION MODELS

Develop allocation models to allocate costs to multiple FUNDS/PROGRAMS/PROJECTS based on the proportional benefit received.

a. May set up more than one cost "pool" to allocate like costs (office supplies, insurance).

b. Define the pool and the base. Pool is the indirect cost pool and the base is the total programs the indirect costs will be allocated to.

c. Allocation method is reasonable and rational to equitably distribute costs to programs and cost objectives based on benefits received.

d. Use your accounting system to track and allocate costs to grants and/or programs.

e. Consider setting up account codes for POOL Expenses in General Ledger and have system distribute costs to benefiting programs: For example:

   10-5555-00-100 POOL - SUPPLIES
   10-5556-00-100 POOL – VEHICLE EXPENSES

BEST PRACTICE MAKES PERFECT

ALLOCATION SAMPLE-
BASE: NUMBER OF EMPLOYEES

Allocation Table 1: Administrative						
Allocation method: number employees						
used to allocate administrative expenses:						
	Supplies					
	Office Utilities					
	Office Internet/Telephone					
	Postage					
	4.25	100.00%	$ 2,616.00	$ 1,300.00	$ 1,350.00	$ 317.65
Grant	Number Ees	%	Supplies	Office Utiities	Internet/ Phone	Postage
BIA Tribal Allocation	1	23.53%	$ 615.53	$ 305.88	$ 317.65	$ 74.74
ICDBG Competitive	0.25	5.88%	$ 153.88	$ 76.47	$ 79.41	$ 18.69
ICDBG	0	0.00%	$ -	$ -	$ -	$ -
Tribal Transportation	1	23.53%	$ 615.53	$ 305.88	$ 317.65	$ 74.74
IHBG	2	47.06%	$ 1,231.06	$ 611.76	$ 635.29	$ 149.48
Totals			$ 2,616.00	$ 1,300.00	$ 1,350.00	$ 317.65

Insert Amount

ALLOCATION SAMPLE – BASE: TOTAL BUDGET EXPENSESar

Allocation Table 2: Insurance & Audit					
Allocation method: Budgeted Expenses					
used to allocate Insurance and Audit Expenses					
	$875,500.00	100.00%	$ 6,300.00	$ 11,000.00	$30,000.00
Grant	Budgeted Expenses	%	Gen Liability Insurance	Property Insurance	Audit Services
Local Revenue-Playgro	$ 38,500.00	4.40%	$ 277.04	$ 483.72	$ 1,319.25
BIA Tribal Allocation	$122,000.00	13.93%	$ 877.90	$ 1,532.84	$ 4,180.47
ICDBG Competitive	$125,000.00	14.28%	$ 899.49	$ 1,570.53	$ 4,283.27
ICDBG	$150,000.00	17.13%	$ 1,079.38	$ 1,884.64	$ 5,139.92
Tribal Transportation	$115,000.00	13.14%	$ 827.53	$ 1,444.89	$ 3,940.61
IHBG	$325,000.00	37.12%	$ 2,338.66	$ 4,083.38	$11,136.49
Totals			$ 6,300.00	$ 11,000.00	$30,000.00

Insert Amount here

ALLOCATING COSTS TO DIFFERENT ACTIVITIES OR PROGRAMS BASE: FTE

SAMPLE PAYROLL AND OTHER OVERHEAD EXPENSES ALLOCATION TABLE

COLUMN	1	2	3	4	5	6	7	8	9	10
							Fringe Benefits			
	Employee A	Employee C	Employee D	Employee E	Total	% of Total	FICA/ Medicare/ESC	401K	Tele-phone	Office Supplies
FTE	1.00	0.50	1.00	1.00	3.50					
PROGRAM:										
Rehab Program	25,000	-		-	25,000	14.7%	2,068	2,000	324	1,324
SFH Construction					-					
Tribal Office Bldg Dev	15,000				15,000	8.8%				
Emergency Assist		10,000		-	10,000	5.9%	827	800	129	529
Youth Activity	-	5,000		-	5,000	2.9%	414	400	65	265
HB Assist Program					-	0.0%	-	-	-	-
Other Programs		2,000	29,485	30,000	61,485	36.2%	5,085	4,919	796	3,255
Planning & Admin	-	-	18,515	35,000	53,515	31.5%	4,426	4,281	693	2,833
Budget Totals	40,000	17,000	48,000	65,000	170,000	100%	14,059	13,600	2,200	9,000

The above schedule illustrates:

1	Column 5: The Tribe Housing staff of 3.5 FTEs are directly charged to NAHASDA activities or other programs based on work they perform for those areas.
2	Column 6: The % of Total column shows what percent of wages and salaries are being charged to the activities and other programs. For example, the Rehab Program bears 14.7% of the cost of wages. The percent establishes the rate to apply to assocated expenses (payroll taxes and other expenses such as telephone charges, and office supplies.

WHAT IS THE INDIAN HOUSING PLAN?

1. IHP: The Indian Housing Plan (IHP) is the Tribes/TDHEs plan of eligible activities and outcomes that will be performed with Indian Housing Block Grant (NAHASDA) grant funding. It is a one-year plan.

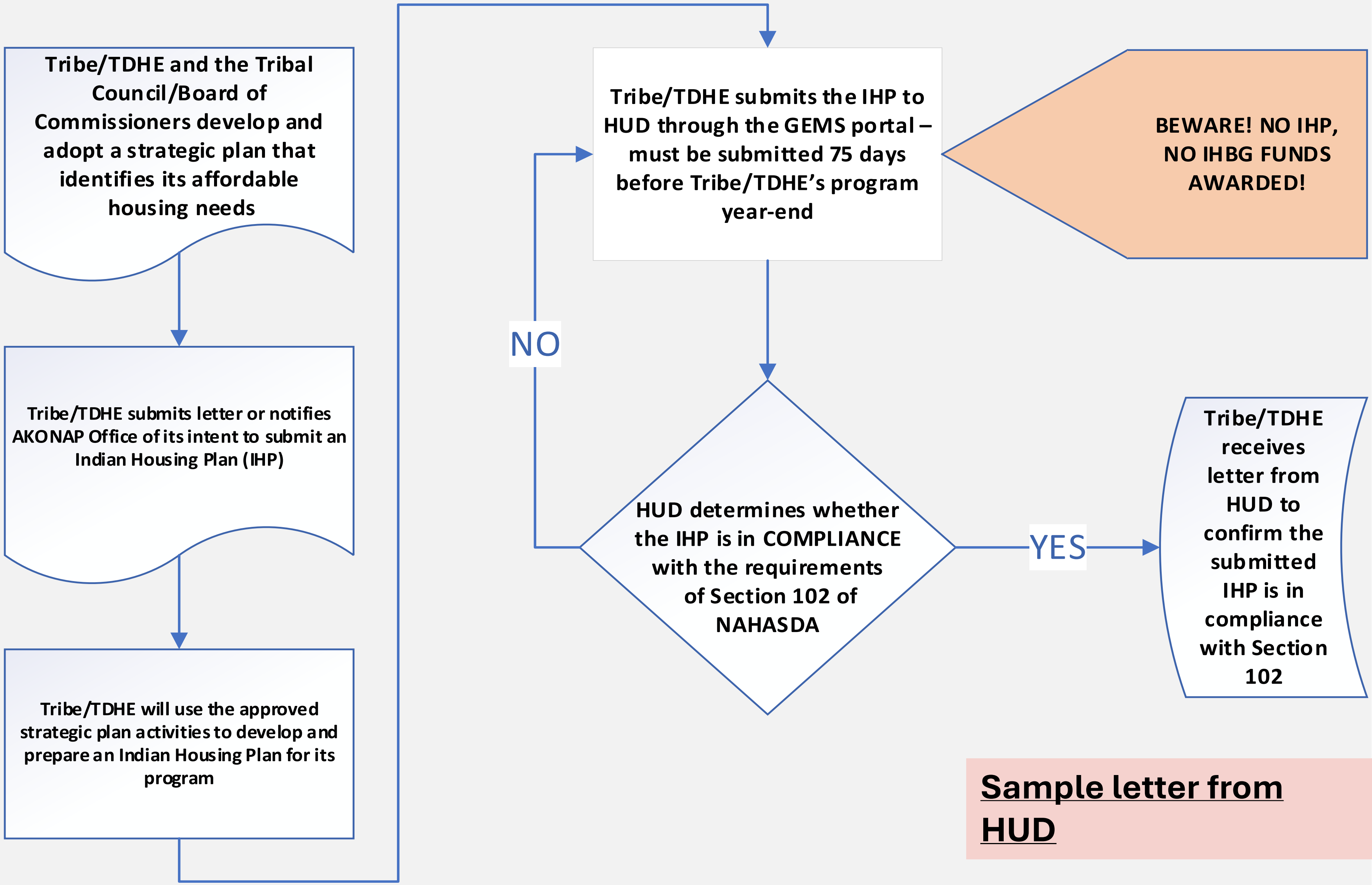
2. IHBG : The Indian Housing Block Grant Program is a **formula grant** awarded to eligible Tribes/TDHE's to carry out a range of affordable housing activities on Indian reservations and Indian areas under the NAHASDA Program.

3. To receive an annual IHBG allocation, a recipient <u>must</u> submit a One-Year IHP, as required by NAHASDA §101(b)(1).

4. The Tribe/TDHE will NOT receive IHBG funds if:
   - They do NOT prepare and submit a One-Year IHP as required by NAHASDA §101(b)(1), or
   - The IHP is NOT submitted at least 75 days before the Tribe/TDHE's program year.

Tribe/TDHE may request a waiver from HUD for a period not more than 90 days beyond the IHP submission due date.

Indian Housing Plan Process



[Sample letter from HUD]

BUDGET SECTION IHP

- **<u>Purpose:</u>** Describe recipient's sources & uses of funds
- **<u>Statutory/Regulatory Sections:</u>** §102(b)(2)(C)
- **<u>Key Contents:</u>**
  - 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 §200.328**: Must use standard OMB approved reports.

  Form HUD 52737 – PIH Notice 2023-30

NAHASDA ELIGIBLE ACTIVITIES

Refer to Program Guidance PG

IHPAPRGuidanceFinal.pdf

IHP and APR and PIH 2023-30 – Affordable Housing Activities Under NAHASDA

Eligible Activity Number	Activity Title	Output Measure	Output Completion
1	Modernization of 1937 Act Housing [202(1)]	Units	All work completed and unit passed final inspection
2	Operation of 1937 Act Housing [202(1)]	Units	Number of units in inventory at Program Year End (PYE)
3	Acquisition of Rental Housing [202(2)]	Units	When recipient takes title to the unit
4	Construction of Rental Housing [202(2)]	Units	All work completed and unit passed final inspection
5	Rehabilitation of Rental Housing [202(2)]	Units	All work completed and unit passed final inspection
6	Acquisition of Land for Rental Housing Development [202(2)]	Acres	When recipient takes title to the land
7	Development of Emergency Shelters [202(2)]	Households	Number of households served at any one time, based on capacity of the shelter
8	Conversion of Other Structures to Affordable Housing [202(2)]	Units	All work completed and unit passed final inspection
9	Other Rental Housing Development [202(2)]	Units	All work completed and unit passed final inspection
10	Acquisition of Land for Homebuyer Unit Development [202(2)]	Acres	When recipient takes title to the land
11	New Construction of Homebuyer Units [202(2)]	Units	All work completed and unit passed final inspection
12	Acquisition of Homebuyer Units [202(2)]	Units	When recipient takes title to the unit
13	Down Payment/Closing Cost Assistance [202(2)]	Units	When binding commitment signed
14	Lending Subsidies for Homebuyers (Loan) [202(2)]	Units	When binding commitment signed
15	Other Homebuyer Assistance Activities [202(2)]	Units	When binding commitment signed
16	Rehabilitation Assistance to Existing Homeowners [202(2)]	Units	All work completed and unit passed final inspection
17	Tenant Based Rental Assistance [202(3)]	Households	Count each household once per year
18	Other Housing Service [202(3)]	Households	Count each household once per year
19	Housing Management Services[202(4)]	Households	Count each household once peryear
20	Operation and Maintenance of NAHASDA-Assisted Units [202(4)]	Units	Number of units in inventory at PYE
21	Crime Prevention and Safety [202(5)]	Dollars	Dollars spent (report in Uses of Funding table only)
22	Model Activities [202(6)]	Dollars	Dollars spent (report in Uses of Funding table only)
23	Expired, No longer available.	N/A	Expired, No longer available.
24	Infrastructure to Support Housing [202(2)]	Dollars	Improved lot
25	Reserve Accounts [202(9)]	N/A	N/A

§1000.238: ADMINISTRATIVE AND PLANNING(P&A) EXPENSES

1. If Grant is more than $500,000: % of IHBG grant that can be used for P&A is:
    - Up to 20% of annual expenditures of grant funds OR up 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: % of IHBG grant that can be used for P&A is:
    - 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.

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

	IHP					APR					
SOURCE	(A) Estimated Amount on hand at beginning of program year	(B) Estimated amount to be received during 12-month program year	(C) Estimated total sources of funds (A + B)	(D) Estimated funds to be expended during 12-month program year	(E) Estimated unexpended funds remaining at end of program year C minus D)	(F) Actual amount on hand at beginning of program year	(G) Actual amount received during 12-month program year	(H) Actual total sources of funding (F + G)	(I) Actual funds expended during 12-month program year	(J) Actual unexpended funds remaining at end of 12-mo program year (H minus I)	(K) Actual unexpended funds obligated but not expended at end of 12-month
1. HBG Funds	100,000	525,000	625,000	590,564	34,436	100,000	525,000	625,000	530,622	94,378	
2. IHBG Program Income	0	34,420	34,420	34,420		0					
3. Title VI	0	315,000	315,000	315,000							
4. Title VI Program Income	0	0	0	0							
5. 1937 Act Operating Reserves											
6. Carry Over 1937 Act Funds											
LEVERAGED FUNDS											
7. ICDBG Funds											
8. Other Federal Funds											
9. LIHTC											
10. Non-Federal Funds			0	0	0						
TOTAL	100,000	874,420	974420	939,984	34,436	100,000	1,017,380	1,117,380	1,023,00	94,378	

Includes Investment Income

MULITIPLE SOURCES OF FUNDS

Notes:

a. For the IHP, fill in columns A, B, C, D, and E (non-shaded columns). **For the APR, fill in columns F, G, H, I, J, and K (shaded columns).**

b. Total of Column D should match the total of Column N from the **Uses Table** on the following page.

c. Total of Column I should match the Total of Column Q from the Uses Table on the following page.

d. For the IHP, describe any estimated leverage in Line 4 below (Estimated Sources or Uses of Funding). For the APR, describe actual leverage in Line 5 below (APR).

APPROVE AND IMPLEMENT THE BUDGET

1. The Indian Housing Block Grant may be only one source of funding for your organization
2. Include all sources and activities/programs when developing your budget
3. Be sure to review chart of accounts and the reporting requirements to ensure you are capturing information to easily report activities of each grant award
4. Build your budget – include revenue and expenses
5. Remember to start early and involve everyone that is responsible for carrying out the activities of the budget (housing services, maintenance, etc.)
6. Multiple reviews to ensure all activities are budgeted and in compliance with grant awards. Also assigns responsibility.
7. Final budget (financial plan) is approved by Governing Body (Board of Commissioners or Tribal Council)

APPROVE AND IMPLEMENT THE BUDGET

1. **APPROVAL:** The governing body (Tribal Council/Board of Commissioners) formally adopts the budget by resolution.
2. **IMPLEMENTATION:** Enter the budgets into the accounting software system.
3. **MANAGE:** Manage expenses using internal controls. Are all expenses necessary, reasonable and comply with grant purpose? Compare budget to actual.
    a. Alerts to errors
    b. Modify spending
    c. Timing of revenue or expense activity
    d. Change your future budgetary strategy
    e. Helps you better plan future budgets
4. **REPORT:** Share budget to actual reports with stakeholders (Executive Director, Managers, etc. on a regular basis (monthly).

Budget Setup Allows for Tracking by Eligible IHBG Activities

UPNORTH TRIBAL HOUSING
20XX NAHASDA BUDGET

	1937 Act Budget	NAHASDA Dev Budget	Housing Services Budget	Moderniza tion Budget	MH Program Budget	Title VI Budget	NAHASDA Admin Budget	TBRA Budget	Total NAHASDA Budget
Income									
4000 · Rental Income	8,400		23,100		7,000				38,500
4010 · Administrative Exp - MH					4,320				4,320
4300 · Federal Grants	40,173	250,000	14,250	51,448	21,693	98,000	110,000	5,000	590,564
4500 · Proceeds from Debt		315,000							315,000
48801 · Interest Income									0
Total Income	48,573	565,000	37,350	51,448	33,013	98,000	110,000	5,000	948,384
Expense									
5000 · Salaries & Wages-Tribe Paid	11,960	86,200	22,500	43,600	11,960		65,000		241,220
5005 · Benefits	2,153	15,516	4,050	7,848	2,153		11,700		43,420
5130 · Legal									0
5135 · Accounting/Auditing			6,300				14,064		20,364
5200 · Travel			2,500				2,500		5,000
5406 · Utilities - Fuel	8,000				4,000		1,200		13,200
5407 · Utilities - Water/Sewer	6,000				3,000		1,600		10,600
5408 · Utilities - Electri	6,000				6,300		2,233		14,533
5505 · Telephone & Communications	560						4,700		5,260
5550 · Insurance-general liability							3,000		3,000
5600 · Supplies			2,000				4,003		6,003
5605 · Fuel Operations									0
5610 · R&M Buildings	2,500				3,600				6,100
5615 · Groundskeeping/snow removal	3,000				2,000				5,000
5700 · Program Assistance-Emergency								5,000	5,000
5710 · Child Care Assistance									0
5780 · Interest Expense						36,000			36,000
5800 · Capital Assets-Building		454,784							454,784
5800.99 · Contra Exp-Buildings									0
5803 · Land Improvements									0
5803.99 · Contra Exp-Land									0
5804 · Capital Infrastructure									0
5804.99 · Contra Exp-Infrastructure									0
5805 · Capital Assets - Equipment									0
5805.99 · Contra Exp - Equipment									0
5890 · Principal Payments on Loan		8,500				62,000			70,500
5890.99 · Contra Exp-Principal Payments									0
Total Expense	40,173	565,000	37,350	51,448	33,013	98,000	110,000	5,000	939,984
Net Income	8,400	0	0	0	0	0	0	0	8,400

Shows IHBG as one of many budgets

UPNORTH TRIBAL HOUSING
20XX BUDGET

	ANTHC Budget	BIA Budget	CCS Budget	ICDBG Budget	IRR Budget	Total NAHASDA Budget	TOTAL BUDGET
						38,500	38,500
						4,320	4,320
	38,500	125,000	20,000	150,000	265,000	590,564	1,189,064
ebt						315,000	315,000
48801 · Interes e						0	0
Total Income	38,500	125,000	20,000	150,000	265,000	948,384	1,546,884
Expense							
5000 · Salaries & Wages-Tribe Paid		80,000			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 · R&M Buildings						6,100	6,100
5615 · Groundskeeping/snow removal						5,000	5,000
5700 · Program Assistance-Emergency		3,850				5,000	8,850
5710 · Child Care Assistance			16,000			0	16,000
5780 · Interest Expense						36,000	36,000
5800 · Capital Assets-Building						454,784	454,784
5800.99 · Contra Exp-Buildings						0	0
5803 · Land Improvements				150,000		0	150,000
5803.99 · Contra Exp-Land						0	0
5804 · Capital Infrastructure	38,500					0	38,500
5804.99 · Contra Exp-Infrastructure						0	0
5805 · Capital Assets - Equipment					15,000	0	15,000
5805.99 · Contra Exp - Equipment						0	0
5890 · Principal Payments on Loan						70,500	70,500
5890.99 · Contra Exp-Principal Payments						0	0
Total Expense	38,500	125,000	20,000	150,000	265,000	939,984	1,538,484
Net Income	0	0	0	0	0	8,400	8,400

BUDGET CONTROLS: BASIC ELEMENTS

(5) Must be able to compare expenditures to budget for each federal award.

Revenue and Expense
September 30, 202X

Account Number & Description	Period to Date Actual	Year to Date Actual	Annual Budget	% Used	Budget Variance
311000 11 000 000 Dwelling Rents	17,855.00	120,509.95	235,769.00	51.11	(115,259.05)
369000 00 070 000 Other Revenues	3,708.80	3,708.80	0.00	0.00	3,708.80
390010 00 070 000 IHBG Grant Revenue	263,876.20	1,613,308.15	3,807,579.00	42.37	(2,194,270.85)
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)

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

		IHP			APR		
PROGRAM NAME (tie to program names in Section 3 above)	Unique Identifier	(L) Prior and current year IHBG (only) funds to be expended in 12-month program year	(M) Total all other funds to be expended in 12-month program year	(N) Total funds to be expended in 12-month program year (L + M)	(O) Total IHBG (only) funds expended in 12-month program year	(P) Total all other funds expended in 12-month program year	(Q) Total funds expended in 12-month program year (O+P)
DEVELOPMENT- HOME REHAB PROGRAM	200	50,000	0	50,000	50,000	0	50,000
DEVELOPMENT - SFH CONSTRUCTION	210	0	0	0	0	0	0
DEVELOPMENT - ADDITION TO TRIBAL OFFICE	220	70,000	75,000	145,000	70,000	75,000	145,000
HOUSING SERVICES - EMERGENCY ASSISTANCE	300	20,000	0	20,000	20,000	0	20,000
HOUSING SERVICES - YOUTH ACTIVITY	310	15,000	0	15,000	15,000	0	15,000
HOMEBUYER DOWN PAYMENT ASSISTANCE	500	25,000	0	25,000	25,000	0	25,000
Planning and Administration		120,000	0	120,000	120,000	0	120,000
Loan repayment – describe in 4 and 5 below.							
TOTAL		300,000	75,000	375,000	300,000	75,000	375,000

Notes:

a. Total of Column L cannot exceed the IHBG funds from Column C, Row 1 from the Sources Table on the previous page.
b. Total of Column M cannot exceed the total from Column D, Rows 2-10 from the Sources Table on the previous page.
c. Total of Column O cannot exceed total IHBG funds received in Column H, Row 1 from the Sources Table on the previous page.
d. Total of Column P cannot exceed total of Column H, Rows 2-10 of the Sources Table on the previous page.
e. Total of Column Q should equal total of Column I of the Sources Table on the previous page.

Attachement Page 25

IHP (BUDGET) AMENDMENT

§ 1000.232 Can an Indian Tribe or TDHE amend its IHP?

IHP AMENDMENTS REQUIRED

There are only two instances when an IHP amendment must be submitted to HUD for review and determination of compliance:

(1) When the recipient is adding a new activity that was not described in the current One-Year IHP that was determined to be in compliance by HUD; or

(2) When the recipient is reducing the amount of funds budgeted to protect and maintain the viability of housing assisted under the1937 Act.

IHP AMENDMENT NOT REQUIRED

The recipient is <u>not required to submit an amended IHP </u>to HUD:

1. If the revision simply alters the IHBG budget, including moving funds among planned tasks,

   or

2. If it deletes a planned activity, *unless* the re-programmed funds from the budget amendment or task deletion will be used for a new task not currently in an IHP determined by HUD to be in compliance, *or unless* the change is to reduce the budget supporting 1937 Act units.

SUBMISSION OF IHP AND APR

Submit the Indian Housing Plan/Annual Performance Report **Online on HUD's Grants Evaluation Management System (GEMS)**

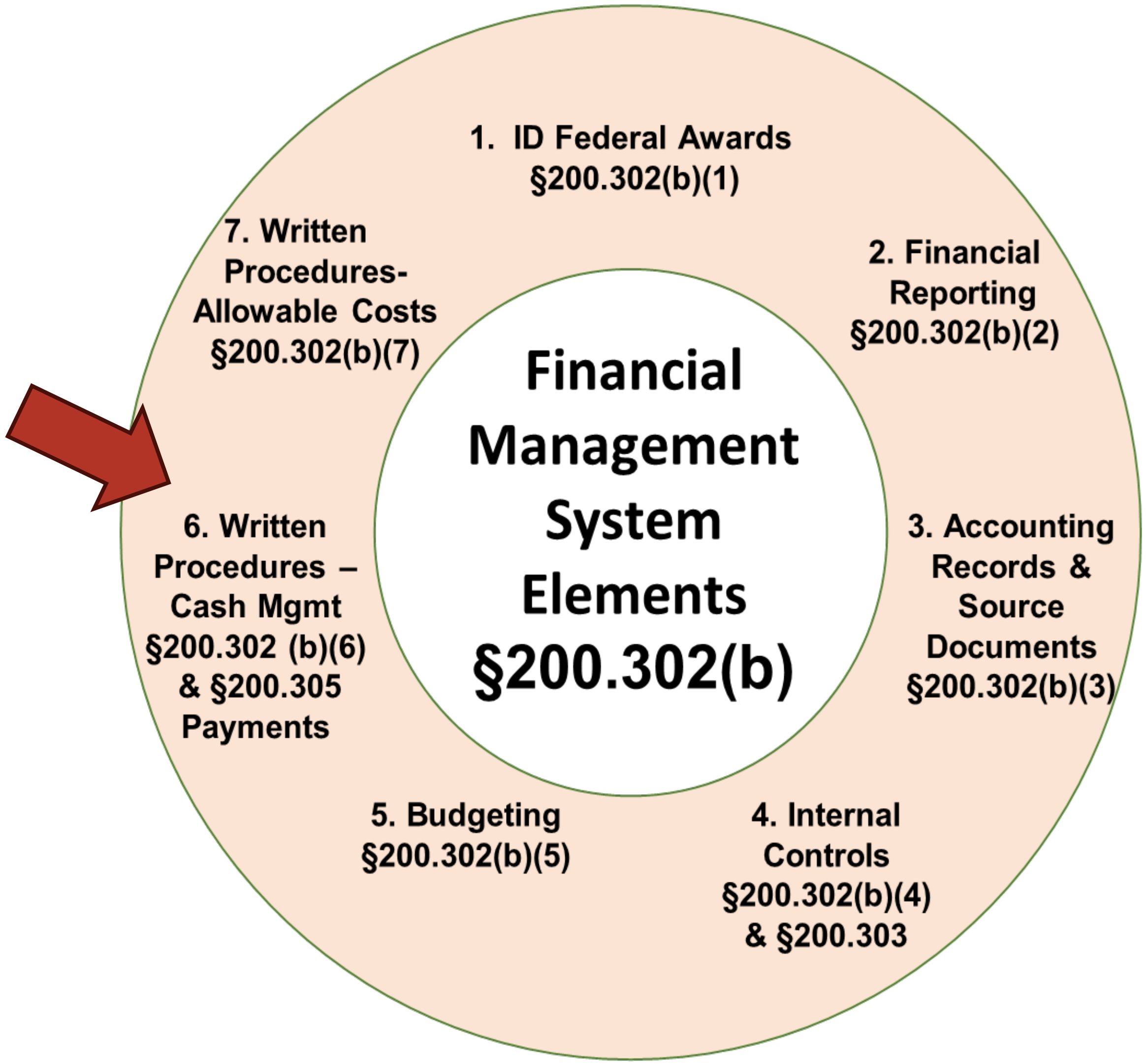
A recipient with inadequate internet service may use the fillable PDF version of form HUD 52737 after submitting a request to the Area ONAP and receiving written approval. The request should be submitted prior to the recipient's IHP due date.

KNOW WHAT HUD DOCUMENTS YOU'LL RECEIVE IN RESPONSE TO SUBMITTING YOUR IHP.

Section 7: Procedures for Accessing IHBG Grant Funds

Recipients/Subrecipients MUST provide:

§200.302(b)(6) Written procedures to implement the requirements of §200.305 – Federal Payment



WRITTEN PROCEDURES: PAYMENTS

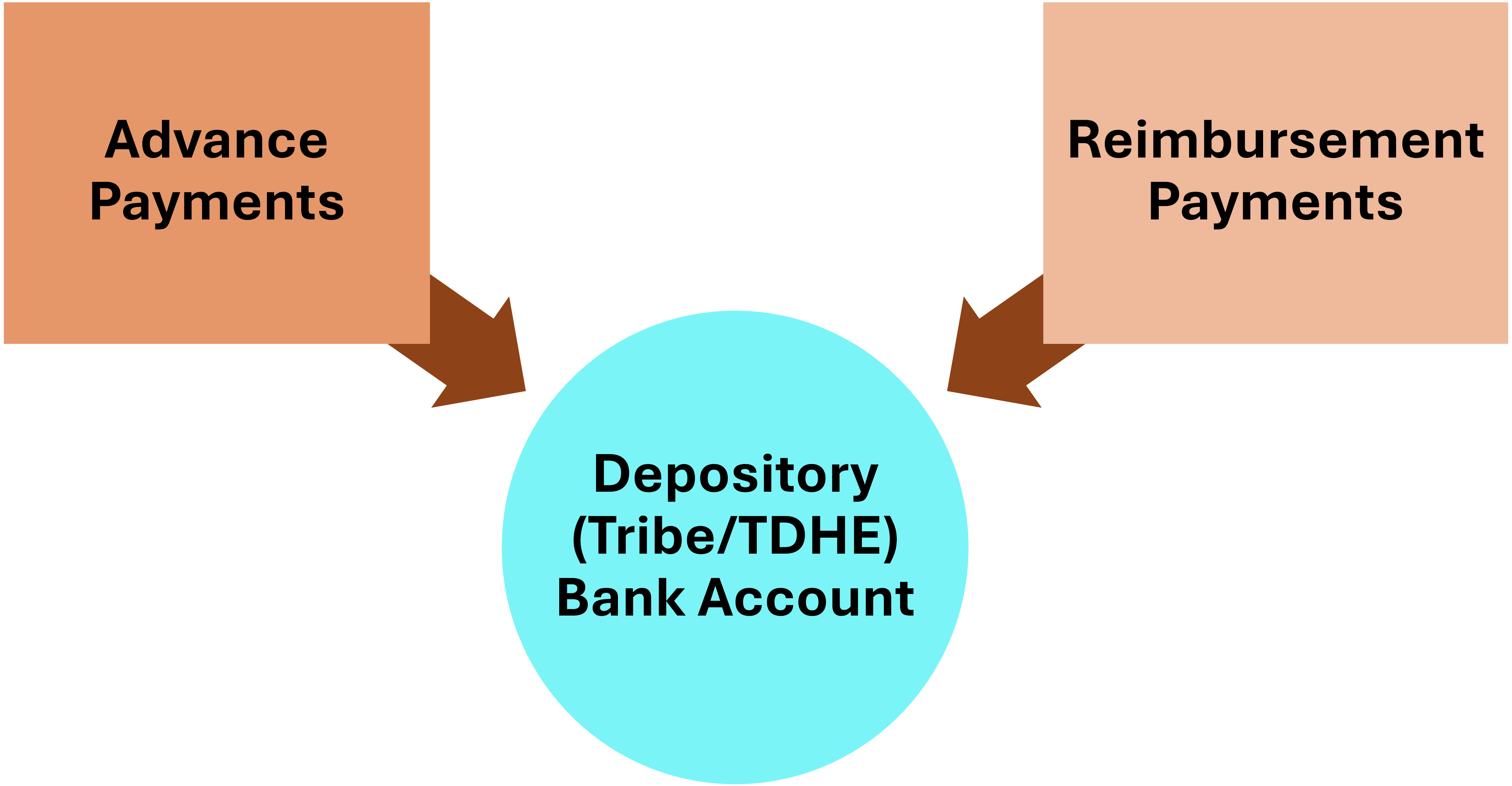
2 CFR200.302(b)(6):

The Tribe/TDHE must have written procedures to implement the requirements of **§200.305** Payment

IMPORTANT TO KNOW

- HUD's "3-Day Rule" on payments
- Managing and accounting for the IHBG funds
- Written procedures for payment to access and draw funds via eLOCCS

ACCESSING FUNDS (THROUGH ELOCCS)



ACCESS IHBG FUNDS VIA ELOCCS

What is eLOCCS?

Electronic Line of Credit Control System (eLOCCS) – HUD's online grant disbursement system

- Electronic access to IHBG grant activities and
- Maintains grant history and balances

GUIDANCE NO. 2014-08(R) Effective January 1, 2015

eLOCCS Quick Reference Guide | HUD.gov / U.S. Department of Housing and Urban Development (HUD)

ADVANCED PAYMENTS

Advanced Payments are draws from e-Loccs in advance of making the payments owed to vendors, employees, other liabilities

- Maintain written procedures that minimize the time elapsing between the transfer of funds and disbursement
  - Minimizing time between transfer of funds and their use – must be "timely"
  - HUD has defined "timely" to mean 3 business days (not regulatory)
  - If not possible, justification should be documented **Refer to PG 1998-03**
- Financial management systems are maintained that meet the standards for fund control and accountability; and
- They are limited to the minimum amounts needed for immediate cash requirements.

REIMBURSEMENT PAYMENTS
§ 200.305(b)(3)

Reimbursement is more common, and the preferred method

1. The Recipient has sufficient funds to make payments – so requests payment from HUD by reimbursement.
2. Documents the amounts expended and prior amounts drawn down, to calculate the correct amount to draw (with supporting documents)

When the reimbursement method is used, the Federal agency or pass-through entity must make payment within 30 calendar days after receipt of the payment request unless the Federal agency or pass-through entity reasonably believes the request to be improper.

WITHHELD PAYMENTS
§ 200.305(b)

Payments for allowable costs must not be withheld at any time during the period of performance unless required by Federal statute, regulations, or in one of the following instances:

- The federal awarding agency sets a specific condition per §200.208.
- Failure to comply with the project objectives, federal statutes, regulations, or the terms and conditions of the federal award.
- Delinquent in a debt to the United States. (*Funds would be released upon subsequent compliance*).
- Where non-federal entity intends to withhold payment to contractors to assure satisfactory completion of work.

[reference with §200.208 special conditions]

IHBG REIMBURSEMENT PAYMENT

UpNorth Housing Authority			
Revenue and Expense Report			
as of 10/31/202X			
Fund: IHBG			
Account	Description	Month to Date	Year to Date
4300	**NAHASDA Revenue**	**0**	**104,030**
5000	Salaries & Wages	5,630	56,300
5005	Benefits	732	7,319
5600	Operating Supplies	629	6,290
5650	Communications	375	3,750
5660	Utilities	555	5,550
5665	GL Insurance	0	3,600
5667	Property Insurance	0	5,000
7005	Tenant R&M	1,901	19,010
7010	Tenant Utilities	360	3,600
7015	Janitorial	600	6,000
7020	Grounds	150	1,500
	Total Expenses	**10,932**	**117,919**
	Net Income	**-10,932**	**-13,889**

IHBG	
RECONCILING	
Total IHBG Draws	
02/13/202X	26,600
03/30/202X	10,500
04/16/202X	9,900
05/20/202X	9,750
06/15/202X	10,500
07/16/202X	10,990
08/12/202X	12,230
09/13/202X	13,560
Total IHBG Draws	**104,030**
Total YTD Expense:	**117,919**
Amount to Draw	**13,889**

ACCOUNTING FOR IHBG REIMBURSEMENT FROM ELOCCS

ACCOUNT	ACCOUNT DESCRIPTION	DEBIT	CREDIT
1430	Grant Receivable - IHBG	13,889.00	
4300	Grant Revenue - IHBG		13,889.00
To record grants receivable and recognize IHBG grant revenue reimbursement of eligible IHBG expenses for the month of Oct, 202X.			

ACCOUNT	ACCOUNT DESCRIPTION	DEBIT	CREDIT
1111	Operating Fund - Cash	13,889.00	
1430	Grant Receivable - IHBG		13,889.00
To record receipt of IHBG funds from eLOCCS drawdown to reimburse eligible expenses incurred for the month of Oct, 202X.			

EXERCISE

You drew a large amount of IHBG funds from eLOCCS ($35,000) to pay the building contractor. However, after you had drawn the funds from eLOCCS, you found out that the contractor had not completed the work. You demanded they complete the job before being paid. 10 days later, the contractor finished the work to your satisfaction, you paid them, even though you did not disburse the funds within the 3 working days timeframe.

Question 1: Were you justified in withholding the payment beyond HUD's "3 working days rule" since it was not your fault, but the contractor's fault?

YES or **NO**? Explain your response.

Question 2: What (if any) responsibility do you have for the money drawn down from eLOCCS but not paid within 3 business days

WRITTEN PROCEDURES PAYMENTS §200.302(b)(6)

WRITTEN PROCEDURES – IT IS A REQUIREMENT!

FOR PAYMENTS

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

DEPOSITORY ACCOUNTS [§ 200.305(b)(7-9)]:

- Administering Agencies cannot require Tribe/TDHE to have separate depository accounts for different Federal grants.
- Regulations do not establish any eligibility requirements for depositories for funds provided.
- **The Tribe/TDHE must be able to account for the receipts and expenditures of IHBG funds through its accounting system.**
- Bank accounts must be sufficiently insured – e.g. Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share insurance Fund (NCUSIF).

Refer to PG 2019-01 – Process for Repayment of Federal Funds

HUD 52736-A - Banking Accounts Depository Agreement

POLL QUESTION

1. **Does your Tribe/TDHE maintain a bank account for each grant?**

   YES

   NO – maintain only one general account.

2. **If your response to (1) above is YES, it is because:**
   a. Your policy and procedures state you must have separate bank accounts for each grant you manage.
   b. The Tribe/TDHE has always maintained separate bank accounts for each grant to avoid comingling of funds.
   c. That’s how our bank accounts have always been set up.

ACTIVITY:

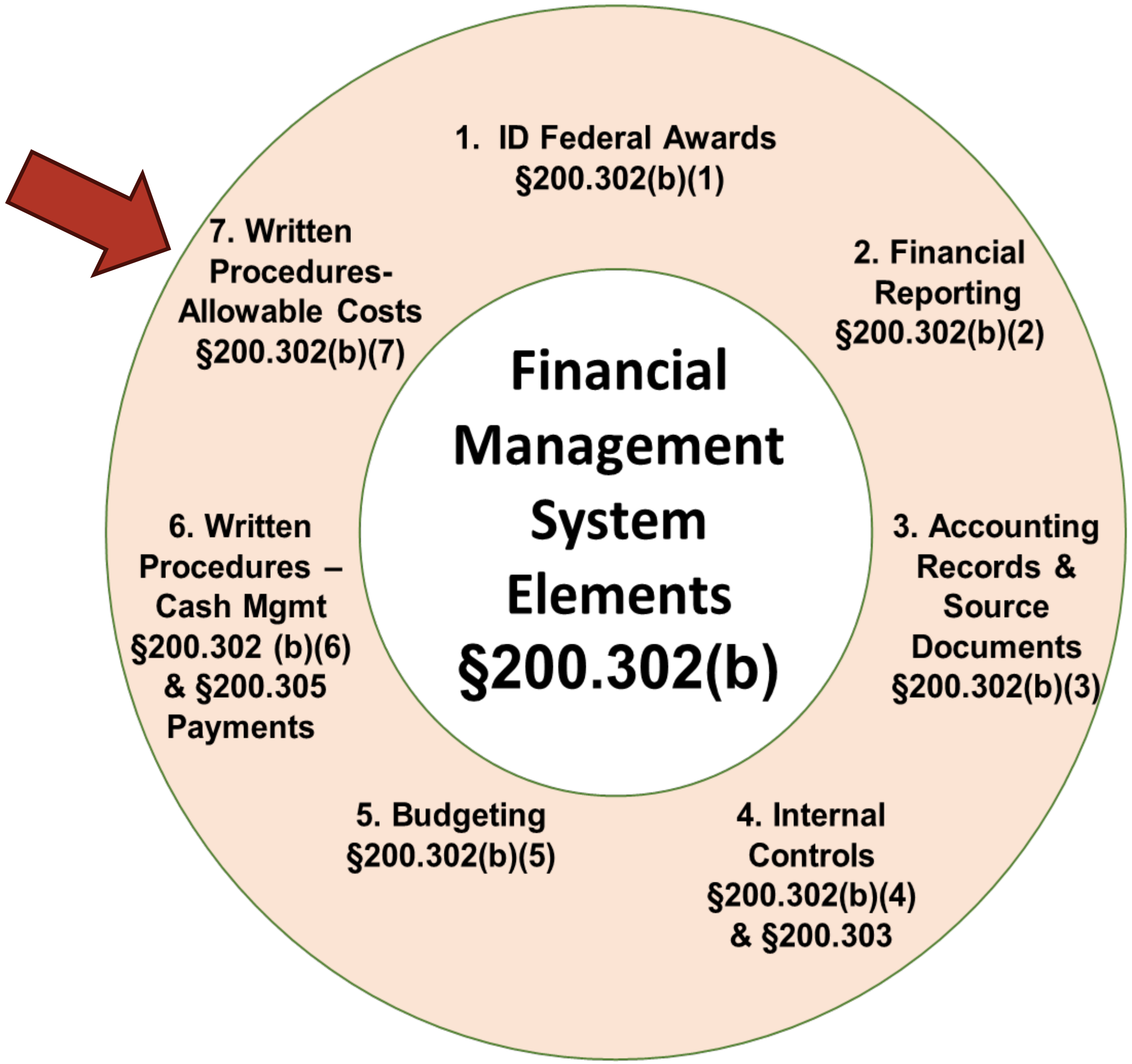
Review Procedures to Implement the

Requirements of 2 CFR 200.305 PAYMENTS to comply with 200.302(b)(6) (attachment)

Section 8: Procedures for Determining Allowability of Costs

Recipients/Subrecipients MUST provide:

§200.302(b)(7) Written procedures for determining the allowability of costs in accordance with subpart E and the terms and conditions of the Federal award.



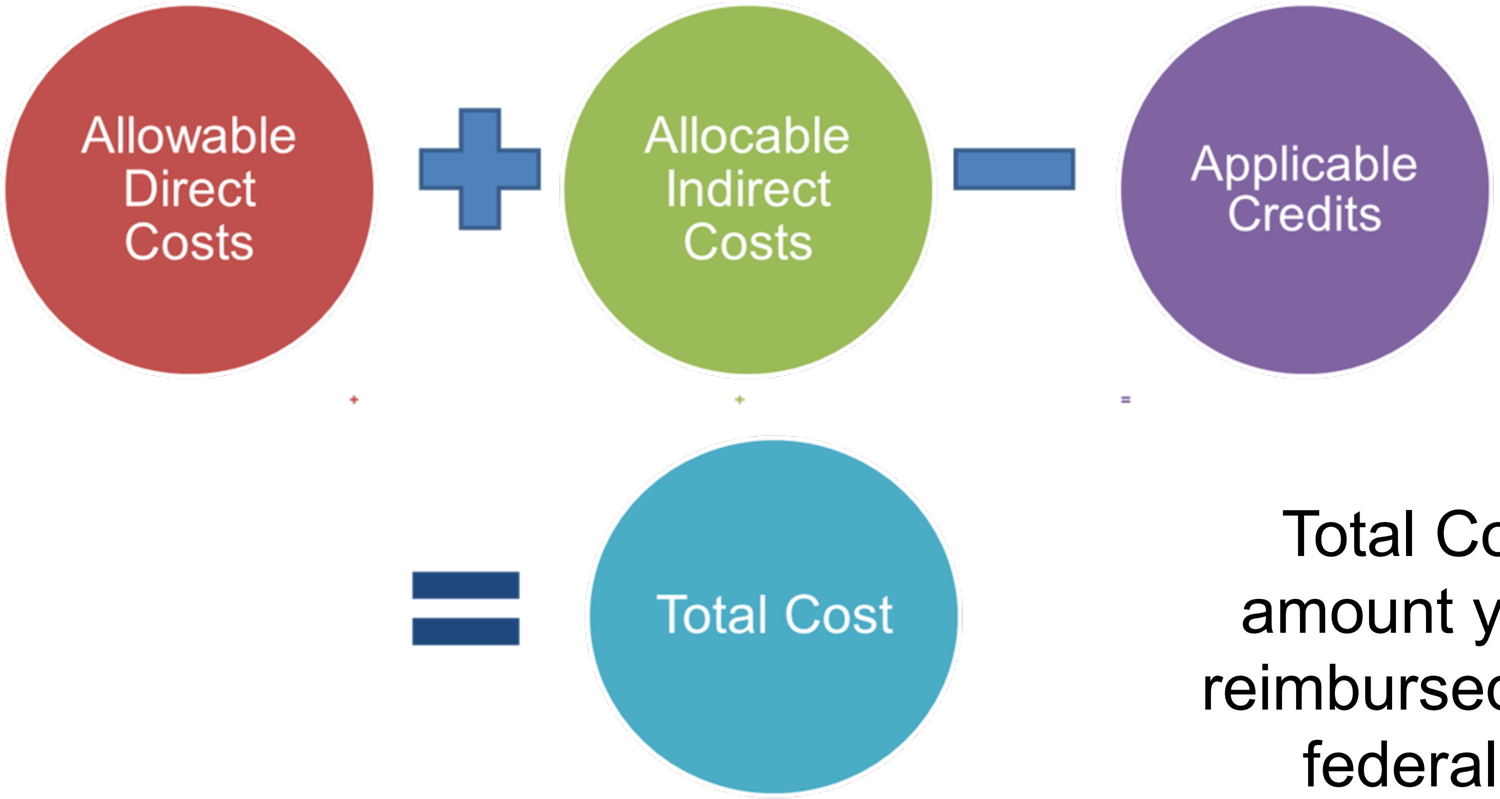
WRITTEN PROCEDURES FOR ALLOWABILITY OF COSTS

- (§200.302(B)(7)) Recipient must have written procedures to determine the allowability of costs, and
- Comply with Subpart E – Cost Principles and §200.400 Policy Guide.
- Remember: NECESSARY, REASONABLE, ALLOCABLE

Recipient Responsibilities for Expending Federal Awards (§ 200.400)

- Efficient and effective administration with sound management practices.
- Administer the IHBG grant in accordance with the NAHASDA statutes and regulations.
- Employ sound organization and management techniques tailored to unique needs to administer IHBG award.
- Apply cost principles consistently & provide adequate documentation to support costs charged to the IHBG award.
- Must not earn profit unless authorized by the terms and conditions of the Federal award. (For example, Program income under NAHASDA).

§ 200.402: COMPOSITION OF COSTS



Total Cost - the amount you will be reimbursed from your federal award.

WHAT MAKES COSTS ALLOWABLE FOR YOUR PROGRAM? § 200.403

- (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
- (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

WHAT ARE REASONABLE COSTS?

- Generally recognized as ordinary and necessary for the efficient performance and administration of the Federal award.
- Must be comparable to market prices for goods or services.
- Indicate that individuals acted with prudence for the circumstances.
- Do not significantly deviate from established practices and policies.
- Must be adequately documented to be allowable.

COST PRINCIPLES – *GENERAL PROVISIONS FOR SELECTED ITEMS OF COST*

SUBPARTS E OF 2 CFR §200.420 - 476

Let’s review select Items of Costs…..

NAHASDA TREATMENT OF CERTAIN COSTS

1. **COSTS THAT REQUIRE HUD PRIOR APPROVAL:**
    - **Depreciation method** other than Straight Line
    - **Cost of Housing**
2. **UNALLOWABLE COSTS:**
    - Penalties, damages, fines and other settlements
3. **CONSULTANT SERVICES** in an employer-employee relationship – Must be reasonable & cannot exceed the equivalent daily rate for Level IV of the Executive Schedule – for 2025: ($195,200/year; $750.77/day; $93.85/hr).

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

§200.426 BAD DEBTS

UNALLOWABLE

- Bad debts (debts which have been determined to be uncollectable), including losses (whether actual or estimated) arising from uncollectable accounts and other claims, are not allowed to be charged to the IHBG award.

- Related collection costs, and related legal costs, arising from such debts **after they have been determined to be uncollectable are also unallowable**.

- Whereas **§ 200.428 -** cost for collection of improper payments – allowable.

§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 – ***ALLOWABLE*** if benefits are reasonable, and are required by law, an organization-employee agreement, or established policies.

§ 200.431(b) COMPENSATION – FRINGE BENEFITS

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

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

Examples: annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative…

§ 200.431(e) COMPENSATION – FRINGE BENEFITS

INSURANCE

ALLOWABLE – examples include:

- Unemployment insurance (ESC)
- Workers Compensation
- 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 recipient is named as beneficiary.

§ 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.

§ 200.432 CONFERENCES

A CONFERENCE is an event whose primary purpose is to disseminate technical information that is necessary and reasonable for successful performance under the Federal awards.

– **ALLOWABLE**:

"…unless further restricted" by award terms/conditions:

- cost of identifying, but not providing, locally available dependent care resources are allowable.

- conference hosts/sponsors must exercise discretion…conference costs are appropriate, necessary, and managed to minimize costs.

- federal awarding agency may authorize exceptions where appropriate for programs including Indian Tribes, children, and the elderly.

ENTERTAINMENT COSTS § 200.438

Entertainment costs including amusement, diversion, and social activities and associated costs are UNALLOWABLE

- **Unless** they have a specific and direct programmatic purpose and are included in a Federal award.

- Cost of prizes or challenges are allowable if they have a specific and direct programmatic purpose.

EMPLOYEE HEALTH AND WELFARE COSTS § 200.437

Employee health and welfare costs are those costs incurred for improving working conditions, employer-employee relations, employee health and employee performance.

Examples [https://www.acquisition.gov/far/31.205-13]:

- Health clinics
- Wellness/fitness centers
- Employee counseling services
- Employees' participation in company sponsored sports teams or employee organizations designed to improve company loyalty, team-work, or physical fitness.

ALLOWABLE: in accordance with the recipients <u>documented policies</u> …

Caution: ensure cost allowability procedures do not include activities that are associated with "employee morale" but rather refer to the eligible costs (above).

FUND RAISING AND INVESTMENT MANAGEMENT COSTS § 200.442(a)

Costs associated with fundraising to raise capital or obtain contributions, are **UNALLOWABLE**.

- Fundraising cost for meeting the Federal program objectives are allowable with prior written approval of the Federal Agency (§200.407). **HOWEVER, prior written approval is NOT REQUIRED for the IHBG fund.**

ALLOWABLE if:

- Fund raising costs are for the purposes of meeting the IHBG objectives (does not require prior written approval).
- Investment costs related to IHBG investments.
- Costs related to the physical custody and control of monies and securities.

GOODS OR SERVICES FOR PERSONAL USE § 200.445

SPECIFIC TO EMPLOYEES:

(a) Cost of goods for personal use – **unallowed**.

(b) Cost of housing (rent), housing allowances and personal living expenses are only **allowable** as direct costs but must be approved in advance by Federal awarding agency.

(c) <u>Program Specific Requirements:</u> Requires Prior HUD Approval IHBG § 1000.26(b)(1)(iii).

INSURANCE AND INDEMNIFICATION REFERENCE § 200.431(e) & 200.447

ALLOWABLE	UNALLOWABLE
• Cost of insurance required or approved and maintained, pursuant to the Federal award. Example: General Liability • Costs of other insurance in connection with the general conduct of activities if type, extent and cost of coverage are in Tribe/TDHE policy and sound business practice. Example: Property Insurance. • Minor losses not covered under insurance. • Contributions to self-insurance programs to extent cost and rates are comparable to purchased insurance.	• Insurance against defects – to correct defects in the Tribe/TDHE's materials or workmanship. • Actual losses which could have been covered by permissible insurance.

TAXES (INCLUDING VALUE ADDED TAX) § 200.470)

ALLOWABLE:

- Taxes legally required to pay (e.g., payroll taxes), except for taxes that disproportionately affect federal programs.
- User fees (gasoline taxes, motor vehicle fees).

NOTE: NAHASDA Program - §1000.242 -246 and Sec. 101 of NAHASDA:

- Exempt from taxation: Rental Housing and lease-purchase homeownership units assisted with IHBG units Payment in Lieu of Taxes (PILOT) may be negotiated between the Tribe/TDHE and the local government.

TELECOMMUNICATION COSTS AND VIDEO SURVEILLANCE COSTS§ 200.471

Costs incurred for telecommunications and video surveillance services or equipment such as phones internet, video surveillance, cloud servers are

ALLOWABLE…

provided that a Recipient or Subrecipient does not procure, contract or obtain equipment, services and systems from entities (Huawei Technologies Company or ZTE Corporation (or any subsidiary or affiliate of such entities) described in **§200.216 – Prohibition on certain telecommunications and video surveillance services or equipment.**

TRAVEL COSTS § 200.475(c)

ALLOWABLE – Travel costs for official business are allowable – travel must be for official business, necessary for the Federal award, and be reasonable and consistent with Recipients written policy.

1. **ALLOWABLE: Temporary dependent care costs above and beyond regular dependent care** provided that**:**
   i. Direct result of the individual's travel for the federal award;
   ii. Costs are reasonable and consistent with documented travel policy;
   iii. Temporary only for the travel period.

TRAVEL COSTS § 200.475(e)

2. **COMMERCIAL AIR TRAVEL - AIRFARE:**

ALLOWABLE: LEAST EXPENSIVE UNRESTRICTED AIRFARE.

UNALLOWABLE: **Airfare costs** IN EXCESS of the basic least expensive unrestricted accommodations class offered by a commercial airlines, except when such accommodations would:

- require circuitous routing;
- require travel during unreasonable hours;
- excessively prolong travel;
- result in additional costs that would offset the transportation savings; or
- offer accommodations not reasonably adequate for the traveler's medical needs.
- first-class or business-class airfare must be justified to be allowable.

PRACTICE EXERCISE – TRAVEL COSTS

A TDHE employee was required to attend an approved training conference related to her work that is funded with a federal grant. The employee brought her young daughter with her who required day care services. There were a couple of days in the conference where the employee had to participate in training that lasted longer than she anticipated, causing her to use the day care services beyond the 8 hours a day she normally would pay for childcare services.

Question 1: Temporary dependent care is included in TDHE written travel policy. How much of the cost is allowable?

A. 100% of the total cost of the day care services.

B. Only the cost pertaining to the hours above and beyond the 8 hours a day the employee would have paid for child services.

Question 2: what if the Employee is required to pay day care at home even if her child does not attend (during the days of travel). Does this make a difference to how much of the Day Care cost paid at the location of the conference?

EXERCISE

- Review General Provisions for Selected Items of Cost in the Uniform Guidance; and
- Review written procedures on cost allowability in the sample Financial Management Policy
- Review sample financial management policies and procedures

Section 1 - Audit: Introductions, Purpose, and Requirement

Audit Preparation Training Objectives

- What is a Single Audit, and the requirements as set forth in 2 CFR 200, Subpart F.

- How to Prepare for a Single Audit?
  - Auditee responsibilities in preparation for the audit
  - Auditor responsibilities for the audit

- Provide and review tools and best practices to facilitate preparation and readiness for the audit

§ 200.500 - § 200.521
Subpart F - Audit Requirements

§ 200.500 - § 200.521
Subpart F - Audit Requirements

PURPOSE

…sets forth standards for obtaining consistency and uniformity among federal agencies for the audit of non-federal entities expending federal awards.

What is a Single Audit?

NEW

A Single Audit is an organization-wide ***financial statement*** **AND** ***compliance audit*** for non-federal entities that expend **$1,000,000 (increased from $750,000)** or more in federal funds in one year.

Single Audits comprise of two main sections:	
1	**Financial Statements Audit:** Audit of a recipient's financial statements, policies, documentation, and system of internal controls.
2	**Programmatic Compliance Audit**: Test of a recipient's compliance with the requirements of their federal awards - and assesses the effectiveness of award spending and evaluate performance progress.

What is a Single Audit?

- Established by the Single Audit Act of 1984: [was under OMB Circular a-133] - NOW 2 CFR part 200 - Subpart F.
- Provides assurance to the Federal government that grant recipients have:
  - adequate internal controls in place.
  - are complying with Federal statutes, regulations, and program requirements.
- It is called a Single Audit because it combines one audit covering all of the Tribe/TDHE's federal grants.
- Sets standards for consistency and uniformity among Federal agencies.

AUDIT FOCUS

- Greatest Risk for Fraud, Waste, and Abuse

IMPROVE TRANS-PARENCY

- Federal Audit Clearinghouse
- Some Exceptions for Tribes

SAVE DOLLARS

- Threshold raised from $500,000 to **$750,000 - now increased to $1,000,000**

STRENGTHEN RELIANCE

- Encourages Federal agency cooperation
- Rely on Single Audit

§ 200.500 - § 200.521
Subpart F - Audit Requirements

General:200.500
Purpose.

Audits: 200.501 – 200.507
Audit required. Basis for determining Federal awards expended. Relation to other audit requirements. Frequency of audits. Sanctions. Audit costs. Program-specific audits.

Auditees: 200.508 – 200.512
Auditee responsibilities. Auditor selection. Financial statements. Audit findings follow-up. Report submission.

Federal Agencies: 200.513
Responsibilities.

Auditors: 200.514 – 200.520
Scope of audit. Audit reporting. Audit findings. Audit documentation. Major program determination. Criteria for Federal program risk. Criteria for a low-risk auditee.

Management Decisions: 200.521
Management decision.

Let's Review Common Acronyms

Generally Accepted Accounting Principles (GAAP)	Generally Accepted Auditing Standards (GAAS)
Minimum standards and guidelines for financial accounting and reporting.	Minimum standards CPAs must follow when performing audits.
Reporting in accordance with GAAP ensures consistency, reliability and comparability among like entities.	Conducting audits using GAAS standards ensures uniformity and consistency in performing audits.
Governmental Accounting Standards Board **(GASB)** establishes financial and reporting standards for state and local governments.	**AICPA established standards "STATEMENTS ON AUDITING STANDARDS (SAS) - referred to as Generally Accepted Auditing Standards or GAAS.**
GAAP: Establishes standards for HOW AUDITEE'S FINANCIAL STATEMENTS ARE PREPARED.	**GAAS: Establishes standards for HOW THE FINANCIAL STATEMENTS ARE AUDITED.**

Let's Review Common Acronyms

Generally Accepted Government Auditing Standards (GAGAS)
1. GAGAS is a set of additional standards over and above GAAS. 2. Additional requirements that an auditor must follow when performing an audit in accordance with GAGAS: • *Prepare a report called* ***the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.*** • Issued with the audited financial statements.
Auditors must follow these standards when auditing State, Local and Tribal governments and non-governmental organizations that receive federal funds.
GAGAS is published by Government Accountability Office (GAO) as GOVERNMENTAL AUDITING STANDARDS or "Yellow Book Standards".

What are the Objectives of a Single Audit?

Auditor to determine if the grantee receiving federal funds has engaged in the following activities:

- Established an accounting system with adequate internal controls that provide full accountability for revenues, expenditures, assets, and liabilities.
- Prepared financial statements are presented fairly and in accordance with generally accepted accounting principles (GAAP)
- Submitted financial reports such as SF-425, Annual Performance Reports (APR), grant reimbursements, etc., are accurate, can be relied on, and are presented in accordance with the terms of applicable agreements.
- Federal funds were expended in accordance with the terms of award agreements and those provisions of federal law or regulations that could have a material effect on the financial statement.

Audit Type Requirements

§ 200.501: A non-federal entity – as a recipient or a sub-recipient - that expends **$1,000,000** or more during the non-federal entity's fiscal year in federal awards must have either a:

1. **A single audit, or**
2. **A program-specific audit or**
   - For an auditee that expends Federal awards **under only one Federal program** (excluding R&D), and
   - Federal agency does not require a financial statement audit
   - Auditor expresses an opinion based on their audit of:
     - Financial Statements of the Federal Program
     - Compliance for a Federal Program
3. **Alternative Compliance Examination**

NAHASDA Requirements for Audit

§200.501: **After Oct 1, 2024,** threshold will increase from $750,000 to $1,000,000

§ 1000.544 What audits are required?

- Per NAHASDA section 405(a), the recipient must comply with the requirements of the Single Audit Act, 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 ($1,000,000).

- If recipient has not expended federal funds in excess of (**$1,000,000**), shall certify that they do not meet the threshold for a single audit and include the information in the recipient's Annual Performance Report (APR).

Single Audit Requirement Effective Date Subpart F

NEW

Effective for fiscal years beginning on or after October 1, 2024

- **§200.501 - Audit Requirements**
  - Audit Threshold: Increased from **$750,000 to $1,000,000.** Applicable for fiscal year end **September 30, 2025**, and beyond.

Fiscal Year End	$750,000 Single Audit Threshold	$1,000,000 Single Audit Threshold
September 30	September 30, 2024	September 30, 2025
December 31	December 31, 2024	December 31, 2025
March 31	March 31, 2025	March 31, 2026
June 30	June 30, 2025	June 30, 2026

§ 200.506-What are Allowable Audit Costs? – Refer to § 200.425 (b) Audit services

- **Allowable audit costs:**

a) A reasonably proportionate share of the costs of audits required by, and performed in accordance with the Single Audit Act, implemented by 2 CFR 200 Subpart F.
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;

NAHASDA Specific – Eligible Audit Costs

- **Refer to IHBG [§1000.546 Are audit costs eligible program or administrative expenses?]**
  - Yes, audit costs are an eligible program or administrative expense.
  - If the Indian Tribe is the recipient, then program funds can be used to pay a prorated share of the Tribal audit or financial review cost that is attributable to NAHASDA funded activities.
  - For a recipient not covered by the Single Audit Act, but which chooses to obtain a periodic financial review, the cost of such a review would be **an eligible program expense.**

Federal exp less than $1,000,000

Section 2 - Auditee Responsibilities
1. Procure Audit Services
2. Prepare for the Audit

§200.509

Procure an Auditor

§200.511

Prompt follow-up and take corrective action on audit findings

§200.508 - §200.512

Key Auditee Responsibilities

§200.510

Prepare Financial statements including SEFA

Provide Auditor with access to necessary documents

§200.509 Auditor Selection

- To procure auditing services, follow procurement policy and procedures that meet the requirements of §200.317- §200.327 of Subpart D.

- In procuring an auditor, emphasis is on:
  - "…the objective is to obtain high-quality audits."
    Therefore, use the Request For Proposal (RFP) method of Procurement.
  - "…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).

§200.509 - Auditor Selection

- Ensure tribes/TDHE Request for Proposals (RFPs) for audit services includes a request for auditor’s peer review report.

- If an auditor cannot provide recent peer review report, determine the proposal is unresponsive.

THE OHIO SOCIETY OF CPAs
ADVANCING THE STATE OF BUSINESS

AICPA Peer Review Program
Administered by The Ohio Society of CPAs

SAMPLE AUDIT PEER REPORT

June 03, 2

Firm Name

Dear _______:

It is my pleasure to notify you that on May 31, 2019, the Ohio Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is March 31, 2022. This is the date by which all review documents should be completed and submitted to the administering entity. Since your due date falls between January and April, you can arrange to have your review a few months earlier to avoid having a review during tax season.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

_____________ Chair
OSCPA Peer Review Committee
peerreview@ohiocpa.com (800) 686-2727
The Ohio Society of CPAs

Review Ratings:

- **PASS**
- **PASS WITH DEFICIENCIES or**
- **FAIL**

Procure Audit Services Early

- Procure audit services by independent auditors in advance of your fiscal year end.
- Know what type(s) of audit(s) you are procuring and engage independent auditors with expertise in those specific programs, or to meet a contractual agreement.

For example: May engage two independent auditors to perform separate audits such as:

- Audit for LIHTCs
- Single Audit for Tribe/TDHE

- Secure an auditor and plan the audit fieldwork:

3-6 months before fiscal year end

Procure Audit Services

Procure auditor services competitively using the Request For Proposal (RFP) method.

The following requirements must be observed [2 CFR §200.320(b)(2) & §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;

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
  - §1000.50: 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.

Review & Evaluate RFP Responses

<u>Review Committee</u>:

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

Evaluation Criteria

Evaluate each proposal for:

- Peer and external quality control reviews
- Responsiveness to the request for proposal
- Capacity and capability of staff: professional qualifications and technical abilities.
- Prior experience in Indian Housing Programs.
- 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)) and §1000.52).
- Small businesses, minority-owned firms, and women's business enterprises (2 CFR §200.321)
- References
- Price

RFP Scoring Criteria:

	CRITERIA	MAXIMUM POINTS TO AWARD
a)	Qualifications of the firm's staff as it relates to this project. This list shall include the entire audit team, including partners, managers, and audit staff, and shall specify qualifications (CPA, CPA candidate, and experience the senior and manager) have on performing the audits of similar size and entity type.	**15**
b)	A ska Native/American Indian owned business preference (if able) **OR** Small/Minority/Woman-Owned/ Section 3 Concern (if applicable). **n points shall be 15)**	**15** **OR** **5**
c)	ience auditing Tribes federal grants, including HASDA, For profit, Not-for-profit and companies involved in social enterprise. Provide a list e last five years by the above categories.	**20**
d)	Technical assistance team: Th lified and exp reg business types, including capital development, property management, social enterprise, and general governmental, for-profit, not-for-profit companies.	
e)	Provide three references from Tribes/TDHEs you audited in 2021.	**10**
f)	Price: Include price for audit of combined financial statements, statement of cash flow, notes to financial statements, and supplemental information, including the management discussion and analysis, as well as standalone financial statements and tax returns. If price is subject to change based on major programs with regard to state and federal single audit requirements, price structure must be clearly defined. In addition, price structure should reflect experience of senior and manager of audit team.	**20**

REFER TO HANDOUT

Review

Auditor Selection Criteria

Engagement Letter

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

1. It documents and confirms auditor's acceptance of the audit.
2. Outlines the purpose, objective of the audit engagement.
3. Specifically, what the Auditor "will and won't do" (the scope of the audit).
4. Management's (Tribe/TDHE) responsibilities.
5. Reliance on facts the client gives the CPA.
6. Confirm their understanding of when the audit will be complete.
7. Audit fee estimates and out of pocket expense.
8. Communication with the Tribe/TDHE on other matters.
9. Request for the client's signature.
10. Instructions to return the signed engagement letter.

- **Review sample Engagement Letter handout**

Prepare for the Audit using "Prepared By Client List (PBC)"

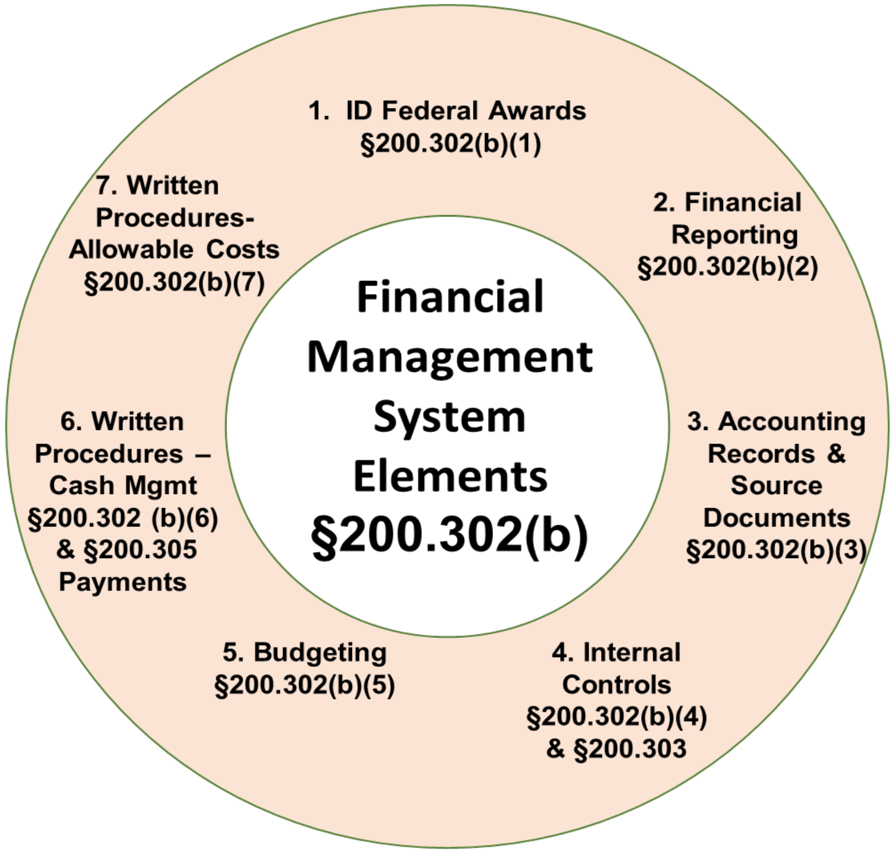
- The PBC list is the auditor's list of documents to be prepared by the client before the site visit start date.
- It is not all inclusive – it is just the start of what the auditor will test or ask for.
- To be "audit ready" start with the PBC list.

Review sample PBC

Comply with All Requirements of the Awards

Review and be familiar with:

- NAHASDA Statute and Regulations and 2 CFR Part 1000.
- Uniform Guidance at 2 CFR Part 200.
- Know what sections of the UG apply to the NAHASDA program and what does not.



REMINDER!

Prepare for the Audit

§200.510(a) Financial Statements - AUDITEE RESPONSIBILITY

- Use the Auditor's **"Prepared by Client List"** to help you compile documents and prepare for the audit **BEFORE** the auditors begin the audit.

- Create an electronic folder and include: Basic Financial Statements
  - Statement of Net Position/Balance Sheet
  - Statement of Activities/"Income Statement"
  - Cash Flow if required. Prepared Schedule of Federal Awards (SEFA).
- An adjusted year end Tribal Balance
  - with references to the online folders for each account for which you have prepared work papers to support the account balances.
  - Ensure balances are supportable.

REMINDER!

Prepare for the Audit

§200.510(a) Financial STATEMENTS - AUDITEE RESPONSIBILITY

- Make sure all expenditures have been recorded in the general ledger(credit card, etc.)
- Review all lease agreements, contracts, grant agreements to record all required activity.
- Reconcile all balance sheet accounts to ensure balances are correct and supported – do not send auditor General Ledger and Trial Balance until this activity is completed!
- Prepare all support schedules (Bank Reconciliations, Fixed Asset Schedules etc.) for completeness and accuracy.
- Prepare fixed asset and accumulated depreciation schedule.
- Prepare other required items on the PBC Listings such as grant analysis worksheets and supporting documents.

REMINDER!

Prepare for the Audit

- Conduct physical inventory and ensure items are still there!
- Review all personnel files for completeness and ensure salary/wage and increases and tax and employment forms – such as W-4 and I-9 are included.
- Review internal controls.
- Include new and updated policies and procedures.
- Provide Board/Council documents to include minutes and resolutions and a list of Board of Commissioners/Tribal Council.
- Upload documents on the electronic platform provided by the auditor (i.e. sharefile)
- Be prepared to respond to Auditor’s questions on significant increases/decreases in account activities!

Schedule Of Expenditures of Federal Awards (SEFA)

§200.510(b) SEFA PREPARATION - AUDITEE RESPONSIBILITY

Prepared by Client: SEFA is a summary document of all federal grant awards and loan guarantee loans.

Refer to **§200.502(b)**

It includes:

a. Federal agency (HUD)
b. Grant Name (Indian Housing Block Grant) or Loan Guarantee Type (Title VI)
c. Grant number
d. ASSISTANCE LISTINGS (AL) TITLE AND NUMBER
e. Grant Award amount
f. Eligible expenditures

What/When Does a Federal Expenditure Occur?

§200.510(b) SEFA PREPARATION - AUDITEE RESPONSIBILITY

Federal Awards	When Is it Expended?
Grants, cost reimbursement contracts: • IHBG Grant • ICDBG Grant • IHBG CARES Grant • IHBG and ICDBG ARP Grants	When the expenditures or expenses occur
Amounts Provided to Subrecipients	When the disbursement is made to the Subrecipient
Loan and Loan Guarantee Loans: • Title VI Loan Guarantee	When the loan proceeds are used by the Tribe/TDHE

Schedule of Expenditures of Federal Awards (SEFA)

§200.510(b) SEFA PREPARATION - AUDITEE RESPONSIBILITY

Must be prepared for the same period as the financial statements and must include total federal awards expended - §200.502 (Basis for Federal Awards Expended).

- **The Schedule of Expenditures of Federal Awards (SEFA) is a key schedule that the auditor uses to determine the scope of the single audit.**
  - Reconciles to accounting and other records used in preparing financial statements.
  - Completeness and accuracy is critical to avoid missed programs.
  - Auditor is responsible for determining whether auditee includes all required SEFA elements.
- **The auditor uses the SEFA for risk assessments and to determine which grants are MAJOR PROGRAMS that they will test for program compliance**.

Sample SEFA and Notes

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended March 31, 2025

Federal Grantor/Pass through Grantor/Program Title	Federal Assistance Listing Number	Grant Number	Disbursements/ Expenditures
U.S. Department of Housing & Urban Development			
Indian Housing Block Grant	14.867	55-IH-01-16100	$ 3,059,000
Indian Housing Block Grant - Competitive	14.867	21-IC-AL-16100	835,000
COVID-19 Indian Housing Block Grant - ARP	14.867	21-AH-01-16100	22,527
Total - U.S. Department of Housing & Urban Development			3,916,527
U.S. Department of Energy			
Energy Efficiency and Conservation Block Grants	81.158	DE-SE0000992	290,000
Total - U.S. Department of Energy			290,000
Total Expenditures of Federal Awards			$ 4,206,527

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2025

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Housing Authority (the Authority) and is presented on the accrual basis of accounting. The information in the schedule is presenting in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements. All federal financial awards have been included on the SEFA.

NOTE 2 – SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

The Real Fun Begins!

Be Audit Ready!

Support Your Numbers!

Prepare Your Schedules!

UPNORTH TRIBAL HOUSING

TRIAL BALANCE

DECEMBER 31, XX

BALANCE SHEET SECTION

	Dec 31, 20XX	WorkPaper Reference
1111 · First Town Bank General Operati	170,229.01	a1
1112 · First Town Bank Investment	372,355.00	a2
1150 · FTB-Security Deposits	1,200.00	a3
1300 · Trade Accounts Receivable	0.00	
1310 · Tenant Accounts Receivable	1,920.00	b1
1120 · Petty Cash	500.00	a4
1160 · MEPA Investments	47,920.00	a5
1400 · Grants Receivable:1415 · Grants Receivable-ICDBG	48,300.00	b2
1400 · Grants Receivable:1425 · Grants Receivable-BIA TPA	4,109.45	b3
1400 · Grants Receivable:1430 · Grants Receivable IHBG	60,622.23	b4
1501 · Prepaid Expenses	12,000.00	c1
1901 · Land	120,000.00	d1
1905 · Land improvements & Infrastruct	188,500.00	d2
1910 · MH Homes	200,000.00	d3
1911 · Buildings	1,974,775.00	d3
1915 · Furniture and Equipment	67,445.00	d4
1923 · Accum Depr - Buildings	-830,920.00	d5
1924 · Accum Deprec Furnture/Eqpt	-20,531.00	d6
1925 · Accum Depr - Infrastructure	-1,925.00	d6
1950 · Construction Work In Progress	429,060.00	d8
2000 · Accounts Payable	-4,861.56	e1
2201 · Credit Card-BA-9605	-13,318.25	e2
2100 · Accrued Payroll	-13,873.02	f1
2110 · Payroll Liabilities · FWT	-326.53	f2
2110 · Payroll Liabilities · SS/MEDICARE	-2,379.02	f3
2110 · Payroll Liabilities · ESC	-320.32	f4
2110 · Payroll Liabilities · Workers Comp Liability	-777.46	f5
		f6
		a3
		g1
		g2
		a5
		h1
		h2
		i1
3200 · Retained Earnings	587,595.80	i1

EXERCISE

Review - Sample Audit Workpapers in preparation for the audit.

Section 3 - Single Audit Process

Auditor (Scope) Responsibilities [§200.514]

a) General Audit Requirements

b) Review and Opine on the Financial Statements

c) Review Internal Controls

d) Determine Compliance with Major Programs

e) Audit Follow-up on Prior Audit Findings

f) Data Collection Form

Auditor (Scope) Responsibilities [§200.514]

a) **General:**

- Audit must be conducted in accordance with GAAS and GAGAS.
- The audit must cover the entire operations of the auditee.

b) **Review Financial Statements:**

- **FINANCIAL STATEMENTS:** Determine whether the financial statements of the auditee are presented fairly in all material respects in accordance with generally accepted accounting principles (GAAP).

- **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:** Determine whether the schedule of expenditures of federal awards is stated fairly in all material respects in relation to the auditee's financial statements taken as a whole.

Auditor (Scope) Responsibilities [§200.514]

(c) Review Internal Controls

Auditor obtains **UNDERSTANDING** of Internal Controls (IC) over federal programs and plans the audit

↓

Plan and perform testing of IC based on **ASSESSMENT** of existing internal controls.

↓

Auditor **TEST** Internal Controls.

1. Is it reliable?
2. Is it Effective?

NO – Auditor determines they cannot rely on IC, and it is **NOT EFFECTIVE** in preventing or detecting non-compliance

↓

- **Auditor must report a significant deficiency or material weakness**
- Consider if additional compliance tests are required because of ineffective internal control

YES – Auditor determines IC in place are **EFFECTIVE** and can be relied on.

↓

Auditor perform procedures to support a low assessment level of control risk (**level of risk auditors are willing to accept**) relevant for major programs.

Auditor (Scope) Responsibilities [§200.514]

d) **Compliance - Determine compliance of major programs**

The auditor must use the **COMPLIANCE SUPPLEMENT** to determine whether the Tribe/TDHE 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.**

e) **Audit 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 (resolutions to) prior audit findings prepared by the Tribe/TDHE (auditee).

f) **Data Collection Form: Complete and sign data collection form (SF-SAC):**

The auditor must complete, and sign specified sections of the online data collection form (SFAC) – a form for reporting on audits of states, local governments, Indian Tribes and non-profits.

Major Program Determination [§200.518(a)]

GENERAL: a risk-based approach

Auditor must use a risk-based approach to determine which federal programs are **major programs**, and considers:

- current and prior audit experience,
- oversight by federal agencies and pass-through entities, and
- the inherent risk of the federal program.

NOTE: the risk-based approach reflect the increased focus on oversight and greatest **risk** of waste, fraud, and abuse of taxpayer dollars.

Major Program Determination [§200.518(a)-(e)]

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

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

Step 1: Identify Type A or Type B Programs
Type A: => $1 Million; Type B: below $1 Million

Step 2: Risk Assessment – Identify **Type A** programs which are **NOT LOW-RISK** (must audit)

Step 3: Risk Assessment - **Identify HIGH-RISK Type B Programs** – (no more than)< ¼ of low-risk Type A programs); Type B programs > 25% of Type A threshold. (must audit)

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 Expenditures**
  - **Non-Low Risk Auditee – 40% of Fed Expenditures**

Are You a Low-Risk Auditee (§200.520)?

You are a low-risk auditee and eligible for reduced audit coverage if you meet the conditions below in the last 2 audit periods:

- The auditor issued unmodified opinions on your financial statements and the SEFA.
- Timely submission of the data collection form and the reporting package to the FAC.
    - ***Note - A non-Federal entity that has biennial audits does not qualify as a low-risk auditee.***
- **No deficiencies in internal control which were identified as material weaknesses under the requirements of GAGAS.**

Are You a Low-Risk Auditee (§200.520)?

CONT'D ….<u>You are a low-risk auditee</u>

The auditor did not report a substantial doubt about the auditee's ability to continue as a going concern.

- No Type A programs had audit findings from any of the following:
  - (1) Internal control deficiencies – material weaknesses
  - (2) A modified opinion on a major program
  - (3) Known or likely questioned costs that exceeded five percent of the total Federal awards expended for a Type A program during the audit period.

How Do You Know if You are a Low-Risk Auditee?

Check your audited financial statements under:

[SUMMARY](#) OF AUDITOR'S RESULTS AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Audit Results

EXAMPLE

Year ended December 31, 2025

Section I – Summary of Auditor's Results.

Financial Statements

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

Federal Awards

Type of auditor report issued on compliance over major programs:			Unmodified	
Material weakness in internal control over major programs identified?	_____	Yes	x	No
Significant deficiency not considered a material weakness identified?	_____	Yes	x	No
Audit findings that are required to be reported in accordance with Title 2 U.S. CFR Part 200, Uniform Guidance?	_____	Yes	x	No

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster of Programs
14.228	HUD – Community Development Block Grants
14.867	HUD – Indian Housing Block Grants
21.027	DOT – SLFRF

New Threshold beginning September 30, 2025

Dollar threshold used to distinguish between Type A and Type B programs:			$ 1,000,000	
Qualified as low-risk auditee?	x	Yes	_____	No

Section II – Financial Statement Findings, Required to be reported in Accordance with *Governmental Auditing Standards*

The Authority did not have any findings that relate to the financial statements that are required to be reported in accordance with GAGAS.

Section 4 -
Grant Compliance of MAJOR PROGRAMS

EXERCISE

Review and Navigate the Compliance Supplement

Assistance Listing 14.867: IHBG

2 CFR PART 200, APPENDIX XI

COMPLIANCE SUPPLEMENT

November 2025

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

Compliance Requirements

- The Compliance Supplement is **<u>published annually</u>** and is issued by the OMB (available [2025 Compliance Supplement (whitehouse.gov)]
- Provides information about Federal program objectives, procedures and compliance requirements subject to audit.
- 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.
- Federal awarding agencies must:
  - Provide annual updates to OMB
  - Design compliance requirements that may detect improper payments, fraud, waste and abuse
- Does not include all federal grant programs

Compliance Supplement

- The compliance supplement is made up for 8 parts:
  - Part 1 – Background, Purpose, and Applicability
  - Part 2 – Matrix of Compliance Requirements
  - Part 3 – Compliance Requirements
  - **Part 4 – Agency Program Requirements**
  - Part 5 – Cluster of Programs
  - Part 6 – Internal Controls
  - Part 7 – Guidance for Auditing Programs Not Included in this Compliance Supplement
  - Part 8 - Appendices

Testing 2025 Compliance Supplement Requirements

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

Of the 12 types of compliance requirements for the IHBG Program – 6 (Y) will be reviewed for FY2025 audit

Program Compliance

A. Activities - Allowable and Unallowable

1. Auditor will test whether Tribe/TDHE's activities for the fiscal year are eligible activities allowed under the NAHASDA Program. See list in Section 202 of NAHASDA.
   a. Indian Housing Assistance – Provision for Operating and maintaining 1937 Housing Act Units.
   b. Development]: Acquisition, new construction, major rehab, etc.
   c. Housing Services: Housing counseling, self-sufficiency program resident support, etc.
   d. Housing Management Services: Tenant based rental assistance, ops and maintenance.
   e. Crime Prevention and Safety Activities
   f. Model Activities – not housing, but support the program and requires HUD Secretary approval
   g. Reserve Accounts – IHBG funds for P&A reserves - maximum is no more than ¼ of the 5-year average of P&A.

2. Auditor will test that Tribe/TDHE does not use IHBG funds for property tax. Instead, there must be a Local Cooperative Agreement (See Sec 101(c)) to pay PILOT (payment in lieu of taxes. Secretary may waive requirement.

Program Compliance

B. Allowable Costs/Cost Principles - Auditor will test whether all expenses charged to the IHBG grant are allowable costs, and

1. Will review NAHASDA Program specific requirements for evidence of prior HUD approval for:
   a. Depreciation Methods – cannot be changed without HUD approval
   b. Cost of Housing, housing allowances and personal living expenses, regardless whether reported as taxable income.
2. Fines, penalties, damages, and other settlements are **unallowable**.
3. Persons providing consultant services in an employer-employee type of relationship cannot have compensation exceeding the equivalent of the daily rate paid for a Level IV of the Executive Schedule (Annual: 2025 - $195,200; 2026 - $197,200)

Program Compliance

E. **Eligibility - Eligibility for Individuals**

1. Must have written policies governing the eligibility, admission and occupancy of families for housing assisted with the IHBG funds, serving:
   a. **Low-income families** (Income is at 80% or below of AMI).
   b. **Non-low-income families** – but cannot receive the same benefits as low-income families.
   c. **Non-low-income family** whose housing needs cannot be met without the IHBG assistance AND the **meets the "Essential to the well-being of Indian families.**
   d. **Law enforcement officer** may be assisted if– currently employed in law enforcement and recipient determines their presence in community may deter crime.

Summary of Requirements For Serving Non-Low-Income Families

Summary of Requirements
For Serving Non-Low-Income Families

Applicability	HUD Approval Required	Rent/Homebuyer Payment differential Required by HUD	Counts Against 10% Authority
Essential Family	No	No	No
Law Enforcement	No	No	No
Continued Occupancy	No	Determined by Tribe/TDHE Occupancy Policy	No
Non-Low- Income Families (10% Authority) between 80-100% of median income	No	Yes	Yes
Secretary Approved: Exceeding 10% Authority to serve Indian families at 80 – 100% of median income	Yes	Yes	By definition these families exceed the 10% cap.
Secretary Approved: Indian family over 100% of median income	Yes	Yes	No

EXAMPLE OF CALCULATION OF RENT FOR NON-LOW INCOME FAMILY

Non-low Income (NLI) Family Income	120,000.00
Area Median Income –Anchorage (2025)	99,500.00
80% of AMI Anchorage	79,520.00
Ratio of NLI/80% of AMI	1.51
Established Low Income Family Rent	500.00
Non-low Income Family Rent (rounded)	755.00

Income of non-low-income family
DIVIDED BY
Income of family at 80% of AMI
TIMES
Rental Payment of Family at 80% of AMI
$120,000 / $79,520 X $500 = $755.00

Program Compliance

Procurement and Suspension and Debarment

1. Written Procurement Policy and Procedures

IHBG must require Indian Preference under section 7(b) of the Indian Self-determination and Education Assistance Act or if applicable under Section 101(k) of NAHASDA.

(i) Preference and opportunities for training and employment shall be given to Indians; and

(ii) Preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned economic enterprises as defined in section 3 of the Indian Financing Act of 1974 (25 U.S.C. 1452).

Indian Preference ref: **24 CFR §1000.48 - 54**

Program Compliance

Procurement and Suspension and Debarment

2. The following do not apply:
   - Exception – per 24 CFR 1000.26 (a) (10), §200.317 “procurement by states” does not apply

   - Exception – per 24 CFR 1000.26 (a) (11), sections § 200.318 through 200.327 apply, as modified in this paragraph:

De minimis Procurement: A recipient shall not be required to comply with 2 CFR 200.318 through 200.327 with respect to any procurement, using IHBG grant for goods and services with a value of less than $5,000.

Program Compliance

Procurement and Suspension and Debarment

3. Domestic **Preference** for procurements 200.322:

   Recipient should, to the greatest extent practicable, provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the US. The requirements must be included in in all subawards, contracts, and purchase orders under Federal awards.

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   Federal agencies providing Federal financial assistance for infrastructure must implement the Buy America preferences included in 2 CFR 184 and PIH Notice 2024-35 (Revised)

4. Utilizing federal supply sources in procurement:

   In accordance with section 101(j) of NAHASDA, recipients may use federal supply sources made available by the general services administration pursuant to 40 U.S.C. 501.

2 CFR 200.320: Procurement Methods

Micro Purchases	Small Purchases	Sealed Bidding	Competitive Proposals	Non-competitive
• Up to $15,000 • No quotes necessary • Cost must be reasonable • Indian Preference is required*	• RFP/RFQ • $15,000 to $350,000 • Award to lowest responsive & responsible bidder • Minimum 2 quotes	• IFB • > $350,000 • Award to lowest responsive & responsible bidder • Minimum 2 quotes	• RFP • Most advantageous proposal	• Emergency • Sole Source • HUD approval • Lack of competition

<u>Program Specific Requirement</u> 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 $5000

PIH 2026-08: NAHASDA SPECIFIC

Purchase Threshold Reference Table		
Dollar Amount	**Threshold Type**	**What It Means/Guidance**
$5,000 and under	De minimis purchase exemption (IHBG only)	No competitive quotes required. Use reasonable purchasing practices and keep documentation. Indian and Tribal preference rules do not apply.
Up to $15,000	Micro-purchase threshold	May be purchased without competitive quotes if price is reasonable. Indian and Tribal preference rules apply.
$15,001 - $50,000	Self-certified higher micro-purchase threshold	Tribes/TDHEs may self-certify a higher micro-purchase limit. Must document the justification. Indian and Tribal preference rules apply.
$50,001- approved higher micro-purchase threshold (only for Tribes that get HUD approval to raise their micro-purchase threshold)	Micro-purchase threshold increase requires ONAP approval	To use a micro-purchase threshold above $50,000, you must submit a request letter and receive written approval from ONAP. Indian and Tribal preference rules apply.
Above your approved micro-purchase threshold but less than $350,000	Simplified acquisition threshold	Must obtain price or rate quotes from an adequate number of qualified sources. Indian and Tribal preference rules apply.
$350,000 and above	Above simplified acquisition threshold (formal procurement)	Formal procurement methods apply (sealed bids or competitive proposals), including full solicitation requirements. Indian and Tribal preference rules apply.

UG PROCUREMENT STANDARDS (REVISED)

- In recognition of Tribal sovereignty, and consistent with the existing requirements for States, the rules in 2 CFR 200.317 were updated effective October 1, 2024, to give Tribes more flexibilities, including the authority to adopt their own procurement policies and procedures, similar to States.
- If a Tribe does not have its own policies, it must follow the rules in §§ 200.318-200.327.
- Even when using their own policies, Tribes must still follow the Federal requirements in §§ 200.321, 200.322, 200.323, and 200.327.
- Tribes may exercise the option to follow their own procurement policies and procedures now. HUD intends to publish conforming rule changes for the IHBG and ICDBG to revise the regulations consistent with the procurement standards in 2 CFR Part 200.

Program Compliance
l. REPORTING

Auditors will review the following IHBG program required reports:

1. **FINANCIAL REPORTING [ref: §200.302(b)(2); §200.328]**
   - **SF-425 FEDERAL FINANCIAL REPORT**

2. **PERFORMANCE REPORTING**
   - **ANNUAL PERFORMACE REPORT [HUD 52737]**

Program Compliance
I. REPORTING

1. FINANCIAL REPORTING

Federal Financial Report – SF425:

Track the status of financial data tied to a particular Federal grant award.

- Auditors will test for **COMPLETENESS, ACCURACY, AND TIMELINESS of quarterly or annual (if approved for IHBG fund investments) submissions.**

- Auditors will review Box 12 (or attachment) of investment information for reasonableness of the investment status explanation.

View Burden Statement

Federal Financial Report

(Follow form Instructions)

OMB Number: 4040-0014
Expiration Date: 02/28/2025

1. Federal Agency and Organizational Element to Which Report is Submitted

2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)

3. Recipient Organization (Name and complete address including Zip code)

Recipient Organization Name:
Street1:
Street2:
City:
County:
State:
Province:
Country: USA: UNITED STATES
ZIP / Postal Code:

4a. UEI

4b. EIN

5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)

6. Report Type
- Quarterly
- Semi-Annual
- Annual
- Final

7. Basis of Accounting
- Cash
- Accrual

8. Project/Grant Period
From:
To:

9. Reporting Period End Date

10. Transactions	Cumulative
(Use lines a-c for single or multiple grant reporting)	
Federal Cash (To report multiple grants, also use FFR attachment):	
d. Total Federal funds authorized	0.00
e. Federal share of expenditures	0.00
f. Federal share of unliquidated obligations	0.00
g. Total Federal share (sum of lines e and f)	0.00
h. Unobligated balance of Federal Funds (line d minus g)	0.00
Recipient Share:	
i. Total recipient share required	0.00
j. Recipient share of expenditures	0.00
k. Remaining recipient share to be provided (line i minus j)	0.00
Program Income:	
l. Total Federal program income earned	0.00
m. Program income expended in accordance with the deduction alternative	0.00
n. Program income expended in accordance with the addition alternative	0.00
o. Unexpended program income (line l minus line m and line n)	0.00

Refer to discussion at §200.302(b)(2); §200.328

Program Compliance

1. FINANCIAL REPORTING: SF425

Auditors will review whether:

1. The financial reports were prepared in accordance with the required accounting basis [modified vs accrual basis of accounting].
2. All applicable accounts were included in the sampled reports (e.g., program income, expenditure credits, loans, interest earned on federal funds, and reserve funds).
3. Trace the amounts reported in the SF-425 to accounting records that support the audited financial statements and the SEFA and verify accuracy and completeness of the reports and that they agree with the accounting records.
4. For any discrepancies noted in SF-425 reports concerning cash status, auditors will review subsequent SF-425 reports to ascertain if the discrepancies were appropriately resolved.
5. Tribe/TDHE submitted annual report, unless Tribe/TDHE has been approved to invest IHBG funds and therefore, must submit quarterly report.

Program Compliance
I. REPORTING

2. PERFORMANCE REPORTING: ANNUAL PERFORMANCE REPORT [HUD-52737]

HUD-52737 – Indian Housing Plan/Annual Performance Report (now filed through GEMS):

Auditor will review the APR for: **COMPLETENESS, ACCURACY, AND TIMELINESS of submission.**

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

PROGRAM NAME (tie to program names in Section 3 above)	Unique Identifie...	IHP (L)	IHP (M)	IHP (N) ...nds to be ...l in 12- ...ram	APR (O) Total IHBG (only) funds expended in 12-month program year	APR (P) Total all other funds expended in 12-month program year	APR (Q) Total funds expended in 12-month program year (O+P)
202X-01 Senior Low Rent (1937 Act Housing				...3	27,995	0	27,995
202X-02 Development – Family Housing		250,000	315,00...	565,000	225,628	314,660	540,288
202X-03 Housing Services		14,250	23,10...	37,350	11,476	16,800	28,276
202X-04 Modernization/ Rehabilitation		51,448	0	51,448	51,332	0	51,332
202X-05 Mutual Help Program		21,693	11,320	33,013	4,259	10,920	15,179
202X-06 Tenant Based Rental Assistance		5,000	0	5,000	1,865	0	1,865
Planning and Administration		110,000	0	110,000	110,879	0	110,879
Loan repayment – describe in 4 and 5 below.		98,000	0	98,000	97,188	0	97,188
TOTAL		590,564	349,420	939,984	530,622	342,380	873,002

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

Sample: Annual Performance Report (APR) – Total Sources

FY2025: 12/31/2025

SOURCES		INDIAN HOUSING PLAN					ANNUAL PERFORMANCE REPORT					
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
		Estimated amount on hand beginning FY2024	Estimated amount to receive in FY2024	Estimated total sources of funds	Estimated Funds to be expended during FY2024	Estimated amount unexpended - FY2024	Actual Amount on hand - beginning of FY2024	Actual Amount received in FY2024	Actual Sources of Funding	Actual Funds expended	Actual Unexpended at 9/30/2024	Actual unexpended funds obligated but not spent
1	IHBG FUNDS	12,300,000	5,100,000	17,400,000	10,252,000	7,148,000	12,074,874	5,843,413	17,918,287	5,036,057	12,882,230	939,679
2	PROGRAM INCOME	300,000	450,000	750,000	250,000	500,000	376,504	886,337	1,262,841	500,000	762,841	-
3	NON FEDERAL FUNDS	140,000		140,000	140,000	-	133,000	-	133,000	23,550	109,450	
4	ROSS GRANT	215,084	-	215,084	60,000	155,084	215,084	-	215,084	29,006	186,078	
TOTAL SOURCES		12,955,084	5,550,000	18,505,084	10,702,000	7,803,084	12,799,462	6,729,750	19,529,212	5,588,613	13,940,599	939,679

Sample: Annual Performance Report (APR) – Total Uses

FY 2025:: December 31, 2025

USES OF FUNDING

		INDIAN HOUSING PLAN			ANNUAL PERFORMANCE REPORT		
		(L)	(M)	(N)	(O)	(P)	(Q)
	Activities	Prior and current year funds to be expended in FY2024	Total all other funds to be expended in FY2024	Total Funds to be expended in FY2024	Total IHBG only funds expended in FY2024	Total all other funds exepnded in FY2024	Total Funds expended in FY2024
2024-01	CAS Modernization	950,000	-	950,000	873,931	23,550	897,481
2024-02	CAS Management/Ops 1937 Hsg	1,675,000	325,000	2,000,000	1,475,856	504,869	1,980,725
2024-03	Lending Subsidies for HBs	300,000	-	300,000	-		-
2024-04	Rehab Assistance - Existing HBs	260,000	50,000	310,000	21,468		21,468
2024-05	Rental Assistance Program	672,000	-	672,000	322,936		322,936
2024-06	Other Housing Services	1,130,000	-	1,130,000	925,591	500,000	1,425,591
2024-07	Housing Management	900,000	-	900,000	652,669		652,669
2024-08	Acquisition of Rental Housing	615,000	15,000	630,000	163,180		163,180
2024-12	Senior Housing Development	2,500,000	-	2,500,000	23,180		23,180
2024-13	Single Family Housing Development	200,000	-	200,000			-
		9,752,000	**390,000**	**10,142,000**	**4,458,810**	**1,028,418**	**5,487,229**
Planning and Admin		**500,000**	**-**	**500,000**	**577,247**		**577,247**
	TOTAL	**10,252,000**	**390,000**	**10,642,000**	**5,036,057**	**1,028,418**	**6,064,476**

Annual Performance Report Compliance Review

Auditors will review:

- Timely reporting of the APR through GEMS (30 days after quarter ending if Tribe/TDHE is approved to invest IHBG funds; and 90 days after fiscal year end).
- A copy of the HUD-52737 submitted to HUD to very accuracy of the data reported by the Tribe/TDHE for the following:

1. Section 3, Line 1.9 – *Planned and Actual Outputs for 12-Month Program Year*.
2. Section 5, Line 1 – *Sources of Funds* – columns G and K.
3. Section 5, Line 2 – *Uses of Funds* – columns O through Q.
4. Section 11, Line 1 – *Inspections of Units* – columns C through F.
5. Section 14, Lines 1 and 2 – *Jobs Supported by NAHASDA*

Annual Performance Report Compliance Review

BE PREPARED TO RESPOND TO AUDITORS….

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

Program Compliance
N. Special Tests and Provisions
(1) Wage Rate Requirements

Auditors will review policies and procedures and accounting records to ensure you comply with the Wage Rate requirements

- **Wage Rate Requirements**: Section 104(b) of NAHASDA requires that prevailing wage rates as determined by the Secretary of Labor (commonly known as Davis-Bacon wage rates) be paid to all laborers and mechanics employed in the development of affordable housing and that HUD-determined prevailing wage rates be paid to all maintenance laborers and mechanics employed in the operation of affordable housing.

- **Application of Tribal Law:** (1) above does not apply if Tribe adopts a Tribally Designated Wage Rate (TDW) laws or regulations that requires the payment of not less than prevailing wages, as determined by the Tribe.

Reference:

- **PG 2003-04: Application of Tribal Laws Pertaining to the Use of Tribally Determined Wages (TDW).**
- **24 CFR Section 1000.16: What labor standards are applicable?**

Program Compliance
N. Special Tests and Provisions
(2) Environmental Review

Compliance Requirements Program regulations provide that a Tribe:

- May assume responsibilities for environmental review and decision making under the requirements of 24 CFR **Part 58** or
- May allow HUD to retain these responsibilities, where HUD will do reviews under the provisions of 24 CFR **Part 50** (24 CFR section 1000.20).
- The Tribe is the responsible entity, whether or not a TDHE is authorized to receive IHBG grant amounts on behalf of the tribe (24 CFR section 58.2(a)(7)(ii)).
- **HEROS -** HUD's Office of Environment and Energy has developed an online system for developing, documenting, and managing environmental reviews. It covers all levels of environmental reviews for both Part 50 and Part 58 projects and includes on-screen guidance for completing HUD environmental reviews.
- **Reference: Environmental Review: 24 CFR Part 58; 24 CFR Part 1000.20(b)(3)**

PART 50 Environmental Review

Refer to PIH 2024-24: **SUBJECT: HUD Programmatic Part 50 Environmental Review for Indian Housing Block Grant….**

1. **Purpose:** This Notice is a Part 50 programmatic determination for administrative, operations, planning, management, tenant based rental assistance, and certain maintenance activities.

2. You do not need to complete this portion under HUD Part 58 environmental review. HUD is determining under Part 50 that these activities are not subject to further environmental review because they do not alter the physical environment, and consequently, will not result in environmental impacts.

3. All activities and descriptions that are not included in this programmatic environmental review require a separate environmental review before HUD funding is committed or spent.

N. Special Tests and Provisions
(2) Environmental Review

Auditors will determine whether

a. the required environmental reviews have been performed, and

b. Program funds were NOT obligated or expended prior to completion of the environmental review process.

a. **<u>Must be completed for ANY</u> NAHASDA** assisted activities not excluded from review under 24 CFR 50.19(b).

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)).

c. **<u>CANNOT SPEND ONE DOLLAR OF NAHASDA</u>** in a project (even with mixed funding), without an approval and release of funds has been received from HUD.

Program Compliance
N. Special Tests and Provisions
(2) Environmental Review

Auditor will select a sample of projects for which expenditures were made and verify that

1. ENVIRONMENT REVIEWS

a. Environmental determinations were made for each project or activity.

b. Environmental determinations were supported by an environmental review, including supporting documentation for each applicable law and authority.

c. For any project where an RROF and environmental certification was not submitted, the environmental review includes a written determination that the project or activity is exempt under a criterion of 24 CFR section 58.34 or is categorically excluded under a criterion of 24 CFR section 58.35(b), and meets the conditions specified for such exemption or categorical exclusion, with supporting documentation.

2. REQUEST FOR RELEASE OF FUNDS (RROF)

a. Examine HUD's approval of the RROF and environmental certification and note receipt dates.

b. b. Review the expenditure and related records and determine the dates the funds were obligated or expended.

c. c. Determine those funds were obligated or expended subsequent to RROF and environmental certification approval by HUD.

- Additional information on environmental review requirements can be found at https://www.hudexchange.info/programs/environmental-review/. .

N. Special Tests and Provisions
(3) Investment of IHBG Funds

Auditor will determine whether the investment of IHBG funds by the recipient meets the requirements of 24 CFR section 1000.58 and will:

a. Ascertain that prior written HUD approval had been obtained, and any conditions or restrictions on the approval.
b. Verify that the funds were invested only in those allowable accounts or instruments and within any conditions or restriction on the approval.
c. Verify that each of these accounts are separate from other funds of the recipient and subject to an agreement in a form prescribed by HUD (i.e., HUD-52736-A for bank accounts or HUD-52736-B for brokers and dealers).
d. Ensure these agreements are fully executed and maintained by the recipient in an accessible place.
e. Reference: **PIH 2025-05**

IV: OTHER INFORMATION

OTHER COMPLIANCE TESTING!

New under AL 14.867 are the following grants Auditors are required to test for Compliance:

I. Indian Housing Block Grant – CARES Grant

II. Indian Housing Block Grant – ARP Grants

Exercise

Review NAHASDA Compliance Requirements
Assistance Listing (CFDA) 14.867

Section 5 - Responsibilities on Reporting of Findings, Corrective Actions and Resolution

§ 200.516(a)
Audit Findings

It is the AUDITOR's responsibility to REPORT the following in the schedule of findings and questioned costs:

1. Significant deficiencies and material weaknesses in internal control over major programs .
2. Material noncompliance with provisions of the award(s).
3. Known and likely known questioned costs greater than $25,000 for a type of compliance requirement for a major program.
4. Known questioned costs over $25,000 for a non major program [not audited, but found during the audit].
5. Reasons for an opinion that is other than an **unmodified opinion**.
6. Known or likely fraud affecting the federal award. **[does not require the auditor to report publicly information that could compromise investigative or legal proceedings.]**
7. Incorrect auditee report of corrective action on prior findings.

SAMPLE - Schedule of Findings and Questioned Cost

[redacted]

Schedule of Findings and Questioned Costs
Year Ended September 30, 2024

Section I – Summary of Auditor's Results

Financial Statements		
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP [*unmodified, qualified, adverse, or disclaimer*]: Unmodified		
Internal control over financial reporting:		
• Material weakness(es) identified?	____ yes	X no
• Significant deficiency(ies) identified?	____ yes	X no
• Noncompliance material to financial statements noted?	____ yes	X no
Federal Awards		
Internal control over major federal programs:		
• Material weakness(es) identified?	____ yes	X no
• Significant deficiency(ies) identified?	____ yes	X no
Type of auditor's report issued on compliance for major federal programs [*unmodified, qualified, adverse, or disclaimer*]: Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes	X no
Identification of major federal programs:		
AL Number(s)	**Name of Federal Program or Cluster**	
14.867	Indian Housing Block Grants	
Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X yes	____ no

Section II – Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

The Housing Authority did not have any findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.

§ 200.516(b) Audit Findings

Auditor Responsibility – specific information to be included in audit findings: must be presented with sufficient detail and clarity.

1) Federal program and specific **federal award identification**.
2) **Criteria** or specific requirement upon which the audit finding is based.
3) The **condition** found, including facts that support the deficiency identified.
4) A **statement of cause** (condition) and required state (criteria) – a basis for recommendations for corrective action.
5) A **statement of the effect** or potential effect to establish impact of the difference between the condition and the criteria.
6) **Identify questioned costs** and how they were computed, by UEI number and federal award identification number.
7) When there are known questioned costs but the dollar amount is undetermined or unknown, auditor must include in the report a description of **why the dollar amount was undetermined or otherwise, could not be reported.**

§ 200.516(b &c)
Audit Findings (Cont'd)

CONT'D: Auditor Responsibility – specific information to be included in audit findings: must be presented with sufficient detail and clarity.

8) Information to provide proper perspective for judging the prevalence and consequences of the audit findings…(is this an isolated instance or a systemic problem?).
9) Identify if audit finding was a repeat of a finding in the immediately prior audit and if so, any applicable prior year audit finding numbers.
10) Recommendations to prevent future occurrences.
11) Views (Comments) from auditee.

§ 200.516(c): Reference Numbers: Each audit finding in the schedule of findings and questioned costs must include a reference number in the format meeting the requirements of the data collection form submission required by **§200.512** report submission, paragraph (b) to allow for easy referencing of the audit findings during follow-up.

Audit Findings – Auditee Responsibility

AUDITEE'S general responsibilities: § 200.511(a): AUDIT FINDINGS FOLLOW-UP

- 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.

- PROMPT FOLLOW UP ON FINDINGS!

Sample Auditor Schedule of Audit Findings and Questioned Costs

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2023

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2023 – 001: Schedule of Expenditures of Federal Awards (SEFA) Preparation - Significant Deficiency

Condition: The Authority does not have sufficient controls to ensure the SEFA accurately reflects each award's federal expenditures. The Authority also does not have sufficient controls to ensure ALNs are identified properly.

Criteria: Management is responsible for the preparation and fair presentation of the Schedule of Expenditures of Federal Awards in accordance with accounting principles generally accepted in the United States of America (US GAAP); this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Schedule of Expenditures of Federal Awards that are free from material misstatement.

Questioned Costs: None.

Effect: The Authority was not able to produce an accurate SEFA, which required additional efforts and resources by the auditor during the audit process.

Cause: Insufficient training and understanding of US GAAP and Uniform Guidance, including some of the required elements of the SEFA, contributed to this finding.

Recommendation: We recommend the Authority becomes familiar with the SEFA reporting elements required by Uniform Guidance and management implements a process to reconcile federal funding received and corresponding expenditures incurred and reported in the general ledger to the SEFA in a timely manner at year end.

Response: See the corrective action plan that accompanies the schedule of findings and questioned costs.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2023 – 002: Procurement Policy and Documentation on Procurement (Partial Repeat of Finding 2022-001)

Assistance Listing Number: 14.867
Title: Indian Housing Block Grant
Material Weakness

Condition: During our review of procurement, suspension and debarment, we reviewed one transaction that met the capitalization threshold. It was determined that there were no bids obtained and there was not a search for suspension and debarment performed.

Criteria: In accordance with 2 CFR Section 200.319, all procurement transactions for the acquisition of property or services required under a Federal award must be conducted in a manner provided full and open competition consistent with the standards of this section and Section 200.320.

Questioned Costs: None.

Effect: Lack of adherence to policies and procedures consistent with Uniform Guidance procurement standards for the whole fiscal year could result in the Authority being non-compliant on purchases made with federal funds.

Cause: The Authority did adopt a new procurement policy addressing 2 CFR Section 200.319 in June of 2023. Due to the timing of the adoption of the updated policy, it was not implemented during the whole fiscal year under audit.

Recommendation: We recommend the Authority adhere to their policy and that all documentation related to procurement decisions be kept for all purchases according to the dollar threshold requirements and that all staff be trained in these procedures.

Response: See the corrective action plan that accompanies the schedule of findings and questioned costs.

Audit Findings - Auditee Responsibility

b. **AUDITEE** responsibilities for:

i. PRIOR AUDIT FINDINGS **[200.511(b)]**

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.

ii. CORRECTIVE ACTION PLAN [200.511(c)]

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.

§ 200.511(c)
Corrective Action Plan

- Name of non-federal entity and person responsible for corrective action: **name, address, and contact information**
- Finding number and title: **2025-002: Procurement Policy not followed**
- Description of the finding and recommendation (by the auditor):
- Did you agree with the finding? if no, provide an explanation and specific reasons. **concur**
- Planned correction plan:
    - outline proposed milestones and assign completion date for each
        - **Have key staff take procurement training to understand the Housing Authorities procurement types and thresholds in purchasing using IHBG funds to ensure compliance with the procurement policy and procedures,**
- Due date to complete the implementation of the corrective action plan: **June 30, 2026**

Section 6 -
Auditor Report and Opinion

HOORAY!!

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

Audit Reporting [§200.515]

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:

a) Issue an **opinion** or disclaimer of an opinion on:
   - The **Financial Statement**
   - The **Schedule of Federal Expenditures in-relation** to the auditee's financial statements as a whole

b) A report on internal control over financial reporting and compliance with laws/regulations/agreements which could have a material effect on the financial statements.

Report must include:
   - Scope of testing of internal control and the results of the tests.
   - Significant Deficiencies and/or Material Weaknesses? – refer to Schedule of Findings and Questioned costs.

Audit Reporting [§200.515]

c) A **report** on compliance for each major program and a **report** on internal control over compliance. **Report must include**:

Description of the scope of testing of Internal Controls over Compliance

- Significant Deficiencies and/or Material Weaknesses? – refer to Schedule of Findings and Questioned costs.

An Opinion on each major Federal Program.

- An opinion as to whether the auditee complied with Federal Statutes, regulations, and the terms and conditions of Federal awards which could have a direct and material effect on each MAJOR PROGRAM

d) A schedule of findings and questioned costs.

- Includes summary of auditor results and findings

Auditor Reporting – Issue an OPINION

Auditors Report - OPINION

- Opinion or Disclaimer of Opinion on the Financial Statements
- In-Relation to Opinion or Disclaimer on the SEFA
- Opinion on Compliance for each of the MAJOR programs

Auditor Reporting - Other

- Auditors Report - no opinion provided
  - Internal Controls over financial reporting
  - Internal Controls over Compliance
  - Corrective Action plans
  - Response to Findings

Audit Opinion - Unmodified

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

A) **<u>Unmodified Opinion</u>** 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

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

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

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

Adverse Opinion

2. Adverse Opinion

The auditor concludes that the misstatements are

<u>BOTH material and pervasive</u>

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

Example - Auditor Basis for Adverse Opinion

- Has not completely reconciled its balance sheet accounts.
- Adjustments to fund balances do not tie to the prior year financial statements.
- Interfund activity, including due to/from's and transfers, do not balance.
- Cash, investments, accounts receivable, liabilities, due from other governments/advances from grantors and fund balances have not been fully reconciled.
- Management has not adopted a methodology for capital asset additions, deletions and depreciation, and accordingly, does not have amounts for accumulated depreciation and depreciation expense. Asset purchases have not been recorded.
- In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion" paragraphs, the financial statements referred to previously do not present fairly:
  - the financial position of the [Entity Name] as of December 31, 20XX, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weakness?	Yes
Type of auditor's report issued on compliance in accordance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with *Uniform Guidance 2 CFR 200.516(a)?*	Yes
Instances where results of audit follow-up procedures disclosed that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding?	No

Identification of Major Federal Programs:

Federal Assistance Listing Number(s)	*Name of Major Federal Program or Cluster*
14.867	Indian Housing Block Grants and Indian Housing Block Grants - ARP Act

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

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

Compliance Audit - What are Significant Deficiencies?

Significant Deficiency: Deficiency in internal controls over compliance 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)

Compliance Audit - 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

§ 200.512(a)
Report Submission

GENERAL

(1) Audit must be completed, and the data collection form and the reporting package must be submitted

- Within the <u>earlier</u> 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.
  - **Cognizant or oversight agency is authorized to extend audit submission deadline when nine-month timeframe is burdensome.**

NEW

(2) Unless restricted by federal statutes or regulations:

- auditees **must** make audit copies available for public inspection.
- auditees and auditors must ensure reporting package does not include <u>protected personally identifiable information.</u>

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].*

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

The Federal Audit Clearinghouse

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.

Management Decision and Time Requirements

1. The federal awarding agency (HUD) or pass-through entity is responsible for issuing a management decision (letter) and must do so within six months of acceptance of the audit report by the FAC.

    - The management decision letter (MDL)must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action. If the auditee has not completed corrective action, a timetable for follow-up should be given.

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)

Practice Exercise

A single audit is an audit of a nonfederal entity that consists of:

a. Only the compliance audit of federal awards.

b. Audit of federal expenditures between $750,000 and $1,000,000.

c. Audit of financial statement only.

d. both the financial statement and the compliance audit of federal awards.

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 transactions.
2. Use a calendar reminder for deadlines submission of reports with deadlines: Do not be late in filing your quarterly or annual 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 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.

Wrap-up, Q&A, Review of Resources and Next Steps

THANK YOU!