



FINANCIAL MANAGEMENT HANDBOOK FOR FEDERALLY-FUNDED ORGANIZATIONS

*RURAL DEVELOPMENT SECTION 523
MUTUAL SELF-HELP HOUSING PROGRAM*

DISCLAIMER

A handbook for Grantees of the USDA Section 523 Self-Help Housing Program

Developed jointly by the Self-Help Housing Technical and Management Assistance (T&MA) Contractors:

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Little Dixie Community Action Agency, Inc. (LDCAA)

National Council of Agricultural Life and Labor Research Fund, Inc. (NCALL)

Rural Community Assistance Corporation (RCAC)

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Refer to the Introduction chapter of this handbook to identify the appropriate T&MA Contractor to contact for your area. After receipt of consent and conditions letter you may copy and distribute the manual in accordance with such terms and conditions as set and approved by the T&MA Contractors.

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INTRODUCTION

The Self-Help Program

Self-help housing is just as it sounds, participants working together to build their own homes. This cooperative effort is a direct application of the church and barn raising traditions of pioneering rural Americans. Self-help participants, working in groups, supply the necessary labor to build their homes, having qualified for mortgage financing to purchase land, building materials, and some subcontracted work on the more technical items. A private nonprofit corporation, public body, a federally recognized Tribe, or rural town can obtain a grant from U.S. Department of Agriculture (USDA) Rural Development to hire skilled staff, rent office facilities, pay for mileage, and purchase tools. This staff then works with the participants by providing the assistance and training necessary to fulfill the goals of the self-help housing program. The program is described in more detail below.

With the assistance of the skilled staff, a group of generally four to 10 households is formed. Once the grant is completed, at least 40% of the total participants served should be in the very low income category (50% or less of the county median income). The balance of the participants must be in the low-income category (80% or less of the county median income). The participants select lots, house plans, (or in the case of purchase/repair programs, locate a suitable home) and apply for individual mortgage loans. While participants await loan approval, the group studies the responsibilities of homeownership, construction techniques, tool usage, safety, homeowner's insurance, taxes, home maintenance, and money management. This time is known as the pre-construction stage.

Once the loans are approved, the group begins to build under the guidance of a skilled construction supervisor. The participants must complete a minimum of 65% of the construction labor tasks until the group of homes is completed; usually the more technical work such as electrical, plumbing and HVAC is subcontracted out. The construction stage lasts from six to 12 months, depending on the size of the group and other factors. Participants work during their spare time (evenings, weekends, and days off) so as not to interfere with the regular household employment. Rural Development loans feature fixed interest rates ranging from 1% to the current market rate, depending on the household's adjusted annual income. The repayment period is 33 or 38 years and no down payment is required.

Rural Development

Rural Development is an agency of USDA. The Rural Development mission is to help rural Americans improve the quality of their lives. Rural Development helps rural communities meet their basic needs by:

- Building water and wastewater systems.
- Financing decent, safe, sanitary and affordable housing.
- Supporting electric power and rural businesses, including cooperatives.
- Supporting economic and community development with information, technical assistance and funding.

Rural Development has been providing the funds for the self-help housing program since the late 1960s. They provide Section 523 self-help grants to eligible entities to start and implement the program and they thoroughly review the self-help application before a grant is awarded. When a grant is awarded, Rural Development is agreeing that it appears to be a need for self-help housing in the area; the approved applicant is suited to administer a self-help housing program; the proposed plan, budget and schedule are feasible; the house plans meet local, state and Rural Development building codes; adequate building sites are available; the necessary project elements are in place; and Rural Development is ready to provide the requested financial resources necessary to make the project work. Technical assistance grant funds provided to self-help grantees by Rural Development do not have to be repaid. It is an investment Rural Development is willing to make in order to see self-help housing work.

Rural Development will continue to monitor and provide oversight in the areas of construction and administration, through quarterly meetings, construction inspections, and participant accounts throughout the term of the grant.

In most cases Rural Development provides another important ingredient to the self-help program; construction/permanent financing in the form of a Single Family Housing Direct Home Loan (Section 502). They are independent of private or conventional lending institutions; the financing is directly between Rural Development and the borrower. While labor and construction are group efforts, each applicant must qualify and obtain a loan individually from Rural Development. Rural Development's function as a lender is significant because private credit institutions in rural areas are relatively few in number, smaller, and often impose more rigid terms which can be a barrier to homeownership.

Rural Development Offices

Rural Development usually operates from four levels: national, state, area and local. The National Rural Housing Service Administrator in the National Office and the State Directors are politically appointed – all others are federal civil service employees.

Rural Development National Office

The Rural Development National Office is responsible for developing policy and interacts with Congress for legislation, development and program funding. The National Office also obligates and monitors all Section 523 self-help grants. The program staff at the national level maintain reports and statistics on operating self-help organizations and projected needs for funding.

Rural Development State Office

The State Office has the approval authority over smaller Section 523 Self-Help grant applications up to \$300,000. Section 502 home loan funds are allocated on a state-by-state basis and the State Office allocates the 502 money based on a state Rural Development formula. There are additional staff members who are key to the operation of a self-help program located in many State Offices:

Rural Development State Director

Rural Housing Program Director

Rural Development State Architect

Rural Development Appraiser

Rural Development Housing Specialist

Rural Development Area Office

The Rural Development Area Director is typically responsible for the Section 523 self-help grant. In some states however, the grant monitoring has been retained at the State Office level with the Single Family Housing Program Director or has been assigned to the Local Office. In any case, the Rural Development grant manager is responsible to ensure that the grant is operated effectively and in accordance with regulations. Rural Development will evaluate the Section 523 self-help agencies on a quarterly basis, process draw requests and review grant applications for new and on-going programs.

Rural Development Local Office

Within this office, the Area Specialist is typically responsible for making the Section 502 home loans to participating applicants of each self-help group. He or she will be responsible for monitoring the 502 loans and Custodial Accounts. He or she will also be the co-signer on the participant's Supervised Bank Accounts and will process the draws. They are the personnel who will convert the loans once the local jurisdiction has completed the final inspection and issued a Certificate of Occupancy.

The Rural Development Section 502 Single Family Direct Home Loan

Many applicants that participate in the self-help housing program use Rural Development's Section 502 home loan program to finance their homes. Section 502 loans are only available for homes in eligible rural areas as defined by USDA (www.rd.usda.gov).

In order to qualify for a Section 502 loan, prospective self-help applicants must meet Rural Development income eligibility requirements as low-income or very low-income. They must be credit-worthy, have repayment ability for the loan requested, and be unable to secure credit from other sources. Low-income is defined as 80% or less of the county median income, based on family size. Very low-income is defined as 50% or less of the county median income, based on family size. These income standards, established by the U.S. Department of Housing and Urban Development and adopted by Rural Development, are subject to local variation and periodic change. Current information on income standards and eligibility requirements for Section 502 loans is available at Rural Development local offices or online at www.rd.usda.gov.

The repayment period for the Section 502 loan is either 33 or 38 years, and the interest rate is between 1% and the current market rate. The actual rate of interest the borrower pays depends on the borrower's income, as does the loan term. If a borrower is eligible to pay less interest than the market rate, the borrower then receives a subsidy called "payment assistance." The amount of payment assistance a borrower receives is determined by the loan amount, loan period, and the household income. The assistance makes up the difference between the full loan interest rate and the interest rate the participant pays. A portion of this subsidy must be repaid at time of sale or loan payoff based on equity, time, etc.

During home construction, Section 502 funds are advanced from the Rural Development finance office in St. Louis and disbursed by the local offices to the self-help grantee. Grantees prepare the drawdowns and checks for each participant's account as needed to purchase materials

for different phases of construction. Note that the participant's loan payments are deferred during construction.

When construction is complete and all the necessary funds have been withdrawn from a participant's account, Rural Development's finance office sends payment books to the participant. The participant's first loan payment is due within 30 days of termination of deferred payments. Payments then go directly to Rural Development's Customer Service Center (CSC) in St. Louis.

The 523 Mutual Self-Help Housing Technical Assistance Grant

In order to enable organizations to operate a mutual self-help housing program, Rural Development provides grant funds to operate and oversee the program. Each technical assistance (TA) grant is usually for a period of up to two years, and is available to public and private nonprofit organizations, federally-recognized Tribes and units of state or local government. The amount of grant funds an organization can receive is based primarily upon how many houses they build in a grant period. An organization can receive up to 15% of the average cost of a new home financed under the 502 program in their area, for every home they are planning to build.

Activities that are allowable uses of Section 523 technical assistance grant funds include:

- Recruit eligible households to participate in the self-help program
- Hold training meetings with participants on the self-help process and homeownership topics such as mortgages, insurances, taxes, and maintenance
- Assist participants to obtain and develop building sites; obtaining or creating Rural Development-approved house plans and helping participants select theirs
- Help participants bid and select building supplies and subcontractors; train participants in construction techniques and provide construction supervision
- Supervise participant Section 502 loan accounting, including:
 - Totaling invoices and itemizing payments to suppliers and subcontractors
 - Maintaining records of deposits and withdrawals
 - Preparing checks (accompanied with invoices and statements)

Disallowed activities using Section 523 Technical Assistance grant funds are:

- The use of any TA funds to pay staff to provide labor on the houses
- Purchasing any real estate or building materials for participating families
- Paying any debts, expenses or costs which should be the responsibility of the participating families

- Any lobbying activities as prohibited in 2 CFR 200 Subpart F

The T&MA Contractors

In 1979, appropriations language was changed to authorize the use of Section 523 grant funds to contract for technical assistance to self-help grantees. Currently there are four Technical and Management Assistance (T&MA) Contractors.

Rural Development contracts with these groups to assist operating and potential self-help housing grantees across the country. This assistance comes in the form of staff and board training, grant management, development of applications, 502 loan program and processing training, newsletters and conferences, among other services. These services are provided at no cost to the grantee.

The four contractors are:

- Florida Non-Profit Housing - covering Region I, the Southeast, including the states of AL, FL, GA, MS, NC, SC, TN, Puerto Rico and the Virgin Islands.
- Little Dixie Community Action Agency, Inc. – covering Region II, the South Central US, including the states of AR, KS, LA, MO, ND, NE, NM, OK, SD, TX, WY.
- NCALL Research, Inc. – covering Region III, the Northeast and Midwest, including the states of CT, DE, IA, IL, IN, KY, MA, MD, ME, MI, MN, NH, NJ, NY, OH, PA, RI, VA, VT, WI, WV.
- Rural Community Assistance Corporation (RCAC) – covering Region IV, the Western US, including the states of AK, AZ, CA, CO, HI, ID, MT, NV, OR, UT, WA, and the Western Pacific.

Self-Help Training Handbooks

The T&MA Contractors have produced a variety of training materials for the purpose of assisting grantees and training grantee staff. The following is a list of the available self-help handbooks. Please contact your T&MA Contractor for a copy or for more information.

Boards of Directors Handbook

Boards of Directors play a critical role in the success of any non-profit organization. With this in mind, the Board of Directors Handbook was designed for use by board members of any housing agency. It is an informational resource that may be used as a training tool and can provide new insights and a clearer understanding of nonprofit organizations, board meetings and

operations, agency planning, administration of agency personnel, teamwork, orientation for new board members, federal accounting requirements, and agency activities.

Program Director Handbook

It is the responsibility of the Program Director or Executive Director to administer a successful self-help housing program. This handbook takes a general look at the process of managing a self-help program as well as providing specific information on required reports, program criteria, grant and financial management, personnel, and fair housing.

Construction Supervisor Handbook

The Construction Supervisor Handbook discusses the roles and responsibilities of the construction supervisor as it relates to self-help housing. This handbook covers aspects of the construction supervisor's job; from construction specifications, house plans, schedules, bill paying procedures, to group motivation. Insight is provided on how the self-help program operates and what is expected from the construction supervisor.

Group Coordinator Handbook

Group Coordinators are central to the self-help program throughout the self-help participant's involvement from recruitment through construction and move-in to the completed homes. This handbook provides guidance for the group worker in maintaining effective communication and relationships within the group of self-help participants throughout the self-help process.

Financial Management Handbook for Federally Funded Organizations

The financial management handbook aids new and operating self-help grantees with the development of financial management systems and policies that are compatible with the fiscal responsibilities set forth by the funding agency (Rural Development) and the Office of Management and Budget (OMB). While self-help housing programs that have been operating for many years may have sophisticated financial systems and policies, others are lacking written, established financial procedures that assure proper internal controls.

Accounting for Individual Family 502 Loan Accounts Handbook

The self-help housing grantee is responsible for keeping an accurate account of the disbursements of funds from the individual self-help family's Section 502 loan accounts. RD Instruction 1944-I indicates that the technical assistance provided by the grantee to the families should include providing financial supervision to individual families with Section 502 loans,

which will minimize the time and effort required by Rural Development in processing borrower expenditures for materials and contract services. This handbook provides guidelines for self-help grantees to use in designing the procedures necessary for a reasonable standard of control and a system of checks and balances to protect the participants and the grantee.

502 Loan Processing Handbook

While the labor and construction is a group effort, each participant must qualify and obtain a loan individually from Rural Development. In order to qualify, a household must fall within the income guidelines set by Rural Development, must have demonstrated repayment ability, must have a good credit rating, and should have a low debt load. Because the 502 self-help loan process can be complicated for the individual, the technical assistance staff will pre-screen participants for program eligibility and prepare the application packages for Rural Development. The 502 Loan Processing Handbook will help to train the Group Coordinator or appropriate staff person in packaging these loans.

Preconstruction Meetings Handbook

Each self-help grantee is responsible for organizing participants into self-help groups, which remain together from loan processing through construction. The organization of participants into groups reinforces the "mutual" aspect of the self-help program because participants within a group are expected to work on each other's house until all houses in the group are completed. In addition to organizing participants into groups, self-help grantees are responsible for explaining the self-help concept and methodology to participants, and for educating participants about their responsibilities as self-help participants, 502 loan borrowers, and homeowners. This is achieved through a series of "pre-construction meetings" which are covered in this handbook.

INTRODUCTION TO THIS HANDBOOK

This financial management handbook aids new and operating grantees with the development of financial management systems and policies that are compatible with the fiscal responsibilities set forth by the funding agency (Rural Development) and the Office of Management and Budget (OMB). While self-help housing programs that have been operating for many years may have sophisticated financial systems and policies, others lack written, established financial procedures that ensure proper internal controls.

This financial management handbook offers grantees sample information, guides, and checklists for virtually all fiscal aspects of self-help housing including: Section 523 grant accounting requirements, establishing accounting systems, program and payroll expenditures, tax requirements, personnel records, federal accounting requirements, and audit preparation.

While this handbook has been developed specifically for self-help housing grantees, the principles and information provided are applicable to any nonprofit housing development corporation utilizing federal financing or administrative funding. It is hoped that this financial management handbook will be used as a resource by self-help housing grantees to supplement information already provided by Rural Development, local CPAs, and other sources. We offer this handbook not in the spirit of "this way is the only way," but rather as an informational resource that may offer new insights, a clearer understanding, and many ideas gleaned from self-help housing grantees during the years.

Note that this is one of three financial management handbooks produced by the T&MA Contractors. The other two handbooks cover topics related to basic bookkeeping for not-for-profit organizations and the management of 502 loan funds. See the section entitled "Additional Training Materials" for more information on the other handbooks.

STRUCTURING YOUR ACCOUNTING SYSTEM

A clear, precise, accounting system is crucial for sound fiscal management of 523 TA grant funds. An accounting system is a formal means of gathering and reporting on data to aid and coordinate management decisions in light of the overall goals of an organization. An effective accounting system provides information for three broad purposes: (1) internal reporting for use in planning and controlling operations; (2) internal reporting for use in strategic planning such as the making of decisions and the formulating of overall policies; and (3) external reporting to board members and funding sources. Your agency's accounting policies and procedures should be in written form, and regularly reviewed and updated to reflect major changes. These written procedures should be based on Generally Accepted Accounting Principles (GAAP) and must be clear enough to be used for cross-training of current staff and training new staff. (See the Accounting Manual section of this handbook.)

Your agency must decide whether to use a cash basis or accrual basis method of accounting for your organization's interim accounting needs. The major difference between these two methods occurs when a transaction is recorded. With cash basis accounting, expenses are recorded when they are paid and revenues are recorded when funds are received. In accrual basis accounting, expenses are recorded as payables when they are incurred, not when they are paid. Revenues are recorded as receivables when grant monies are earned, that is, when the services are provided, not when the funds are received. The size of your organization plays a major part in the decision of which method to utilize. In most cases, small organizations follow the cash basis of accounting because of its simplicity. However, regardless of the basis used throughout the fiscal year, a nonprofit organization must prepare its fiscal year-end financial statements on an accrual basis in order to comply with GAAP.

Conferring with a Certified Public Accountant (CPA) is recommended for aid in establishing or revising accounting procedures for a larger or more complex organization.

1. Double Entry Accounting

Whether your organization uses a cash or accrual basis, the double entry system of bookkeeping is essential. This system balances itself. The double entry system contains five major account categories: Assets, Liabilities, Net Assets (Equity), Income, and Expenses. When there is accounting activity (e.g., a transaction occurs), it is recorded as a debit and a matching credit in at least one of these account categories.

The following is a schedule of rules for double entry accounting, which shows the debit/credit activity for all account categories.

RULES FOR DOUBLE ENTRY ACCOUNTING

Account Category	To Increase You Add a	To Decrease You Add a	Normal Balance
Assets (cash, accounts receivable, inventory, prepaid, expenses, fixed assets)	debit	credit	debit
Liabilities (accounts payable, accrued liabilities, bank loans payable, long term debt)	credit	debit	credit
Equity (fund balance, net assets)	credit	debit	credit
Income (contributions, sales, receipts)	credit	debit	credit
Expenses (salaries, cost of goods sold, supplies, taxes)	debit	credit	debit

Since every recorded transaction is entered once as a debit and once as a credit, the books should easily balance. Most accounting programs including QuickBooks will not allow a transaction to be posted if it is not in balance. Total debits should equal total credits and if they do not equal, an error has been made and must be corrected to keep the books in balance. Three examples of transactions follow. Note that transactions can result in an increase to two accounts, an increase in one account and a decrease in another or a decrease in two accounts but that the debits must always equal the credits.

1. Payment of Office Telephone Bill (Cash Basis):
(Expense) Telephone Account is debited (Increase)
(Asset) Cash Account is credited (Decrease)
2. Self-help TA grant check is deposited (Cash Basis):
(Asset) Cash is debited (Increase)
(Income) S-H Grant Income is credited (Increase)
3. Returned damaged merchandise prior to paying invoice (Accrual Basis):
(Liability) Accounts Payable is debited (Decrease)
(Expense) Supplies Account is credited (Decrease)

A balance sheet and revenue & expense statement should be prepared at least once a month to ensure that your organization's books are balanced.

2. Chart of Accounts

A formal listing of all the different accounts used by an organization is known as its "Chart of Accounts." A good chart of accounts is the cornerstone of a sound accounting system. Every account used should be separated and listed according to the five basic accounting categories - Assets, Liabilities, Equity (Net Assets), Income, and Expenses. Assigning each category a different range of account numbers will simplify the procedures for drawing together financial statements. Each account within the different categories should be assigned numbers to coincide with the category it falls within, i.e. Assets (100's) – Cash 101, Accounts Receivable 102, Equipment & Furniture 103; Liabilities (200's) – Taxes Payable 201, Insurance Payable 202, Accounts Payable 203; and so on.

The number of accounts your organization uses depends on the size of your organization. One of the basic rules of accounting to remember when structuring your chart of accounts is the importance of grouping similar transactions together. Keep the chart of accounts as simple as possible and use numbering segments or other functions (like courses in QuickBooks) to track funding sources and programs. If your chart is properly designed, the flow of your agency's accounting systems will be smooth and productive. A sample chart of accounts can be found as Appendix 1. Consider the lowest level of detail you will need in the reports generated from the accounting system when setting up the chart of accounts.

3. Net Asset Account (Formerly known as Fund Balance)

Nonprofit organizations use a "net asset" account as a representation of their net worth on financial statements. In a commercial organization's books, this term would coincide with the "capital" or "equity" of the organization. This is one area where accounting methods differ between nonprofit and commercial organizations.

The principal use for the Net Asset Account becomes clear when the organization's books are to be closed at the end of the accounting period. The procedure of closing the books is simply the transfer of the ending balances in each of the income and expense accounts to the Net Asset Account for calculation of the net worth of your organization. A brief description of closing procedures follows:

- The first step in closing your organization's books is the Trial Balance, which should be prepared to ensure that the books are in balance. If they are not, they must be checked for posting errors or possible number transpositions. Adjusting entries should be made for any corrections. The books cannot be closed if they do not balance.
- Income accounts will have credit balances at the end of the year. In order to close these accounts, they must be debited. Keeping the double entry system's rules in mind, a credit must also occur somewhere to offset this debit. This is where the Net Asset Account comes into the picture. A credit for the total amount of the income accounts is posted to the Net Asset Account, which in effect closes the income accounts by bringing the credit balances to zero.
- For the expense accounts, the same process is followed. Expense accounts will have debit balances so a credit must be posted in all expense accounts to bring these balances to zero. The Net Asset Account would then be debited for the total amount of the expense account balances to offset the credits to those individual expense accounts.
- In order to simplify this procedure, a single journal entry is prepared in the General Journal rather than separate entries for all the different income and expense accounts. The difference between the total debits and credits would be the amount of excess income for the accounting period and would show as a credit to the Net Asset Account. (Should there be a deficit, it will show as a debit to the Net Asset Account.) This will be done automatically by the accounting software when the fiscal year end books are closed.
- By closing the books, you are transferring your net excess (or deficit) income into the Net Asset Account on the Balance Sheet (Statement of Financial Position). This will give you a dollar figure as to your organization's net worth at the close of the accounting period.
- When the procedure of closing the books is completed, the Asset, Liability, and Net Asset Accounts' balances are then carried over to the new books as beginning balances for the new accounting period. The books can be closed by your organization's bookkeeper or can be contracted out to a Certified Public Accountant (CPA).

4. Accounting Records

The following is a brief description of the transactions that should be maintained for an organization's fiscal year or accounting period to ensure proper management of 523 self-help TA grant monies. Accounting records may be maintained by using a manual bookkeeping system or

by a computerized system. There are several reasonable accounting software packages available that can be set up to track the grant activity as well as the organization's overall financial transactions.

a) Accounts Payable (A/P) – An account payable is an outstanding bill from a vendor that the organization has an obligation to pay. By recording the expense when it was incurred (accrual basis) using the A/P module rather than when it was paid (cash basis), the financial statements will reflect a more accurate picture of the total expenses for the statement period.

b) Cash Disbursements – This is similar to a check register, accounting for all checks written, but going a step further to show to which expense category each check is charged. All disbursements of self-help TA grant monies should be recorded. Checks should be recorded numerically with disbursements charged to the proper expense account category as well as allocated to the programs/cost centers/funding sources. Voided checks should also be recorded to ensure that all checks numbers are accounted for.

c) Accounts Receivable – Accounts receivable (A/R) are revenues earned but not yet paid to the organization by a funder or other party. Typically, accounts receivable are recorded when services are rendered to earn revenue for the organization or contribution promises are received by the organization. By recording the revenue when it was earned (accrual basis) using the A/R module rather than when it was received (cash basis), the financial statements will reflect a more accurate picture of the total expenses for the statement period. The receipt of an accounts receivable item is typically reflected in a deposit made to your cash account. It is important to review the A/R account before coding any deposits to make sure you credit any accounts receivable being paid so that you do not double count revenue.

d) Cash Receipts – Like cash disbursements, this is similar to a check register, accounting for all cash received, but showing to which income account each check is charged. As 523 TA grant funds are received (or any other monies received for the organization's programs), they should be recorded here. If grant funds are received through an Electronic Funds Transfer (EFT) rather than a check, a journal entry will be required to record the cash receipt.

e) General Journal – This is a record of all non-cash transactions including recurring monthly and annual adjusting journal entries as well as entries for the capitalization of fixed assets or corrections for incorrect entries. Non-cash entries also occur when the books are "closed" at the end of the fiscal year/accounting period.

f) General Ledger – The general ledger provides a complete record of financial transactions over the life of the organization. The ledger holds account information that is needed to prepare financial statements and includes accounts for assets, liabilities, owners' equity, revenues and expenses. Transactions posted through all of the accounting modules including A/P, A/R, Cash Receipts and Disbursements and Payroll flow to the general ledger from which financial reports including Balance Sheets and Profit and Loss Statements are generated.

g) Payroll – Recording payroll is not just showing the amount deducted from the bank account, but all the parts making up that amount. Payroll includes gross salary, both federal and state payroll taxes deductions for benefits, and the final amount withdrawn from your organization's bank account.

If you outsource your payroll, you will receive reports from the payroll service for each pay period. These reports typically contain a payroll register for the current payroll period and a cumulative report that, if set up properly, will show you quarter and year-to-date information. To enter your journal entries for each pay period you will work primarily from the payroll register.

If an organization decides to offer direct deposit for its employees, the payroll-processing firm will pull both the net salary and payroll taxes (both employer and employee) from the bank account of the organization. If an employee is paid using a check, the payroll-processing firm will provide a printed payroll check for the net amount and only pull payroll taxes from the organization's bank account.

This module should be maintained by pay period and include the following information:

- 1) Employee's name
- 2) Payroll check number
- 3) Date of check
- 4) Gross salary
- 5) Federal, state, and/or local tax withholding amounts
- 6) Other deduction amounts
- 7) Net salary
- 8) Any other applicable payroll information

The payroll module should also include any cost allocation breakdown that applies to the payroll expenditures, clearly showing how the salary, fringe and tax expenses are prorated to the different funding sources based on approved timesheets.

h) Individual Employee's Earnings Record – Another payroll record that should be maintained for all employees is the Individual Employee's Earnings Record. As its title indicates, this is a record of the amounts each employee earns, as well as a record of tax withholdings and other deductions. A separate record should be kept for each current employee, as well as for those whose employment has been terminated.

The following should be included on the Individual Employee's Earnings Record:

- a) Employee's name, address, telephone number
- b) Job title
- c) Employee's Social Security number
- d) Tax exemption status
- e) Other deduction information
- f) Date of employment (date of termination if applicable)
- g) Salary rate
- h) Individual paycheck information (gross salary, taxes, other deductions, and net salary)
- i) Employee's funding source (and/or salary cost allocation, if applicable)

All Individual Employee's Earnings Records should be kept on a calendar year basis. Salary information ("h" above) should be totaled at least quarterly for tax reporting purposes. These records will be the main source of information for employees' W-2 forms, which are prepared at the end of the calendar year.

5. Cost Allocation Methods

Responsible accounting relies on the fair and equitable allocation of costs. The term cost allocation is used as a general label for the prorating of various costs to cost objectives, such as programs, departments and/or funding sources. There are two primary methods of allocating costs that must be considered when structuring your accounting system—direct and indirect. It is the responsibility of each grantee that receives funds from multiple sources to receive approval of its cost allocation method. An organization solely funded by a 523 Grant would use the direct cost allocation method; however, no approved agreement is required. Once a cost allocation method is approved and adopted, it must be followed consistently. Consistency will ensure that costs

charged to government-supported projects are charged fairly, equitably and in a uniform manner to all of the organization's funding sources.

The direct method of cost allocation requires that all costs be directly attributed to a funding source. The simplest example of this is when an organization has one funding source or program, and all costs are paid by that program. An organization with two or three funding sources can still utilize the direct cost method as long as each funding source pays its fair, prorated share of all costs. Cost allocation is fundamentally a task of linking (1) some costs with (2) one or more cost objectives such as programs or funding sources. However, benefits received for common or shared expenses such as rent, equipment rental, supplies, and other administrative costs, cannot be easily linked with one specific funding source. A cost allocation "base" must be chosen for each type of expense that will determine the amount of each expense to be prorated to each funding source. Such a base is the common denominator used to trace the cost(s) in question to the cost objective.

Total direct labor (which can be total direct salaries or total direct salaries and fringe benefits) is often used as a cost allocation base. Once the base is decided upon, percentages for allocating costs can be developed. In the example below, cost allocation percentages are derived from the number of direct full-time staff positions in relation to the total number of staff positions (the cost base):

	# of Direct Full-Time		
	Staff Position	%	Costs
Self-Help Housing Staff	3	60% (3/5)	\$150
Community Development Staff	2	40% (2/5)	\$100
Totals:	5	100%	\$250/mo

The salary cost is distributed to the self-help and community development programs by a cost allocation of 60% and 40% respectively using the number of full-time staff positions as a base.

Such cost allocations for shared costs by this direct method should be approved by your "cognizant" federal agency. The cognizant agency is usually your largest federal funding source and acts on behalf of all other federal agencies. If your cognizant agency doesn't approve your cost allocation plan, you should contact Rural Development or your T & MA Contractor for guidance. The direct allocation method is usually acceptable provided each joint cost is (1) prorated on a distribution base that is established in accordance with reasonable and consistently

applied criteria; (2) is adequately supported by the organization's current data; and (3) is based on benefits received.

The indirect method of cost allocation involves pooling those costs that benefit the organization as a whole but whose benefit to specific programs is difficult to determine. These "indirect" costs can include audit, accounting, depreciation, corporate insurance as well as the salary and fringe benefits of indirect personnel. Some organizations also include administrative costs like rent, utilities, and telephone in this pool. These costs will appear as one line item called "indirect cost" on the organization's financial statements. With the indirect cost method, these costs are reimbursed based on an organization's approved indirect cost rate. An indirect cost rate is simply a device for determining what proportion of the shared/general expense (indirect costs) each grant/program should bear. Direct and indirect costs are described in the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2CFR200.413 and .414).

The indirect cost rate is a ratio, expressed as a percentage, of all the shared/common costs to a cost allocation base. The cost allocation base is usually either total direct costs (exclusive of capital expenditures or other distorting items) or direct salaries and fringe benefits. Indirect cost rate agreements are established through a proposal and negotiation process between the organization and its federal cognizant agency. Grantees whose largest federal funding source is USDA Rural Development would apply to the Department of Interior, Rural Development's contracted indirect cost negotiator. (See Appendix 21 for contact information.) Other federal agencies will accept the indirect cost rate approved by the "cognizant" agency. When deciding whether to pursue an indirect cost rate, please consult with your T&MA Regional Contractor, your local CPA, and your cognizant federal agency.

An illustration follows that shows how the indirect cost pool can be distributed to three programs using an indirect cost rate with total direct costs as a base.

<u>Total Direct Costs</u>	
Self-Help Housing	\$ 64,000
Community Development	\$122,000
Head Start	<u>\$ 86,000</u>
Total Direct Costs:	\$272,000
Total Indirect Cost Pool:	\$ 16,320

Indirect Cost Rate ($16,320/272,000 = 6\%$)

Allocation of Indirect Expense:

Self-Help Housing ($64,000 \times 6\%$)	\$ 3,840
Community Development ($122,000 \times 6\%$)	\$ 7,320
Head Start ($86,000 \times 6\%$)	<u>\$ 5,160</u>
Total Allocated Indirect Cost Pool:	\$ 16,320

The rates approved in the indirect cost rate agreement are for use on grants, contracts, and other agreements with the Federal government and passthrough entities to which 2CFR200 applies. The rate contained in the agreement is subject to all statutory or administrative limitations and is applicable to a given grant or contract only to the extent that funds are available. Acceptance of the rate is predicated upon the following conditions:

- No costs other than those incurred by the grantee were included in its indirect cost pool as finally accepted and that such incurred costs are allowable under the governing cost principles as outlined in 2CFR200.414.
- The same costs that have been treated as indirect costs have not been claimed as direct costs.
- The information provided by the grantee that was used as a basis for acceptance of the agreed upon rate is not subsequently found to be materially inaccurate.
- Similar types of costs have been accorded consistent treatment.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2CFR200.414) includes a new indirect cost rate option for federally funded entities who have never received a negotiated indirect cost rate in the past. These non-federal entities may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. This new rate must be used consistently for all federal awards until the non-federal entity chooses to negotiate for a rate with a cognizant agency, which they may do at any time.

6. Bank Accounts

Upon receipt of the initial advance of grant funds, you must deposit the funds in an FDIC insured institution, preferably one that is minority or woman-owned. If the balance in this bank account exceeds the FDIC limit of \$250,000, you should ask your bank for a letter of collateralization to protect the funds in excess of that limit.

The bank account into which the grant funds are deposited must bear interest under certain circumstances. Interest earned on advanced federal funds up to \$500 per year may be used by the grantee for administrative expenses. Once interest earned exceeds \$500 in one year, you must forward the amount in excess of \$500 to the Rural Development Area Office on a quarterly basis.

At least two officials covered by your organization's fidelity bond/employee dishonesty insurance must sign all checks issued from TA grant funds. All approved check signers should be approved by your Board of Directors. It is a good idea to have at least three persons authorized to sign checks. This makes it more likely that two signers are available when they are needed in a hurry. Only pre-printed and numbered checks should be used.

On a regular basis, the bank will send you a statement of the account, including beginning balance, all transactions, canceled checks, service or other charges levied by the bank, and final balance for the period covered by the statement. This statement should be received unopened and reviewed by a person who is not involved in the disbursement process. The statement should then be immediately reconciled with the check register and with the general ledger cash account(s).

7. Financial Certification

Rural Development Instruction 1944.411(f) (See Appendix 18), provides that before a self-help TA grant can be approved, the grantee must agree that it will establish a proper accounting system that is in accordance with GAAP and that is certifiable by a certified public accountant. This is documented by the completion of SF-424B, "Assurances – Non-Construction Programs." A grantee's financial management systems will be "certified" by the appropriate T&MA contractor each time a new 523 TA grant agreement is signed.

FEDERAL ADMINISTRATIVE REQUIREMENTS

By accepting federal grant funds, organizations agree to be bound by all applicable grant requirements regardless of whether or not the grantee is specifically notified of all of the provisions of those requirements.

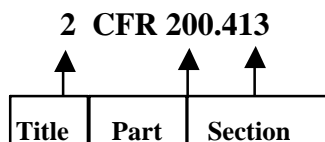
There are numerous sources of federal grant requirements, starting with the U.S. Constitution. Many government-wide requirements including nondiscrimination and equal opportunity are based on specific provisions of the Constitution. Federal statutes and executive orders are also sources of grant requirements that apply to all recipients of federal funds regardless

of the particular federal program or type of organization receiving the grant. These include laws on civil rights, nondiscrimination against people with disabilities, nondiscrimination for age, accessing agency records, and lobbying limitations. The Bureau of the Budget and the Treasury Department also issue regulations that address payment procedures for federal grants.

1. Code of Federal Regulations

The level of grant management requirements with which federally funded organizations are most familiar is that of federal agency-wide regulations and instructions. The federal granting agencies explicitly adopt OMB requirements by “codifying” them into their own regulations. The regulations adopted by all executive departments and agencies in the federal government are compiled into the Code of Federal Regulations (CFR) and published annually in the Federal Register.

The CFR presents the official and complete text of agency regulations in one organized publication and to provide a comprehensive and convenient reference for all those who may need to know the content of these regulations. The CFR is divided into 50 titles that represent broad areas subject to federal regulation. Each title is divided into chapters that are assigned to agencies issuing regulations pertaining to that subject area. Each chapter is divided into parts and each part is then divided into sections—the basic unit of the CFR. A typical reference to the CFR includes the title, part and section as shown below:



To search the electronic CFR online, organizations can go to: <http://www.ecfr.gov/>.

2. Office of Management and Budget

The Office of Management and Budget (OMB) is the principal source of government-wide administrative requirements affecting federal grants. On Dec. 19, 2014, a joint interim final rule was published in the Federal Register in which all federal awarding agencies were required to implement the “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” (Uniform Guidance). This was the culmination of a three-year effort on the part of the OMB and the Council on Financial Assistance Reform (COFAR) to “rethink and reform the rules that govern the stewardship of federal dollars.” Prior to the publication of the Uniform Guidance, there were eight OMB Circulars that addressed federal regulations and which circulars

an organization followed depended on what type of entity they were. The Uniform Guidance combined and replaced those eight existing OMB Circulars and provided a single location for these requirements in the Code of Federal Regulations. It can be found at 2 CFR 200 (<http://www.ecfr.gov/>).

The Uniform Guidance is made up of subparts and appendices that address administrative requirements, cost principles and audit requirements for all types of entities. The following is a list of those subparts:

Administrative Requirements:

Subpart A – Acronyms and Definitions

Subpart B – General Provisions

Subpart C – Pre-Federal Award

Subpart D – Post-Federal Award

Cost Principles:

Subpart E

Audit Requirements:

Subpart F

Appendices

All self-help grantees must be able to show that their financial management system meets the standards outlined in the Uniform Guidance. We recommend that all grantees obtain and familiarize themselves with the Uniform Guidance.

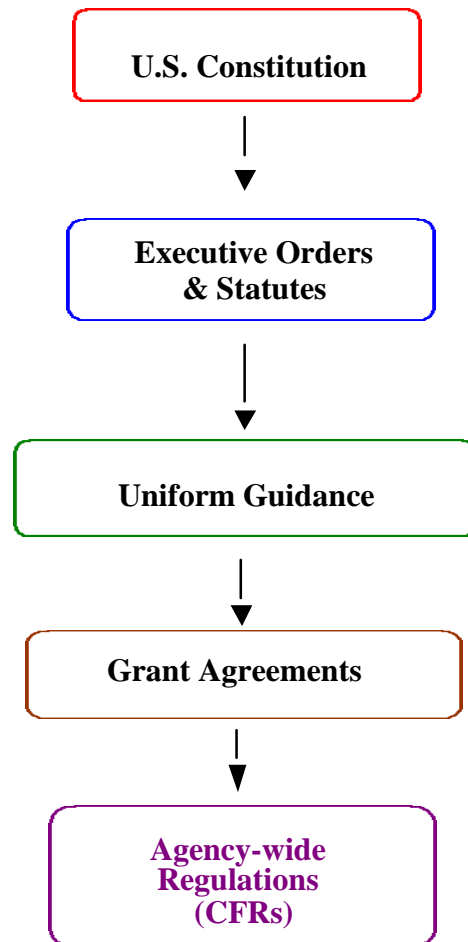
In accordance with this federal guidance, a grantee's financial management system must provide:

- a) Accurate, current, and complete disclosure of the financial results of each federally sponsored project or program.
- b) Records that adequately identify the source and use of funds for federally sponsored activities.
- c) Effective control over and accountability for all funds, property, and other assets.
- d) Adequate safeguards for all assets and assurance that they are used for authorized purposes.
- e) Comparison of actual outlays with budgeted amounts for each grant or other agreement.

- f) Procedures to minimize the time elapsing between the transfer of funds from the U. S. Treasury and the disbursement by the recipient, whenever funds are advanced by the federal government.
- g) Procedures for determining if costs are reasonable and allowable, and that they are distributed in accordance with applicable federal cost principles.
- h) Accounting records that are supported by source documentation.
- i) Examinations in the form of audits, which are done by qualified individuals who are independent of those who authorize the expenditures of federal funds, to produce unbiased opinions, conclusions, or judgments (if the organization's expenditure of federal funds exceeds the threshold in Subpart F of the Uniform Guidance).
- j) A method to ensure timely and appropriate resolution of audit findings and recommendations.

USDA codified and implemented the Uniform Guidance in 2CFR400 to 2CFR422 effective Dec. 26, 2014. These replace the regulations previously located at 7 CFR 3015, 3016 and 3019. Those CFR sections are often referenced in USDA Rural Development Instructions 1944-I that outline the requirements for recipients of Mutual Self-Help Technical Assistance grants.

The final level of grant requirements is found in the grant agreement itself. It may contain special conditions or requirements that aren't included in any common source of grant regulations. Once a grantee accepts these conditions and requirements by signing the grant agreement, the organization is contractually bound to comply with the terms and conditions. The levels of grant requirements are depicted below.



3. Financial Reporting

USDA RD Instruction 1944-I specifies what reporting forms are required for grantees to summarize expenditures made and to request advances of funds. The financial report forms Mutual Self-Help Housing grantees are required to complete for Rural Development are:

Request for Advance or Reimbursement, Form SF-270 (See Appendix 2). This form is usually completed monthly and submitted to the Rural Development Manager in original and two copies. The form is used to notify Rural Development of the amount of grant funds used during the previous month, the amount of unspent funds on hand, and the projected amount needed to cover expenses for the next month. Written justification should be forwarded with the request if the amount of the request exceeds the projected need for the next 30 days. The form must be in the Rural Development Manager's office 15 days prior to the beginning of the month. If the request is

in order, Rural Development will try to have the advance check delivered on the first of the next month. This form is normally the only report of grant expenditures that Rural Development will require during the grant period.

Federal Financial Report, SF-425 (See Appendix 3). At grant closeout, the grantee must furnish this form to Rural Development within 90 days after the date of completion of the grant. This form shows the total expenditures and un-liquidated obligations for the grant period. Any unused funds must be returned to Rural Development.

Monthly Fiscal Report (See Appendix 4). Self-help grantees are encouraged to use some kind of tool to determine the financial status of their grant program on a monthly basis. A monthly comparison of grant-to-date disbursements with budgeted figures by line item will allow grantees to quickly see if and where budget or management changes need to be made. During quarterly review meetings, Rural Development will often ask to review the latest monthly fiscal report. It is suggested that this report also be presented to the Board of Directors on a regular basis. Because the board is the ultimate authority in your organization, it must be well informed so that it can make wise and effective policy decisions.

4. Self-Help Automated Reporting and Evaluation System (SHARES)

SHARES stand for the Self-Help Automated Reporting and Evaluation System. It is an internet-ready application designed to manage, track, evaluate, and report on the status of the self-help program. It will also share this information with all parties that provide assistance to this program. SHARES has two distinct components. One is an informational section that includes links to other websites that may be helpful to an organization during the time the grant is active. The second component is an automated database.

The database is the application that allows family and grant information to be entered and reports to be generated and printed. Data will need to be entered on a regular basis since Rural Development personnel at all levels and the T&MA Contractor will be reviewing this data for monitoring, reporting, and statistical information purposes. On a monthly basis your T&MA Contractor will be using the information in the database to print a monthly report. There is a considerable amount of information that will need to be entered into this system by the person the Project Director designates, usually the Group Coordinator. The information will include detailed borrower and lot information, construction progress and grant status. Although this will take time,

the reports that this system is able to generate are extremely beneficial, both to the organization, the T&MA Contractors, Rural Development, and the overall program.

There is an entire manual dedicated to training for the use of this system. Request one from your T&MA Contractor if the organization has not yet received one.

PROGRAM RECEIPTS

After establishing an accounting system and understanding the federal accounting requirements to which the Section 523 grantee must adhere, the next step is receiving money from USDA-RD for your program. As explained above, grant funds can be advanced on a monthly basis, and normally not for a period longer than 30 days.

In planning for TA advances, it is prudent to base the advance on previous program expenditures for a month with the inclusion of special or unusual expenses, such as equipment purchases or audit expenses, for the next month. All advance requests should be documented as to how the advance amount was calculated, however it is especially important to detail extremely high advance requests.

Once the TA check is received, a staff member not working in the accounting department of your agency should be responsible for entering the check into a "Cash Receipts Log." (A sample is attached as Appendix 6.) This staff member should also properly endorse the checks for deposit. Copies of the check should be made and filed with the Cash Receipts Log as well as forwarded to the proper accounting personnel. A staff person in the accounting department should then be responsible for the actual deposit in the bank. The customer copy of the deposit slip validated by the bank should then be attached to a copy of the check it covers and filed with all other cash receipts. This type of cash receipt safeguard should apply to all the cash receipts of your organization. It helps to eliminate the possibility of fraud, error or abuse in your organization by separating duties and providing sufficient documentation for all transactions.

PROGRAM EXPENDITURES

This section will address several areas that need to be tightly controlled to ensure that 523 self-help TA grant monies are managed properly. Documentation for all expenditures cannot be stressed enough. Proper accounting procedures are vital to the operation of a successful program.

1. Ordering/Procurement Procedures

One staff member should be designated as responsible for all ordering and purchasing for the office, such as consumables, furniture, and equipment. All items to be purchased should be researched for the lowest possible price. More expensive items should go through a bidding process where at least three written quotations are obtained (See Appendix 24 Informal Cost Comparison Form). Sales and discounts should be used whenever possible.

A purchase order or request form should be used to ensure proper authorization for all purchases (See Appendix 7). Prior to submitting the purchase order for processing, budget line items and account balances should be checked to verify that sufficient monies are available for all purchases.

The purchase order should include the following:

Program
Date
Vendor Information-Name and Address
Quantity
Description
Unit/Total Cost
Requested By
Approved By
Purchase Order Approved \$
Purchase Order #

The purchase order should then be submitted for approval and processing. It should be retained in the accounting department to await reconciliation with the appropriate receiving/delivery slip and invoice. (See Appendix 25-Delivery/Receiving Report.) Contracted services should be handled in the same fashion. Bids should be obtained for contracted services such as audits, legal services, consultant services, and architect fees.

A written contract should be prepared whenever contracting for professional services. This contract should include as much detail as possible—services to be provided, cost of these services, time frame for services, and any other applicable items. As bills come in against the contract, they should be compared to the contract to ensure that the contracted services were actually performed.

2. Processing Payments/Checks

All bills that are to be paid, whether against a purchase order or a regular office expense (such as a telephone bill), should be checked for validity and accuracy. If applicable, prices should be checked against the authorized prices listed on the purchase order to ensure compliance.

If an item was delivered or a purchase charged at a local store, there should be a delivery slip or receipt. This should be kept and attached to the invoice and paperwork that documents which check was used to pay the bill. No payments should be made from a vendor statement. All payments should be made from original invoices.

After the invoice is checked and verified, it should be coded to indicate the program(s) and/or account(s) that should be charged. The staff member responsible for the checking and coding should then initial it, signaling that it is ready to be paid. It should then be forwarded to the party responsible for the actual check processing.

It is recommended that a "Request for Payment" voucher be attached to all TA grant related invoices that are to be processed for payment. This form should have the following information (See Appendix 8):

Program	Amount
Date	Account Charged
Vendor Info	Requested By
Invoice date	Approved By
Invoice #	Checked By

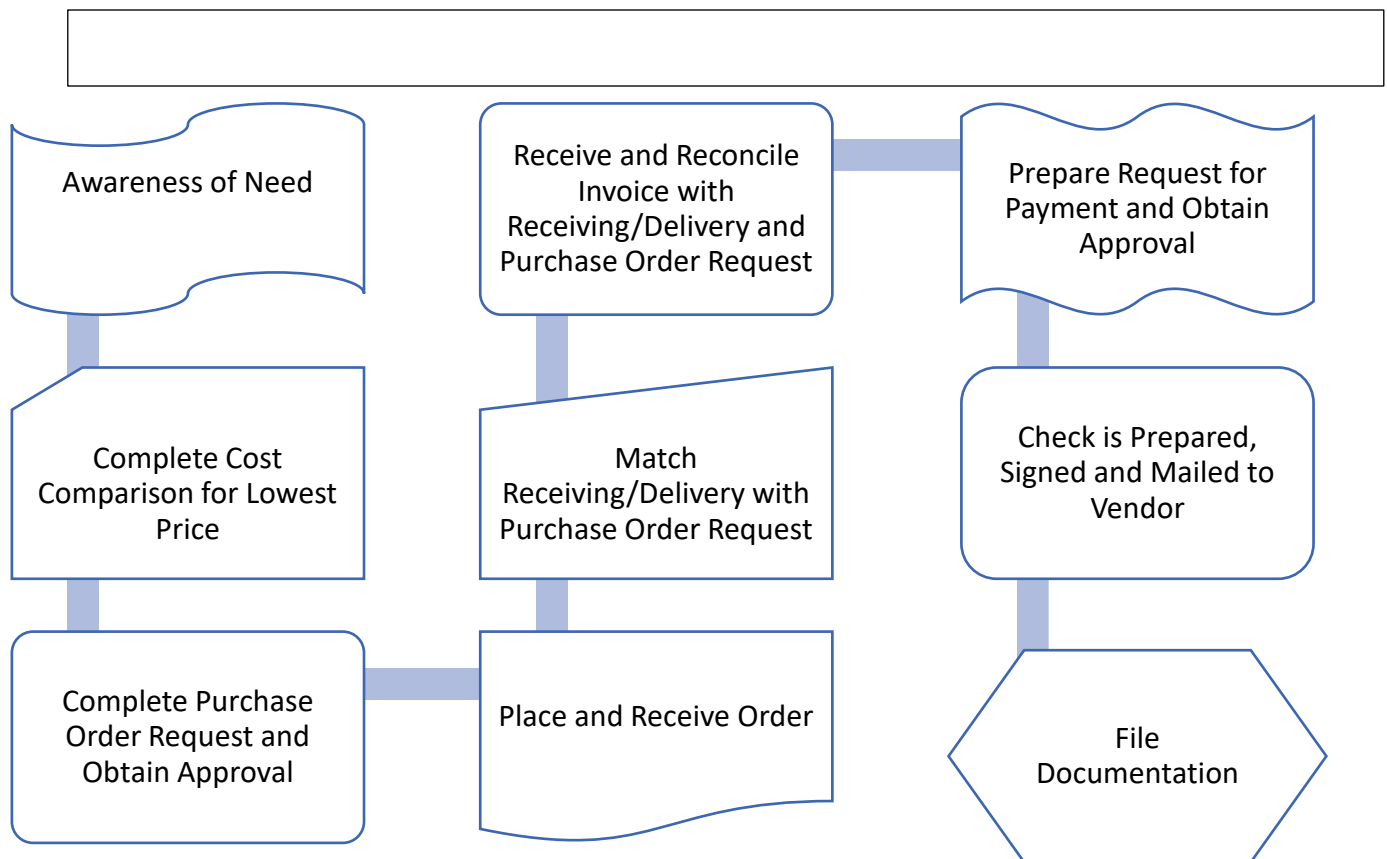
Once the request for payment voucher has been completed, a copy of the invoice, delivery slip or receipt, purchase order and/or any other applicable documentation should be attached to it. After the person preparing the voucher signs it, it should be forwarded to the authorized staff member(s) for approval and signature(s).

The voucher should then be forwarded to the staff member responsible for preparing the agency check and the check should be processed. As there is a space on the voucher for the check number, it should be filled in to show which check paid what invoice. Copies of checks should be attached to the supporting documentation and filed in individual vendor files that are then filed alphabetically and by fiscal year. Checks ready to be signed should then be sent to the authorized signatories who will ensure that the check was properly prepared and then sign it. As a safeguard, no blank checks should be signed for any reason.

This would leave the system open to potential abuses. Once the checks have been signed, they should be checked once again for accuracy and the proper signatures. The staff member responsible for mailing the checks can do this.

The next step is for the payment voucher, with other documentation attached, to be forwarded to the accounting staff member responsible for recording the checks in the Cash Disbursements Journal. Since all transactions should be by check, they should then be entered in the journal numerically, and posted to the proper expense account. If there were any voided checks, a list should be provided so that the person responsible for the posting can insert the voided check numbers into the Cash Disbursements Journal. All check numbers must be accounted for.

Remember: There is no such thing as over documenting, especially when federal dollars are involved!!



3. Travel Expenditures

Some of your budget will be devoted to local and out-of-town travel expenses. During an audit of your TA grant, an auditor will most likely do an in-depth audit of all travel expenditures. Once again, documentation comes into play. All travel expenditures must be clearly documented. Receipts must be

obtained, forms must be kept, and authorizations must be documented. All of these items will be addressed in this section.

a. Regulations for Travel

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR Part 200.474 Travel Costs defines travel costs as "expenses for transportation, lodging, subsistence and related items incurred by employees who are in travel status on official business of the organization." For more information regarding allowable travel costs, please refer to OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR Part 200.474, and Chapter 301 of the Federal Travel Regulations. The Federal Travel Regulations:

<https://www.gsa.gov/policy-regulations/regulations/federal-travel-regulation-fttr>

b. Per Diem

When employees of federally-funded organizations are in a travel status on official business away from the location of their agency, they are entitled to a per diem allowance in accordance with the Federal Travel Regulations based on the destination. The per diem rate includes a maximum amount for lodging expenses before hotel taxes. The employee should be reimbursed for actual lodging costs incurred up to the applicable maximum amounts authorized for each location. Receipts for lodging expenses are required.

The per diem rate also includes a fixed allowance for meals and incidental expenses (M&IE) that is also determined by location. The M&IE rate, or fraction thereof, is payable to the traveler without itemization of expenses or receipts. The M&IE rate is calculated at 75% of the per diem rate for the first and last day that the employee is on travel status. The employee is paid 100% of the appropriate per diem rate for the balance of days on travel status. If meals are provided to the employee while on travel status, the employee may be required to deduct a predetermined amount for those meals based on the per diem rate for that county. (See Federal Travel Regulations §301.11.18.)

When a destination within the continental United States is not specifically listed, the employee should use the standard CONUS rate for M&IE and lodging. For travel to many other higher cost areas where the standard rate has been determined inadequate, higher rates have been authorized. Check with Rural Development, your T&MA Contractor or the website noted to

determine the current per diem rate for each location. The federal government adjusts these rates annually. For current per diem information please visit <https://www.gsa.gov>.

c. Local Travel/Mileage Reimbursement

Local travel can be authorized for reimbursement from your TA grant as long as it relates to the self-help program. Visits to construction sites, home interviews, and group meetings all fall within the local category.

Mileage reimbursement can be made for any local travel needed to expedite the job. Appendix 9 shows a sample mileage reimbursement form. This form should include the following: date, destination, purpose, funding source, odometer readings, total miles, and amount due. Also, receipts should be attached for toll and parking expenses that occur during local travel.

The rate at which mileage can be reimbursed may be set according to your organization's policies as long as it does not exceed the standard federal government rate. If an employee will be using two or more vehicles, the mileage reimbursement form should indicate which vehicle was used. This will help avoid confusion of possible overlapping odometer readings.

If the organization owns a vehicle that is used by employees on business, no local mileage should be paid for the use of that vehicle if the expenses for operating that vehicle, such as gas and insurance are paid from program funds.

d. Other Travel

In the Appendix section of this handbook, you will find four sample forms of the type that should be used as documentation for out-of-town travel. The following is a brief description of each:

1. **Travel Authorization Form** (Appendix 10) – This form should be completed prior to any out-of-town travel. If an advance is needed for the trip, it should be requested using this form. The following information should be included if your agency devises its own form: destination, purpose of trip, date of trip, any advance needed (with breakdown as to what it will be used for), signature of traveler, and an approval of supervisor and director.
2. **Estimated Travel Expenses** (Appendix 11) – This form is used to compute an estimate of the total cost of an out-of-town trip. It is normally completed and attached to the Travel Authorization Form (Appendix 10).
3. **Request for Travel Reimbursement** (Appendix 12) – This form should clearly document all expenses incurred on an out-of-town trip. It should have a clear breakdown of the daily

expenditures by category. Once again, the purpose and funding source for the trip should be indicated. Any mileage expenses that show on this form must be backed up by odometer readings. Time and date of departure and return should also be included. Required trip expense receipts should be attached to the travel expense voucher. If an advance was given for the trip, it should also show on the travel expense voucher and be deducted from the expense reimbursement request.

4. **Trip Report Form** (Appendix 13) – A detailed narrative of activities, accomplishments, and any required follow-up should be included on this form. It should clearly state the activities during each day of the trip, including hours worked. This form should be attached to and submitted with the travel expense voucher. Appropriate agendas should be attached to this form.

It is recommended that your organization use these sample forms for all out-of-town travel or create forms that include the information described above.

4. Payroll Expenditures

Salaries, for exempt or nonexempt, will probably be your largest grant expense and is another area most likely to be scrutinized during an audit. All payroll expenditures should be fully documented. The self-help TA grant can only be charged for that portion of the total payroll that applies to the administration of the Mutual Self-Help Housing Program. Any fringe benefits that your organization offers to employees must also be proportioned in this way. For example: an employee spending 100% of the time working on self-help can be charged 100% to the self-help grant; if an employee only spends 50% of the time on self-help, only 50% of salary and fringe benefits can be charged to the self-help grant.

a. W-4 Form/Employer's Withholding Allowance Certificate

A W-4 should be obtained from each employee showing the number of withholding allowances the employee claims. This form tells the person who prepares payroll how to withhold taxes from the employee's gross salary, based on the number of exempted allowances claimed. A new W-4 form should be completed by the employee if the withholding status is to be changed. W-4 forms should be retained in the employee's payroll file. If an employee claims more than 10 withholding allowances, or claims exemption from withholding, you should send IRS a copy of their W-4 form. Certain states may also require a W-4 form (or something similar) be retained for state tax withholding purposes. Proper state officials should be consulted to ensure that your

organization is following local tax procedures and the correct calculation for withholding state taxes.

b. Time and Attendance Sheets

An organization's time and attendance records are the primary documentation for salary expenditures. Employees should be required to complete time and attendance sheets each pay period. Time sheets should clearly show the following:

- 1) Employee's Name
- 2) Pay period ending date
- 3) Hours worked daily **per funding source**
- 4) Total hours worked
- 5) Any leave or holiday hours taken
- 6) Employee's signature and date
- 7) Approving official's signature and date

As noted above in 3), timesheets must reflect where to charge each staff person's time, not just the total hours worked each day. If an employee's salary is charged to more than one program/funding source, it is essential that the timesheet reflect the hours worked per program/funding source. A sample time and attendance sheet (Appendix 14) is included to show how time worked and leave earned should be charged to different funding sources. If an error is made, it should be corrected by drawing a line through the error, writing the correction next to it, and initialing the change.

c. Payroll Preparation

Once the time and attendance sheets are submitted to the staff member who prepares payroll, they should be verified for accuracy and proper approving signatures. The paycheck amounts may then be calculated. If a payroll service is being used, the payroll transaction report should be reviewed for accuracy.

Documentation for payroll checks should include a request for payment form attached to a worksheet showing the payroll computations with all deductions, including FICA, federal and state taxes. The check numbers to be used for the payroll checks should be written on the request for payment form. Once the payroll request for payment form has been approved, payroll can be prepared and sent for signatures. When using direct deposit as a method of payment, ensure internal controls are in place to ensure accuracy.

d. Book Entries for Payroll Expenditures

After the payroll process is complete, the request for payment form(s) for payroll transaction report, should be forwarded to the staff member responsible for keeping the Payroll Module and Individual Employee's Earnings Records.

The salary amounts, taxes withheld, other deductions, and net salary, along with the check number and date of check, should be entered into both the Payroll Module and the earnings records. As federal and local taxes come due, the amounts withheld can easily be extracted from the totals in the Payroll Module. The Individual Employee's Earnings Record totals will make it easier to compute such items as unemployment insurance tax. (See Appendix 15 for a tax calendar.)

Circular E – Employer's Tax Guide, available from any Internal Revenue Service Center or online, lists the regulations and rules for tax deposits. State and local tax offices provide their own tax withholding and payment rules. It is essential that both the Payroll Module and the Individual Employee's Earnings Records be updated regularly.

5. Petty Cash Fund

A petty cash fund may be maintained to cover minor expenditures that occur in the daily operations of your organization. This fund should be for a set amount (usually between \$100 and \$200), and should be controlled by one staff member designated as custodian of the fund. This person would be responsible for ensuring that, at any given time, the total cash in the fund plus any receipts for disbursements from the fund total the original account amount.

Petty cash expense voucher forms are available at any office supply store. A voucher should be attached to every receipt for disbursement from the petty cash fund. This voucher should include the amount, date, where the expense should be charged, what the expense was for, and signatures of the person receiving the cash as well as the supervisor approving the expenditures.

When the cash in the fund becomes low or minimal at the end of each grant or fiscal year it should be replenished by preparing a check payable to the designated custodian or to petty cash. This replenishment check should be for the total amount of cash spent from the fund and, when added to the available cash left, should bring the balance back to the original set amount. The petty cash expense vouchers should be totaled and charged to the appropriate expense accounts, **not** to the “petty cash” asset account.

Some points that should be emphasized about maintaining the petty cash fund follow:

- It should be kept locked in a box with access to it limited to the designated custodian.

- Someone other than the custodian of the fund should reconcile the account on a regular basis and at the end of the fiscal year.
- No other funds should be co-mingled with it.
- No employee should cash personal checks from petty cash or borrow money from it.
- Petty cash should only be used for allowable costs.
- A maximum amount per expenditure should be established and documented in the accounting policies and procedures manual.

6. Common Disallowed Expenditures

Since the self-help TA grant is federal money, there are restrictions on how the funds may be spent. Any expenditure must meet the grant purpose as defined in §1944.402, as well as in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). See 2 CFR 200 Subpart E-Cost Principles.

The §1944.405 lists ways the funds may be used including hiring personnel, travel, payment of office expenses, administrative costs, and purchasing specialty tools. (See Appendix 18.) Some prohibited uses of funds, as listed in §1944.406, are:

- a) Hiring personnel for the purpose of performing any of the construction work for the participating families.
- b) Buying real estate or building materials or other property of any kind for participating families. (This includes optioning sites for the families. Discretionary funds, not TA grant funds, should be used for securing site options.)
- c) Paying any debts, expenses, or costs that should be the responsibility of the participating families.

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 Subpart E-Cost Principles also describe costs that are allowable and unallowable under federal funding sources. For example, bad debts, contributions to other organizations, entertainment expenses, fines and penalties for late tax filings are listed as unallowable.

Allowable expenses for advertising, insurance, meetings, etc., are described in detail in OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 Subpart E.

The Bookkeeper and Executive Director should become familiar with the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. This guidance can be found at <https://www.ecfr.gov>.

The following are examples of possible unallowable expenditures:

- a) Any expenditure that is not well documented can be disallowed in an audit.
- b) Travel outside of your target area without prior approval by Rural Development can be disallowed, if Rural Development determines the travel was not directly related to the self-help program.
- c) Legal fees incurred for litigation, even when related to the self-help program, may be disallowed. Rural Development will review these costs on a case-by-case basis.
- d) Any expenses not in the original grant budget or exceeding the original grant budget may be disallowed. Uses not provided for in the approved budget must be approved in writing by Rural Development in advance.
- e) Any expense incurred before the execution of the TA grant agreement is not allowed unless approved by Rural Development.

The key is to receive prior written approval from the Rural Development State Office before disbursing any grant funds for expenditures not in your approved budget. Budget line item revisions should be requested from Rural Development to transfer funds from categories that will be underspent. Distant travel and unique expenditures require Rural Development's approval before grant funds are expended.

FIXED ASSETS/EQUIPMENT

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200.33 defines "equipment" as “tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000.” The amount above which an equipment purchase must be capitalized and depreciated rather than expensed directly to a grant is called the capitalization threshold, in this case, \$5,000. An organization may use its own capitalization threshold provided that it does not exceed \$5,000. We recommend that the Board of Directors for each self-help TA grantee review their current capitalization threshold. It should be high enough to allow purchases of equipment like computing devices to be expensed but below the \$5,000 limit as defined in 2 OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards CFR 200.94.

Purchases of "equipment" (tools, furniture and equipment) whose unit cost fall below the capitalization threshold should be charged to your equipment expense line item. Purchases of supplies (including expendable tools, furniture and equipment) should be charged to your supplies line item. OMB

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200.313 describes the standards for management and disposition of property furnished by the federal government whose cost was charged to a project supported by a federal award. It is advised that staff members who are responsible for such tasks as purchasing and inventory familiarize themselves with this circular. This section will address the proper bookkeeping entries and recommendations for a competent inventory system in regard to the purchase of non-expendable equipment, furniture, and power tools.

1. Book Entries

The GAAP for recording the purchase of nonexpendable equipment, furniture, and power tools in excess of the capitalization threshold set by the agency is the Capitalization Method. (As mentioned above, allowable capitalization thresholds for federally-funded organizations are the lesser of \$5,000 or the organization's approved threshold.) Under this method, equipment is recorded as an asset when the purchase occurs. Funding sources pay for this purchase through a depreciation expense charged each year throughout the asset's useful life. The problem with this traditional method is that a grant period is frequently less than the useful life of an asset. As a result, the asset is not fully depreciated by the end of the grant under which it was purchased, and a new funding source would have to be used to "fund" the remaining years of its useful life.

In order to charge the funding source for the full cost of a capital expense, the full cost of the equipment must be expensed to the grant when it is purchased. In order to show this asset on the balance sheet as well, a separate entry is made to record the item as an asset (capitalize), with an offsetting entry made to a net asset account entitled "Equipment Fund." The following is the entry to capitalize purchases of equipment:

(Asset) Equipment is debited.

(Net Asset) Equipment Fund is credited.

Entries should be made to these accounts as the purchases occur. Adjustments should also be made for disposal of equipment. All of these entries are made separately and are in addition to the equipment purchase expense account that is debited when the purchase occurs.

2. Inventory of Fixed Assets

As items are purchased, record the following information on an inventory spreadsheet or module: (See Appendix 26 – Inventory of Fixed Assets):

Date of purchase
Item purchased
Total cost
Program or account charged
Serial number
Control number
Location of item

The control number listed above refers to the number assigned to the item being inventoried that will refer you to the information on the inventory spreadsheet.

It is mandatory that the inventory spreadsheet be kept up-to-date. In addition to an inventory spreadsheet, the property should be labeled using property tags with the same control number. A physical inventory should be taken at least once a year to ensure that all property is in place, and that the total on the inventory spreadsheet can be tied back to the balances in the General Ledger's "Equipment" and "Equipment Fund" accounts.

3. Tool Inventory

Rural Development §1944-I states that 523 TA funds may be used for purchase, lease, or maintenance of power or specialty tools such as a power saw, electric drill, saber saw, ladders and scaffolds, which are needed by the participating families. The participating families, however, are expected to provide their own basic hand tools such as hammers, measuring tapes and tool belts. Therefore, it is allowable for self-help grantees to purchase specialty tools for use by the construction supervisor and all the families in the construction of their homes. This is an area that is closely scrutinized by auditors.

It is recommended that, in addition to maintaining an inventory of non-expendable tools as explained above, you maintain an inventory of most expendable construction tools purchased with grant funds to help in planning for future tool purchases and to facilitate preparation of your next budget. Tools purchased with 523 grant funds can NOT be leased to the participating 502 families.

FEDERAL TAX FORMS

This section will address several federal forms that must be filed by your organization. In order to avoid penalty and interest charges from the Internal Revenue Service (IRS), it is recommended that these forms be prepared and filed on a timely basis. Copies should be kept in your files.

1. Form 941 – Employer's Quarterly Federal Tax Return

This form is filed to ensure that taxpayers are complying with federal tax laws. IRS's Publication 15, Circular E, "Employer's Tax Guide," (published annually) explains the rules for withholding, paying, depositing, and reporting federal income tax and social security tax (FICA), includes definitions of frequently used payroll terms and concepts, rules and regulation for the filing of federal employment taxes, and percentage method and wage bracket federal income tax withholding tables. It is recommended that you obtain a copy of this circular and follow the instructions for tax deposits and reports very closely.

The 941 form is a summary of taxes withheld and paid by an employer, including the employer's share of FICA and Medicare taxes. This form is filed quarterly and due by the last day of the month following the end of a quarter. If all taxes were deposited when due, you have 10 more days to file the 941 return.

2. Form 990 – Return of Organization Exempt From Income Tax

This form summarizes the financial activity during an organization's fiscal year (accounting period). It is filed annually by all organizations that are determined to be "exempt" from income tax, such as under Section 501 of the Internal Revenue Code. The completed return must be filed by the 15th day of the 5th month after your fiscal year ends. Auditors often prepare the organization's IRS Form 990 but it must be reviewed and approved by the Board of Directors prior to submittal. In addition, it is your organization's responsibility that it is filed on or before the due date. The Internal Revenue Service may assess a per day penalty for incomplete or late returns, so it is emphasized that care be taken when completing Form 990.

Form 990 returns filed with the Internal Revenue Service are available for public review using one of the various search sites.

3. W-2 and W-3

The **Form W-2, Wage and Tax Statement**, is a summary of all wages paid to and taxes withheld from individual employees during a calendar year. It must be provided to employees (including those employees who may have terminated employment with your organization during the calendar year), no later than January 31 following the close of the calendar year.

The **Form W-3, Transmittal of Income and Tax Statements**, summarizes the total wages and federal taxes paid for all employees. It must be submitted to the Internal Revenue Service by February 28, with Copy A of all W-2 forms that were distributed to employees and former employees. It is possible that you may be required to file other Information Returns, such as a 1099-MISC, to report certain types of payments made during the year. The Form 1099-MISC must be filed to report payments of \$600 or more to

persons not paid as employees. Your local Internal Revenue Service Center should be able to inform you as to what other returns should be filed.

4. Federal Unemployment Compensation Tax (Form 940)

IRS exempt organizations, under provision 501(c)(3), are not required to pay Federal Unemployment Compensation Tax (FUTA). The IRS publication *IRS's Publication 15 Circular E – Employer's Tax Guide* should be used as a reference as to whether your organization is required to pay this tax. The laws for local and state income taxes and State Unemployment Compensation taxes vary from state-to-state. It is most likely that your organization will be liable for these taxes as well as other local taxes. Proper officials should be contacted for instruction and clarification of all state and local tax requirements.

5. Tax Calendar

The tax calendar, indicates tax requirements throughout the year and is available online at <https://www.irs.gov/businesses/small-businesses-self-employed/irs-tax-calendar-for-businesses-and-self-employed>. The online calendar provides due dates and actions for each month and can be filtered by monthly depositor, semiweekly depositor, excise, or general event types,

6. I-9 Forms

It is illegal to discriminate against any individual (other than an alien not authorized to work in the United States) in hiring, discharging, or recruiting or referring for a fee because of that individuals' national origin or citizenship status. It is illegal to discriminate against work-authorized individuals. Employers CANNOT specify which document(s) they will accept from an employee. The refusal to hire an individual because the documents presented have a future expiration date may also constitute illegal discrimination.

The I-9 form documents that each new employee (both citizen and noncitizen) hired after Nov. 6, 1986, is authorized to work in the United States. It is recommended that the original Form I-9 for all employees be kept in an I-9 file that can be given to the Immigration and Naturalization Service (INS) auditors. Copies should be kept in each individual employee personnel file. This form must be kept for at least three years from the date of employment or for one year after the employee leaves the job, whichever is later.

7. Tax Exempt Ruling

A ruling or determination letter will be issued to your organization if its application and supporting documents establish that it meets the particular requirements of the section under which it is claiming exemption. However, the IRS will not ordinarily issue rulings or determination letters recognizing

exemption if an issue involving the organization's exempt status is pending in litigation or is under consideration within the IRS.

A ruling or determination letter may be issued in advance of operations if your organization can describe its proposed operations in enough detail to permit a conclusion that it will clearly meet the particular requirements of the section under which it is claiming exemption. A restatement of the organization's purpose or a statement that it will be operated in furtherance of that purpose will not satisfy this requirement. The organization must describe fully the activities in which it expects to engage. This includes standards, procedures, or other means adopted or planned by the organization for carrying out its activities, expected sources of funds, and the nature of its contemplated expenses.

A proposed adverse ruling or determination letter will be issued to an organization that has not provided sufficiently detailed information to establish that it qualifies for exemption or if the information provided establishes that it does not qualify for exemption. An organization can [appeal](#) a proposed adverse ruling or determination letter.

INSURANCE

Your organization should obtain and carry several types of insurance for coverage in case of fire, theft, or burglary, etc. If automobiles are used to carry out an organization's business, auto insurance coverage should also be obtained. Self-help grantees should check with their insurance broker concerning other potential coverage such as construction and liability, directors and officers, and cyber insurance. It is allowable to charge the 523 self-help TA grant its fair portion of insurance costs. A broker can shop a variety of insurance companies to help you obtain appropriate coverage from highly rated companies at the best rates. There are two types of insurance that are mandatory:

1. Worker's Compensation Insurance

The law requires that all employees be covered by Worker's Compensation Insurance. As an employer, your organization is required to retain this insurance. It provides monetary benefits to your employees should they be injured during the course of their job. Accidents can happen particularly at the job site. Accidents could involve the Construction Supervisor, Group Coordinator or even a Secretary who might be sent to the job site for some reason. This insurance must be paid entirely by the employer. It is based on an organization's actual payroll and for bookkeeping purposes should be classified as a fringe benefit.

2. Fidelity Bond/Employee Dishonesty Coverage

All self-help housing grantees must carry fidelity bond/employee dishonesty coverage on those staff members involved in the financial operations of the office, it is mandatory that it be obtained. The amount of the bond should be at least equal to the maximum amount of funds from all sources that the grantee will have in its possession or control at any time, including funds in bank accounts. Grantees should provide fidelity bond/employee dishonesty coverage for all persons who have access to funds. Coverage may be provided either for individual positions or persons, or through "blanket" coverage, providing protection for all appropriate employees and/or officials. A minimum of \$250,000 is advised.

INTERNAL CONTROLS

While there are many important ingredients in an accounting system, financial excellence demands proper internal controls. Internal controls refer to the built-in system of accounting procedures, checks and balances, division of tasks, and safeguards that guarantee the fiscal integrity of the organization to the Board of Directors, to the funding source (Rural Development), and to participant families. One of the first elements auditors look for when conducting an organizational audit is proper internal controls. Such controls will diminish the possibility of willful fraud, abuse, and errors while offering management of the most up-to-date and complete fiscal information enabling prompt, sound decision-making.

In designing an accounting system for a new grantee, or in revamping an existing system that may no longer be adequate, it is important to consider the different aspects of internal control.

1. Accounting Procedures

Procedures must be developed to match the organization's needs while meeting all standard accounting, funding source, and OMB requirements. Policies and procedures must be in writing, approved by the Board of Directors and enforced. All books of record must be used and kept current. Financial reports must accurately reflect the organization's fiscal position.

2. Check and Balances

It is important to build certain checks and balances into your accounting system. A simple example is having two persons authorized to approve bill paying and sign checks, with one or more of the board members as signatories. The Board of Directors can play an important part in checks and balances by reviewing and approving fiscal reports from the staff, approving purchases costing more than a specified amount, and approving policies related to fiscal management. (See Appendix 19 for a sample Financial Statement to be presented to the Board of Directors on a regular basis.)

3. Separation of Duties

In designing or revamping an accounting system it is very important to pay attention to the division of tasks. While it may be easier to divide tasks among more people in a larger organization with a financial department, adequate division of tasks can be adopted even for smaller organizations. The goal is to ensure that no one person handles all of the phases of processing a transaction. For instance, the same person should not prepare a payment voucher, approve the voucher, sign the check, and reconcile the bank statement. Clear lines of staff responsibilities should be set forth in the written accounting procedures and in job descriptions.

4. Safeguards

An accounting system can have many different types of safeguards. One example is the routine conducting of inventories of equipment and purchases to ensure that what you purchased is still in the organization's possession. Another safeguard is the maintenance of adequate documentation for all expenditures. Timesheets, payroll records, copies of bills, receipts, authorizations for payment, odometer readings, and trip reports are examples of documentation that must be kept to ensure the integrity of your program. Documentation and proper administrative forms are not mere paperwork, but are essential to the fiscal health of an organization. A final example of a critical safeguard is ensuring that all bank accounts are reconciled promptly and that financial reports are prepared and reviewed by management and Board of Directors on a timely basis. Current and accurate financial information is essential for the Executive Director and Board of Directors to carry out their role in decision making, setting of policy and goals, and reviewing corporate status.

Good fiscal policies establishing strong internal control will result in fiscal integrity, more efficient decision making, fewer errors, diminished threat of fraud, improved budgeting, and solid audits. Take time to review your internal controls. (See Appendix 16.)

AUDITS

Often the word "*audit*" can strike fear into the hearts of nonprofit staff because we all know that a bad audit could cause the downfall of an organization, the loss of future funds, or the loss of employment. Some fear or apprehension may be natural; however, it behooves us to view the inevitable audit as a positive learning experience.

Rural Development requires an audit of the 523 grant funds for every year the grantee has a self-help program in operation. If an organization's expenditure of federal funds (including the 523 TA grant) exceeds the Uniform Guidance Subpart F threshold (currently \$750,000), they must have a Single Audit. A Single Audit involves a compliance review as well as the usual audit fiscal review. The deadline to complete this

audit according to the Uniform Guidance (2 CFR 200.512) is “the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. However, the current USDA Rural Development regulations require that the audit be performed within **90 days** of the end of the grantee’s fiscal year.

If a grantee discontinues the self-help program entirely, a final audit of the self-help program must be performed within 90 days after the termination of the grant. If a grantee is funded by only one grant or is not required to have a single audit, they should still have an annual independent audit which USDA Rural Development also requires be performed within 90 days of the grantee’s fiscal year-end, grant period or termination of the grant. If a single-funded grantee is awarded a no-cost extension on their grant, they should check with their Rural Development State Office to determine if the extension period must be audited separately or if the audit of the final grant year may be delayed until after the extension period.

The audits, conducted by an independent CPA hired by the grantee, must be performed in accordance with Generally Accepted Government Auditing Standards (GAGAS), using the publication "Government Auditing Standards" published by the Comptroller General of the United States. Audits of all entities that expend federal funds must be performed in accordance with (Uniform Guidance Subpart F).

In addition to the grant funds, audits must include borrower 502 loan funds. The auditor will determine the number of borrower accounts to be audited. In instances where it is difficult to determine the appropriate number of accounts to be audited, the auditor should be authorized by the State Rural Development Director to audit the lesser of 10 loans or 10 percent of total loans. The auditor should review how the loan funds were spent and make a determination that they were used for authorized purposes.

1. Procuring Audit Services

In the selection of an auditor and arranging for audit services, grantees should use their own procurement procedures, provided that the procurements conform to standards prescribed in Uniform Guidance Subpart F.

Audit services for self-help housing grantees can usually be procured by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services that do not cost a great amount of money. If small purchase procedures are used, price quotations, based on a scope of work, should be obtained from an adequate number of qualified sources and some form of price analysis should be made. Consideration should also be given to such matters as integrity, record of past performance, technical resources and experience in performing government and non-profit audits. (See Appendix 20 for a sample audit request for proposal.) Records sufficient to detail the history of each

procurement should be maintained by grantees. Small audit firms and firms owned and controlled by socially and economically disadvantaged individuals should have maximum practicable opportunity to obtain audit contracts.

In order for an audit firm that is qualified to perform audits in accordance with the Government Auditing Standards to provide your organization with an estimate of audit costs, they need information about your organization and the program(s) to be audited, such as:

- Description of programs to be audited including time periods
- Type of accounting records maintained—accrual/cash
- Total expenditures during the audit period for each program
- Number of checks issued during the audit period for each program
- Number of employees
- Number of pay periods per year
- Number of bank accounts
- Number of borrower loan accounts maintained
- Date records will be ready for audit
- Date audit should be completed
- Date final audit report should be completed
- Peer reviews

2. Preparing for an Audit

It is important to properly plan the physical arrangement for your audit. Choose a time when the Executive Director and fiscal staff will be present and not over-burdened with work. Plan to provide some working office space for auditors and easy access to files, books, and documentation. Make sure that staff are available to answer questions and provide information on a timely basis. The more convenience the organization provides, the less time the audit will take. The bill should reflect the savings.

Make sure that the organization schedules an entrance interview or a time when you can discuss what information the auditor will need for the audit. The auditor can provide you with a list and you can take time to adequately and comfortably pull together the information in an orderly manner. For the auditor to be prepared to do the audit, they should have access to the Rural Development and OMB procedures and will require an understanding of how the unique self-help housing process works.

The following is a list of some items that the Grantee should have readily available for the auditors. Easy access to this information will greatly facilitate the audit:

- a. Organizational Chart showing distribution of responsibility of Grantee's staff.
- b. All written policies and procedures relating to the use of 523 grant funds and the supervision and maintenance of the §502 loan accounts.
- c. Formal listing of Rural Development and Grantee responsibilities.
- d. Minutes of all Board of Directors' meetings.
- e. Bylaws for the organization.
- f. Agreements and contracts with Rural Development.
- g. Insurance policies for the organization.
- h. Accounting records and reports pertaining to the self-help grant.
- i. Paid invoice files.
- j. Payroll records.
- k. Tax reports.
- l. Bank statements.
- m. Personnel files and policies.
- n. Correspondence with Rural Development regarding fiscal matters.
- o. Previous audit report.
- p. Updated listing of non-expendable office equipment and construction tool inventory, and controls on their use.
- q. Individual family files that include the accumulated documentation of activities and expenditures from the initial loan application to completion of construction.

The following is a list of some things that you might do to prepare for your audit:

- a. Go through your paid invoice files and make sure that there is an invoice, bill, or other documentation for every check that has been written. This is a tedious job, but it's cheaper to do it than to have the auditor look for missing documents at their rate of pay.
- b. Work on your internal control policy. This is a major part of every audit. Auditors want to make sure that financial procedures are performed in an acceptable manner.
- c. If you have a petty cash system, make sure it is working. Someone other than the custodian of the funds should reconcile it regularly and at fiscal year end.
- d. If you are the staff member in charge of the agency audit, one of your goals should be to keep the cost of the audit as reasonable as possible.

The following items may be included in your audit report:

An **Administrative Finding** is an audit conclusion concerning deficiencies in the grantee's management or financial controls, procedures, policies or systems. Examples might be adjustments needed to accounting records, recommended accounting system changes, erroneous budget charges, improper bill paying procedures, or any significant deficiencies and material weaknesses.

A **Questioned Cost** is a cost for which the auditor believes there is substantial documentation to justify disallowance. Examples might be erroneous salary payments or overpayments to vendors.

A **Disallowed Cost** is an incorrect charge to a program not allowed by law, regulations, and/or grant. Examples might be a contribution to the United Way or payment of a penalty on taxes paid late and charged to a federal grant.

Upon completion of the audit, the auditor should, at an exit interview, give the organization some general indication of the audit results. Also, they may outline specific findings that might cause you to alter some internal policies and procedures. This session should be an open exchange of information that will benefit your organization. If you disagree with any findings or recommendations, this is the time to discuss them and try to resolve them. A recommendation in a management letter to the Board of Directors is preferable to a finding in the audit.

Organizations receiving an audit report should try to begin implementing any recommendations as soon as possible. Administrative findings will usually require adjustments to accounting records/ reports or changes in procedures. Questioned costs or disallowed costs may require collections from the individuals who received the improper payments or reimbursements from some other source such as a fund raising effort.

The goal is to obtain an “unmodified” or “clean” opinion; which means that the auditor feels that, based on a review of select documentation, the financial statements accurately reflect the financial position of the organization and that there were no instances of noncompliance with federal regulations.

POLICIES AND PROCEDURES

1. Accounting Policies & Procedures Manual

As has been mentioned throughout this handbook, it is required that your agency's accounting procedures be in written form and updated on a regular basis to reflect any major changes. It is our hope that this financial management handbook will provide the self-help housing grantees with the necessary information, requirements, and parameters by which to draft or revise a financial manual. The purpose of a financial manual is to document the flow of transactions, segregation of duties, and financial policies of the organization. The manual should be used by appropriate employees as a reference and training document.

Additionally, new financial team members and any auditor should read it in order to understand how the organization's accounting system works.

A sample table of contents for an accounting manual follows:

Sample Table of Contents

- Introduction
- General Accounting System (including description of software)
- Chart of Accounts and an explanation of each line item
- Accounting Department Deadlines
- Cost Allocation Plan/Indirect Cost Rate (if applicable)
- Investment Policy
- Bank Accounts
- Requesting Funds from Grantor
- Cash Receipts
- Cash Disbursements
- Payroll/Timesheet Policy
- Procurement/Purchasing System
- Travel Cost
- Petty Cash
- Fixed Assets/Inventory
- Personnel

2. Policies for Your Computer

Computer based accounting systems are the norm. These automated systems streamline accounting functions and yield books of record, a general ledger and financial reports. Accurate and correct data is necessary to generate reliable reporting. These systems typically allow queries for almost any financial question and yield prompt results, to support management decision making.

An organization's accounting system should be backed-up daily and kept off-site. This can be done using an external drive, tape drive system, or as part of a service from an IT vendor. Computer policies around employee computer use should be developed as part of the Personnel Policies. An Human Resources attorney may be helpful with this.

3. Personnel Policies

Every self-help housing grantee funded by Rural Development must have written Personnel Policies, approved by its Board of Directors, which set forth operational standards for such items as hiring, conditions of employment, standards of conduct, grievance procedures, time and attendance, leave, benefits and travel.

It is important that new grantees and any existing grantees that do not have personnel policies must take the necessary steps to develop and implement them. Personnel policies protect the employer, the employee, and the funding source by setting forth agreed upon policies and standards. Generally, Rural Development requires the personnel policies be in place before the self-help housing grant is made. Unwritten policies can lead to disorder, inconsistencies, dissension, and the potential for lawsuits.

Approval of the personnel policies is usually the task of the Board of Directors. The role of the board is to set organizational policy and goals while the staff carries out the day-to-day activities to achieve the goals. Developing personnel policies takes time, thought, and much deliberation. Many examples are available from a variety of sources. A good starting point is to start with what exists, looking at other examples, and begin assembling them. This is usually assigned to a committee of staff and for board members. It is good practice to have an attorney versed in HR to review the policies for compliance with federal and state law.

Personnel policies evolve as the organization evolves. Changes, amendments, and additions will be necessary along the way. These amendments should be brought to the Board of Directors for approval.

The following is a listing of the types of items that should be included in personnel policies:

1. Organizational Authority
2. Hiring
 - Recruitment
 - Selection standards
 - General policy
 - Barriers to employment
3. Condition of Employment
 - Definition and status of employee
 - Probationary period
 - Employment contracts
 - Employee evaluation
 - Staff salary review

- Supervision of staff
- Employee performance review
- Voluntary termination
- Involuntary termination
- Agency termination
- 4. Employment Standards of Conduct
 - Conflicts of Interest
 - Outside employment
 - Gifts, gratuities, or honorariums
 - Use of intoxicants or drugs
 - Care of documents
 - Use of property and equipment
 - Conduct on the job
 - Appropriate use of computer
- 5. Employee Grievance Procedures
- 6. Leave
 - Annual leave
 - Sick leave
 - Emergency leave
 - Leave without pay
 - Personal leave
 - Holidays
 - Maternity leave
 - Paternity leave
- 7. Fringe Benefits
- 8. Time and Attendance
 - Office hours and work hours
 - Timesheets and records
- 9. Travel
 - Local travel
 - Overnight travel

- Travel Authorization and trip reports
- Reimbursements (mileage rate, lodging, and per diem)

10. Other Administrative Policies

- Business telephone calls
- Use of business calling card and credit card
- Others as necessary

11. Organizational Chart

12. Determination of Non-exempt and Exempt Workers

Executive, administrative, and professional employees, outside sales, and employees in certain computer-related occupations may be exempt from the provisions of the Fair Labor Standards Act. Because these exemptions are generally narrowly defined, employers should carefully check the exact terms and conditions for each by contacting local offices of the Wage and Hour Division listed online and in most telephone directories under U.S. Government, Department of Labor, Wage and Hour Division. It is important to understand FLSA, have employees classified correctly, and with appropriate documentation. Your Department of Labor office and/or an experienced HR/Labor attorney can be an important resource.

13. Overtime Pay for Non-Exempt Employees

The Fair Labor Standards Act (FLSA) establishes standards for minimum wages and overtime pay. As a rule, employers must pay time and one half the non-exempt employee's regular rate for every hour over 40 worked by the employee in a workweek (29USC 207; 29 CFR 778.101). Note that in some states overtime is calculated daily. Verify with the states' Department of Labor. An employer who has misclassified a non-exempt employee as exempt and pays the employee a salary can face substantial liability and penalties for unpaid overtime.

4. Personnel Records

Personnel records are of utmost importance to the organization and must be maintained in an orderly and complete manner. For instance, these records provide a vital link for an auditor to determine when a person was hired or when a raise was given. These files represent an employment history for each staff member, mapping out their journey with the organization.

Each staff member should have a personnel file that will contain pertinent information and documentation. All of the personnel files should be located in the same cabinet, which should be kept locked

because the information therein is confidential. One primary staff person should be designated to have access to the personnel records.

The following is a list of the items that should be maintained in each staff member's personnel file:

1. Job application
2. Resume
3. Job description
4. Hiring letter or documentation
5. Employment contracts and amendments
6. Salary increase notification
7. Tax information including W-4(s)
8. Employment date/termination date
9. Performance evaluations
10. Emergency contact and doctor information
11. Personnel related memos or correspondence
12. Voluntary payroll withholding forms
13. Awards and citations
14. Medical insurance selection form
15. Copy of I-9
16. License and proof of auto insurance

It is important to maintain these files on an up-to-date basis so that you do not get caught having to reconstruct information. For example, when an employee is promoted into a new position, the following items should be updated: new job description, new employment contract, new salary information, revised tax information, updated resume and employment application (if appropriate), and promotion letter. Please review your personnel records to ensure that they are current and complete.

BUDGETS

All economic units – whether individuals, nonprofit organizations, or governments – engage in financial planning and to a large extent, carry on these economic activities within a budgetary framework. Budgets may be voluminous formal documents or they may simply be the mental notes of an individual. Regardless of what they look like, budgets are essential tools of successful financial management and an integral part of the process of financial planning. After the organization's goals and objectives have been clearly defined, there remain four steps that are necessary to define the budgeting process fully:

1. Preparing the budget to be used as an operating plan for the relevant period
2. Comparing actual results with the budget forecast at regular intervals
3. Analyzing the variances of actual from budgeted performance
4. Deciding on what, if any, corrective action needs to be taken regarding the variance

The importance of planning into the future cannot be over-emphasized.

The grant agreement states that any uses of funds not provided for in the approved budget must be approved in writing by Rural Development in advance of the spending. When necessary, a request should be submitted to the Rural Development Manager for authority to move funds from a budget category that has excess funds to a category that will need additional funds. See Appendix 17 for sample worksheets to use in preparing your 523 TA grant budget.

GRANT REQUIREMENTS

1. Extension or Revision of Grant Agreement

The State Director may authorize the Rural Development Area Director to execute an amendment to the grant agreement for a time extension, modification of goals or an adjustment to the amount of the grant, whether it be an increase or decrease. Make sure that you receive a copy of that executed amendment from the Rural Development Area Director. Grantees needing a revision to their grant agreement should submit complete justification to their Rural Development Area Director, including a revised budget and other requested documentation if requesting an increase or decrease in the amount of the grant. Your Technical Assistance Contractor should also review the request and provide a recommendation to RD. Additional guidance is provided in USDA Rural Development Instruction 1944-I Section 1944.420.

2. Grantee Self-Evaluation

USDA Rural Development Instruction 1944-I Section 1944.427 requires that annually, or more often, the Board of Directors will evaluate their own self-help program. Exhibit E in 1944-I is provided for that purpose (see Appendix 23). It is also recommended that they review their personnel policies, any audits that have been conducted, and other reports to determine if they need to make adjustments in order to prevent fraud and abuse, and meet the goals of the current grant agreement.

The Board of Directors, not the self-help program staff, should carry out the evaluation. We recommend that the board designate a committee of board members to perform the evaluation. The completed evaluations should be presented to the board and formally accepted by it. It is highly desirable that a summary be presented to staff and families, with opportunities for discussions and suggestions.

3. Grant Closeout

There are a number of tasks that your organization must complete at the end of your 523 TA grant as described in USDA Rural Development Instruction 1944-I Section 1944.426. These include closing out all invoices and contracts with subcontractors. You must also submit a Financial Status Report SF-425 (See Appendix 3) and refund all grant funds that will not be needed for closeout within 90 days of the completion date of the grant. (See Appendix 22 for 523 TA Grant Closeout Procedures checklist.)

USDA Rural Development will also conduct a final grantee evaluation prior to the last month of the 523 TA grant period. The report should conclude whether or not the organization is eligible for grant renewal.

This requirement is described in USDA Rural Development Instruction 1944-I Section 1944.419 entitled “Final Grantee Evaluation” (see Appendix 23 for more information on this evaluation).

CLOSING SUMMARY

All self-help housing grantees must establish financial management systems and policies in order to accurately account for their 523 TA grant funds. The systems and policies established must conform to generally accepted accounting principles (GAAP) and meet Rural Development’s requirements and those set forth by the Office of Management and Budget (OMB).

The procedures, guides, and checklists offered in this financial management guide are recommended as minimum standards of control. While conditions may vary among grantees, each can adapt the principles outlined in this handbook to establish, supplement or review their own accounting system to ensure that all aspects of their self-help housing operation are based upon sound fiscal practices.

Ultimately, the self-help grantee, participating families and Rural Development will benefit from established financial controls that prevent potential fraud, error and abuse and provide a framework for regular analysis of monies spent.

LIST OF APPENDICES

Appendix 1.	Sample Chart of Accounts
Appendix 2.	Request for Advance or Reimbursement (SF 270)
Appendix 3.	Federal Financial Report (SF 425)
Appendix 4.	Sample Monthly Budget Comparison Report
Appendix 5.	Budget Revision Worksheet
Appendix 6.	Cash Receipts Log
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Appendix 9.	Local Mileage Reimbursement Form
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Appendix 15.	Tax Calendar
Appendix 16.	Checklists for Internal Control
Appendix 17.	Budget Feasibility, Preliminary Budget Preparation, and Budget Analysis
Appendix 18.	RD Instruction Sections 1944.405, 1944.406, and 1944.411
Appendix 19.	Sample Financial Statements
Appendix 20.	Sample Audit Request for Proposal (RFP)
Appendix 21.	List of U.S. Department of the Interior Office of Indirect Cost Services
Appendix 22.	523 TA Grant Closeout Procedures Checklist & Final Grantee Evaluation Summary
Appendix 23.	RD Instruction 1944-I Exhibit E Guidance for Recipients of Self-Help Technical Assistance Grants
Appendix 24:	Informal Cost Comparison Form
Appendix 25:	Delivery/Receiving Report
Appendix 26:	Inventory of Fixed Assets Tracking Spreadsheet

Appendix 1-Sample Chart of Accounts**SAMPLE****CHART OF ACCOUNTS**

<u>Assets (100 Series)</u>		<u>Income (400 Series)</u>	
101	Cash	401	Grant Income
102	Petty Cash	402	Contract Income
103	Accounts Receivable	403	Interest Income
104	Prepaid Expenses	404	Miscellaneous Income
105	Equipment and Furniture		
106	Other Assets		
 <u>Liabilities (200 Series)</u>		 <u>Expenses (500 Series)</u>	
201	Accounts Payable	501	Salaries
202	Federal Withholding Tax Payable	502	Fringe Benefits
203	State Withholding Tax Payable	503	Travel
204	City Withholding Tax Payable	504	Equipment
205	Loans Payable	505	Supplies
206	Other Payables	506	Contractual
		507	Other Costs
		508	Indirect Costs
 <u>Net Assets (300 Series)</u>			
301	Donor Restricted		
302	Non-Donor Restricted		

Appendix 2-Request for Advance or Reimbursement (SF 270)

Request for Advance or Reimbursement (SF 270)

To obtain a copy of SF Form 270, go to General Services Administration (GSA) using the following link:

[https://www.sba.gov/sites/default/files/files/sf270\(6\).pdf](https://www.sba.gov/sites/default/files/files/sf270(6).pdf)

Appendix 3- Federal Financial Report (SF 425)

Federal Financial Report

To obtain a copy of SF Form 425, go to General Services Administration (GSA) using the following link:

<https://www.gsa.gov/forms-library/federal-financial-report>

Appendix 4-Sample Monthly Budget Comparison Report**SAMPLE--ACME Housing Corporation Budget Comparison Report***SELF-HELP HOUSING*

01/01/2014 through 12/31/2016

For period ending:
09/30/2016**EXPENDITURE REPORT**

ITEM	APPROVED BUDGET	MONTHLY EXPENDITURES	EXPENDITURES TO DATE	BALANCE
SALARIES	715,380.00	28,274.28	659,452.34	55,927.66
FRINGE	267,910.00	9,076.09	213,837.93	54,072.07
INDIRECT COST	166,683.00	6,503.10	150,922.95	15,760.05
CONSULTANTS/CONTR	0.00	0.00	0.00	0.00
IN AREA TRAVEL	130,000.00	3,552.35	108,943.44	21,056.56
OUT OF AREA TRAVEL	5,000.00	0.00	0.00	5,000.00
SPACE/UTILITIES	50,000.00	1,632.31	41,310.40	8,689.60
SUPPLIES	10,000.00	522.95	10,403.17	(403.17)
EQUIPMENT	5,000.00	0.00	6,619.59	(1,619.59)
EQUIPMENT REPAIR	0.00	0.00	482.84	(482.84)
INSURANCE	0.00	0.00	211.00	(211.00)
MEMBERSHIPS/FEES	2,400.00	0.00	2,181.11	218.89
ADVERTISING	4,000.00	338.26	6,171.26	(2,171.26)
PRINTING/COPIER CHG	2,416.00	28.80	1,500.30	915.70
TELEPHONE	18,000.00	1,384.06	16,947.14	1,052.86
POSTAGE	5,000.00	7.17	3,241.68	1,758.32
	-	-	-	-
TOTALS	1,381,789.00	51,319.37	1,222,225.15	159,563.85

Appendix 5-Budget Revision Worksheet

BUDGET REVISION WORKSHEET					
		Original Approved Budget	Adjustment	Revised Budget	Difference
REVENUE:		A.	B.	(A. + B.) = C.	D.
	Grants	\$ 100,000		\$ 100,000	0
	Contributions				
	Fee for Service				
	Fundraising				
	Total	\$ 100,000	\$ -	\$ 100,000	\$ -
EXPENSES:					
	Salaries	\$ 50,000	\$ 5,000	\$ 55,000	\$ (5,000)
	Fringe Benefits	\$ 14,000	\$ 1,250	\$ 15,250	\$ (1,250)
	Rent	\$ 10,000	\$ -	\$ 10,000	\$ -
	Supplies	\$ 5,000	\$ (1,000)	\$ 4,000	\$ 1,000
	Postage	\$ 6,000	\$ (3,000)	\$ 3,000	\$ 3,000
	Travel	\$ 4,000	\$ (1,000)	\$ 3,000	\$ 1,000
	Telephone	\$ 6,000	\$ (1,000)	\$ 5,000	\$ 1,000
	Printing Training	\$ 3,000	\$ (250)	\$ 2,750	\$ 250
	Audit	\$ 2,000	\$ -	\$ 2,000	\$ -
	Total	\$ 100,000	\$ -	\$ 100,000	\$ -
	Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -

Appendix 6-Cash Receipts Log**CASH RECEIPTS LOG**

Date	Source of Check	Amount	Remarks

Prepared By:

Date:

Approved By:

Date:

Appendix 7-Purchase Order**Purchase Order Request**

PROGRAM: _____ Date: _____

PAY TO: Vendor # _____ Name _____

Address _____

City _____ State _____ Zip _____

Quantity	Item and Description	Unit Cost	Extended Cost

Total \$ _____ \$0.00

REQUISITIONED BY: _____ Date _____

Approved By _____ Date _____

Purchase Order approved in the amount of \$ _____ P.O.# Assigned _____

Request for Payment/Payment Voucher

City _____ State _____ Zip _____

Total \$ \$0.00

Approved By _____ Date _____

Paid by Check #: _____

Local Travel Voucher

Permanent Worksite _____

	Odometer Readings		Normal	Reimb.			
Date	Beginning	Ending	Commute	Miles	Purpose/Destination	Other	Total \$
	TOTAL MILES				TOTAL AMOUNT OF CLAIM		

I certify that this statement, the amounts claimed and attachments are true, correct, and complete to the best of my knowledge and belief, and that payment of the amount claimed has not been received.

 Approved By _____ Date _____

Appendix 10-Travel Authorization Form**Authorization for Travel and Advance Request Form**

Name: _____ Date: _____

Funding Source: _____ Destination: _____

Purpose of Travel: _____

Date & Time of Departure: _____ Date & Time Return: _____

A travel advance for this trip is necessary? Yes ☐ No ☐

Date check is needed (after 12 p.m.): _____

Mode of Transportation: Air _____ Other _____ Privately Owned Vehicle _____

Remarks: _____

_____**COST ESTIMATES:**

	Expense	Estimated Cost
Estimated Per Diem Rate _____	Per Diem Allowance	_____
Per Diem allowed per day X _____ (# of days)	POV Carrier Transportation	_____
Mileage Estimate: _____	Airfare	_____
	Hotel/Lodging	_____
	Lodging Tax	_____
	Baggage Fee	_____
	Rental Car	_____
	Rental Car Gas	_____
	Taxi	_____
	Parking, tolls, etc.	_____
	Registration Fees	_____
Other: Explain _____		_____
	TOTAL ESTIMATED COST	_____
	Advance Amount Requested & Approved	_____
Itinerary/Agenda Attached: _____		
Notes/Comments: _____		

***** NOTE: THIS FORM MUST BE ATTACHED TO TRAVEL EXPENSE STATEMENT*****

Requested By: _____ Date: _____

Signature

Concurring Supervisor: _____ Date: _____

Signature

Note: Submit your request as soon as Agenda/Arrangements are known.

Appendix 11-Estimated Travel Expenses Form**Estimated Travel Expenses**

Name: _____ Date: _____

Funding Source: _____ Destination: _____

Purpose of Travel: _____

Date & Time of Departure: _____ Date & Time Return: _____

Mode of Transportation: Air _____ Other _____ Privately Owned Vehicle _____

Remarks: _____
_____**EXPENSES:**

	Amount	How Paid
Estimated Per Diem Per Traveler		
1) _____		
2) _____		
3) _____		
4) _____		
Airfare:		
# of Travelers _____ X \$ _____		
Hotel/Lodging		
Rental Car		
Rental Car Gas		
Mileage		
Taxi		
Parking, tolls, etc.		
Baggage Fees		
Registration Fees		
Other: Explain _____		

TOTAL _____Notes/Comments: _____

Prepared By: _____ Date: _____

Signature

Approved By: _____ Date: _____

Signature

Appendix 12-Request for Travel Reimbursement**Request for Travel Reimbursement**

EMPLOYEE: _____ Vendor #: _____

Program Acct. No. _____ Purpose of Travel: _____

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Date							
Time of Departure							
Departure City							
Destination							
Per Diem Rate of Destination (\$)							
*Reimbursable Amount of Per Diem (\$)							

*FIRST AND LAST DAYS OF TRAVEL ARE REIMBURSABLE AT 75% OF PER DIEM RATE

Per Diem Total _____ → \$ _____

Lodging: _____ nights at \$ _____ per night _____ → \$ _____

Transportation	Odometer Reading		Mileage		
Date	Begin	End	Map Miles	Vicinity Miles	Total Miles

Mileage Rate \$0.545 Mileage Reimbursement _____ → \$ _____

Airline or Other Transportation _____ → \$ _____

Other Expenditure(s): Taxi, Parking, Tolls, etc. _____ → \$ _____

Explanation of other expenditure(s): _____

TOTAL EXPENDITURES CLAIMED \$ _____

Deductions

Travel Advance Given? Yes _____ No _____ Amount _____ → \$ _____

Meals Provided (based on per diem rates) Breakfast @ \$ _____ Lunch @ \$ _____ Dinner @ \$ _____ Total → \$ _____

Excess Lodging (room overage plus applicable taxes for overage amount) \$ _____

Meal Breakdowns, Maximum lodging, and Per diem rates are defined by GSA

TOTAL AMOUNT DUE Traveler _____ or Agency _____ → \$ _____

Notes/Comments: _____

I certify that this statement, the amount claimed and attachments are true, correct and complete to the best of my knowledge and belief, and that payment for the amount claimed has not been received.

Date_____
Signature of Traveler_____
Date_____
Approved By

Appendix 13-Trip Report Form**Trip Report Form**

Name of Traveler: _____ Date : _____

Funding Source: _____

Destination: _____

Lodging Arrangements: _____

Method of Travel: _____

Purpose of Trip: _____

Date and Time of Departure: _____

Date and Time of Return: _____

Narrative of Activities, Accomplishments and Follow-up: _____

Use 2nd page if more space is needed and attach appropriate agenda
and/or other documentation.

Submitted by: _____ Date: _____

Approved by: _____ Date: _____

Appendix 14-Sample Timesheet**ACME HOUSING, INC.
Sample Timesheet**

Employee: _____

Month and year _____

Program	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Program	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31

TOTAL PAYABLE HOURS _____

Allocation of Costs table		
CODE	% of time	\$ Charged

Program Code	Program Name
100	Unrestricted
105	Indirect
200	Head Start
560	523 TA Grant #1
570	523 TA Grant #1
580	Weatherization
590	HOME Admin
600	Bank of America Grant

Deductions	\$ _____
Social Security	\$ _____
Medicare	\$ _____
Federal withholding	\$ _____
State withholding	\$ _____
Total Deductions	\$ _____
 GROSS WAGES	 \$ _____
LESS TOTAL DEDUCTIONS	\$ _____
NET PAY	\$ _____

Date of Check: _____
 Check #: _____
 Amount of Check: _____

Employee's signature: _____ Date: _____

Supervisor's signature: _____ Date: _____

Appendix 15-Tax Calendar

TAX CALENDAR

<https://www.irs.gov/businesses/small-businesses-self-employed/irs-tax-calendar-for-businesses-and-self-employed>

If any date shown falls on a Saturday, Sunday, or legal holiday use the next regular workday.

BY JANUARY 31 or WHEN EMPLOYMENT ENDS:

Give each employee a completed **Form W-2, Wage and Tax Statement**.

BY FEBRUARY 15:

Ask for a new **Form W-4, Employee's Withholding Allowance Certificate**, from each employee who claimed total exemption from withholding during the prior year.

BY FEBRUARY 28:

Income Tax Withholding – File **Form W-3, Transmittal of Income and Tax Statements**, with the Social Security Administration and include Copy A of all **Forms W-2** you gave employees or recipients for the year before.

BY APRIL 30, JULY 31, OCTOBER 31, AND JANUARY 31:

File **Form 941, Employer's Quarterly Federal Tax Return**, or **Form 941E, Quarterly Return on Withheld Federal Income Tax**, and pay any undeposited income and Social Security Taxes. If you deposited all the taxes when due, you have 10 more days to file the return. Also, deposit Federal unemployment tax due if it is more than \$100.

BEFORE DECEMBER 1:

Income Tax Withholding – Ask for a new form W-4 from each employee whose withholding allowances will change for the next year.

BY 15TH DAY OF FIFTH MONTH FOLLOWING CLOSE OF ACCOUNTING PERIOD (Fiscal Year):

File **Form 990, Return of Organization Exempt From Income Tax**.

Appendix 16-Checklists for Internal Control**CHECKLISTS FOR INTERNAL CONTROL**

The following checklists for internal control are provided as a suggested guide for boards and executive directors in assessing the adequacy of the organization's business management capabilities. The checklists are not all-inclusive, but can serve as a source for on-going evaluation, as necessary. Some of these checklist items obviously cannot apply to very small organizations. The types of problems continually cited in audit and inspection reports indicate that greater attention should be given to the business management competence of recipient organizations. Proper internal control procedures will provide greater assurance that grant awards will be adequately managed. When using direct deposit as a method of payment, ensure internal controls are in place to ensure accuracy.

A. PERSONNEL MANAGEMENT

- Does the position classification system:
 1. Differentiate between levels of responsibility and complexity of work?
 2. Require position descriptions and job titles?
 3. Identify position requirements?
 4. Divide duties among employees responsible for the procurement, approval, verification (pre-audit) and disbursement functions of expenditure transactions?
 5. Call for periodically reviewing and updating position descriptions?
- Does the recruitment and selection system:
 1. Establish controls to ensure consistency with the budget plan?
 2. Establish procedures for applicant interviews, reference checks and final selection by an appropriate official?
 3. Evaluate the effectiveness of the compliance with Title VI of the Civil Rights Act of 1964, as amended?
- Is the compensation determination based on analysis of:
 1. Job Requirements?
 2. Comparability with similar work in the local labor market?
 3. Periodic review of pay scales?
 4. Are fringe benefits comparable to other similar organizations?

Does the file and records system include all official documents related to the employment of each staff member and other persons participating in grant supported activities? (Such records should be maintained in an orderly file system, which is capable of providing necessary information to accountants and auditors, as well as employees. Among the documents, which would be included in these, are actions related to hiring, wages and deductions, promotions, commendations, and adverse actions.)

B. PAYROLL

- Is the payroll checked at regular intervals against the personnel records?
- Are clerical operations involved in the preparation of payroll checks double-checked before checks are distributed?
- Are the functions involved in the preparation of payroll distributed among a number of employees, i.e. two signatories on requests for payments and checks?
- Is a separate payroll bank account is maintained, is it reconciled by an employee independent of all other payroll preparation functions?
- Does the procedure followed in reconciling the payroll bank account include the checking of names on payroll checks?
- Are payroll checks distributed by someone other than person who prepares payrolls?
- Are payroll checks always prepared after receipt of approved time and attendance reports and based on those reports?

C. ACCOUNTING

- Is the accounting routine set out in an accounting manual?
- For small recipients, is the financial system designed, at the minimum, so that no one person has access to all financial operations, procedures, and records?
- Are sources and application of federal and non-federal funds identified in the accounting system?
 - Authorizations?
 - Funds received?
 - Assets?
 - Grant-related income?
- Are individual cost elements in chart-of-accounts reconciled to the cost categories in the approved budget?

- Does the accounting system identify and segregate unallowable costs?
- Are accounting records supported by source documentation?
- Are separate program activities or program accounts documented in the accounting system?
- Are transactions recorded and posted in the accounting books and records as frequently as possible, but at least every thirty days?
- Is the accounting function completely separated from procurement (purchasing) and receiving?
- Are general journal entries approved by a responsible employee?

D. BUDGET

- Are there procedures to determine the allow ability, allocability, and reasonable of costs? Are the procedures verified and/or approved by a responsible official?
- If costs have been transferred within the approved budget, are the transfers supported by justification or documentation?
- Was prior approval obtained on cost requiring same?
- Were any obligations for the current budget period incurred prior to the effective date?
- Are budgeted costs compared with actual cost on a regular basis?
- Is action taken when the comparisons disclose problems?
- Are budgetary controls in place to preclude incurring obligations in excess of total funds available for (1) grant and (2) budget category?

E. CASH MANAGEMENT

- Are advances of grant funds in excess of amounts needed?
- Are separate or special purpose bank accounts controlled? (Special accounts may be used as needed but should be under same control as the regular accounts.)
- Are all cash receipts immediately recorded in a cash receipts log?
- Are cash receipt books properly controlled and safeguarded?
- Are validated duplicate deposit slips obtained for each deposit?
- For small recipients, are certain functions such as receipt of bank statements, preparation of bank reconciliations, etc., carried out by independent bookkeepers or others for internal control purposes?

- Are bank statements received directly, unopened by the person who prepares the bank reconciliation?
- Are bank statements reconciled at least monthly?
- Are paid checks examined for date, name, cancellation, and endorsements at the time the reconciliation is prepared?
- Does supporting data accompany checks when they are submitted for signature?
- Are vouchers or supporting documents stamped “Paid” and is the date paid, check number, expense classification shown?
- Are invoices or vouchers approved in advance by the responsible official?
- Is the sequence of check numbers accounted for when bank account is reconciled?
- Are voided checks properly mutilated and retained for subsequent examination?
- Are blank checks properly controlled?
- Is the practice of drawing checks payable to “cash,” “petty cash,” “bearer,” etc. prohibited?
- Are authorized signatures on checks limited to persons who do not have direct access to accounting records or to petty cash?
- Is the issuance of checks on only verbal authority prohibited?
- Is the signing of blank checks prohibited?
- Is responsibility for any petty cash funds vested in only one person?
- Are signed vouchers prepared for all petty cash disbursements?
- Are the amounts of petty cash funds limited so that reimbursement is required at relatively short intervals (not over two weeks)?
- Is petty cash kept locked at all times when not in use?
- Are employee loans prohibited, other than those through an established credit fund?
- Are employee travel advances accounted for promptly?

F. PROCUREMENT (PURCHASING)

- Are the organization’s purchasing practices in writing?
- Is the responsibility for procurement assigned to one individual?
- Are pre-numbered purchase orders used?
- Are invoices checked in the accounting office against purchase orders and receiving reports?

- Is there definite evidence of responsibility for verifying invoices as to prices, extensions, additions, freight charges, discounts, etc.?
- Is the budget account coding double-checked prior to disbursement?
- Are vouchers examined to ascertain completeness of attachments and required approvals?
- Are voided purchase orders mutilated and retained for future examination?
- When competitive quotations are required in accordance with procurement policy, are they properly obtained?
- Are expenditure transaction files maintained in such a manner that documents supporting any transaction can be easily located?
- Are goods and services received prior to payment?
- Are small and/or minority businesses used as sources of supplies and services?
- Have sole source procurements been approved?
- Have a price or cost analysis been performed on procurements?
- Has a lease vs. purchase analysis been made before procuring equipment?

G. PROPERTY MANAGEMENT

- Are the organization's property policies in writing?
- Are the proper classifications made between equipment and supplies and reconciled to the budget?
- If equipment is on loan or shared with other organizations, are costs allocated proportionally?
- Is a complete physical inventory of non-expendable property taken periodically?
- Are the results reconciled with the property records?
- Is non-expendable property properly tagged?

Appendix 17-Budget Feasibility**BUDGET FEASIBILITY**

Before deciding to apply for a self-help technical assistance grant you must determine if budget limitations would provide enough funds for you to operate the self-help program and assist the number of families in building the homes you feel are feasible in your target area.

Normally the TA grant amounts are limited to:

- A. An average TA cost per house of no more than 15 percent of the cost of equivalent value of modest homes built in the area.

Equivalent Value x 15% = Max. TA Cost per House

_____ x 15% = _____

or

- B. An average TA cost house that does not exceed the difference between the equivalent value of modest homes in the area and the average mortgage of the participating family, minus \$1,000.

Equivalent Value - Average S-H Mortgage - \$1,000 = Max TA Cost per House

_____ - _____ - \$1,000 = _____

Appendix 17- Preliminary Budget Preparation**PRELIMINARY BUDGET PREPARATION**

The following guides are estimates and averages for preliminary parameters. If actual or estimates are already known for your area, they should be used. Many budget items will vary greatly for different parts of the country and because some grantees will be able to obtain some non-federal funding and/or in-kind contributions for their self-help program.

Your pre-application budget and final application budget, while following the same format will require a more detailed analysis and therefore may require different amounts.

Preliminary Budget Guide:**Step 1**

Estimate the number of employees (full- and part-time) needed to operate your program.
Establish an estimate salary for each position for the proposed period of your grant based on salaries organizations in your area pay their employees for similar type positions.

Step 2

Other budget items can be estimated as follows:

Fringe Benefits	25%-30% of the Total Salary
Travel Expenses	5%-10% of the Total Salary
Equipment	2% - 5% of the Total Salary
Supplies	1% - 3% of the Total Salary
Contractual	3% - 5% of the Total Salary
Other Misc. Expenses	15%-20% of the Total Salary

PRELIMINARY BUDGET WORKSHEET

	1st Year	2nd Year
A. Personnel Salaries		
Executive/Project Director	_____	_____
Group Worker/Loan Packager	_____	_____
Secretary/Bookkeeper	_____	_____
Construction Supervisor	_____	_____

Note: Consider a cost of living and/or merit increase for your employees.

TOTAL Personnel	\$_____	\$_____
B. Fringe Benefits		
Worker's Compensation	_____	_____
FICA	_____	_____
Health Insurance	_____	_____

Unemployment Insurance _____

TOTAL Fringe Benefits \$ _____ \$ _____**1st Year 2nd Year****C. Travel**

Local Travel Reimbursement	_____	_____
Out-of-Town Travel	_____	_____
Other	_____	_____

Note: Current government mileage
Rate is \$.36 per mile.

TOTAL Travel \$ _____ \$ _____**D. Equipment**

Office Equipment		
Desks	_____	_____
Chairs	_____	_____
File Cabinets	_____	_____
Bookcases	_____	_____
Computers	_____	_____
Other Office Machines	_____	_____
 Subtotal Equipment	 \$ _____	 \$ _____

Note: Purchase of office equipment is
permissible when the grantee
determines it to be more economical
than renting (1944-I, section 1944.405(b)).

Power or Specialty Tools		
Power Saws	_____	_____
Electric Drills	_____	_____
Saber Saws	_____	_____
Ladders	_____	_____
Scaffolds	_____	_____
Others	_____	_____
 Subtotal Equipment	 \$ _____	 \$ _____

Note: The participating families
are expected to provide their

own hand tools, such as hammers
and handsaws (1944-I, section 1944.405(e)).

TOTAL Equipment \$_____ \$_____

E. Supplies

Letterhead and Envelopes

Pens and Pencils

1st Year

2nd Year

Other Office Supplies

TOTAL Supplies \$_____ \$_____

F. Contractual

Auditing and/or Accounting

Legal Services

Sponsor Services

Architectural/Engineering

Note: You can pay sponsors from grant funds
only if the sponsor can provide services
that will reduce the overall cost of assistance
(1944-I, section 1944.405(h))

TOTAL Contractual \$_____ \$_____

G. Other Costs

Rent

Utilities:

Gas

Electric

Water

Other

Telephone:

Basic Services

Long Distance

Mobile Phones

Installation

Maintenance

Janitorial Service

Repair Fund	_____	_____
Postage	_____	_____
Postage	_____	_____
Annual Fee for Bulk Mail Permit	_____	_____
Bulk Mail Postage Estimate	_____	_____
Publications and Subscriptions	_____	_____
Annual Subscription Fees	_____	_____
Books, Pamphlets, etc.	_____	_____
Printing, Copying, Advertising	_____	_____
Insurance	_____	_____
Liability	_____	_____
Other	_____	_____
Training	_____	_____
Staff/Board Training Appendix 19	_____	_____

1st Year**2nd Year**

Note: Training cost may include the costs of travel and per diem to attend in or out of state training (1944-I, section 1944.405(g))

TOTAL Other Costs \$ _____
\$ _____

H. Indirect Costs

TOTAL Indirect Costs \$ _____
\$ _____
TOTALS (PER YEAR) \$ _____
\$ _____

TOTAL (BOTH YEARS) \$ _____

Appendix 17-Budget Analysis**BUDGET ANALYSIS****Formula A**

1. **Total Budget /Max. TA Cost/House = Max. # of Proposed Homes**

_____ / _____ = _____

2. **Max. TA Cost/House x # of Houses Proposed = Maximum TA Budget**

_____ x _____ = _____

Formula B

1. **Total Budget / Max Ta Cost/House = Max. # of Proposed Houses**

_____ / _____ = _____

2. **Max. TA Cost/House x # of Houses Proposed = Maximum TA Budget**

_____ x _____ = _____

How do these total maximums compare with your total preliminary budget and proposed number of homes? If not, enough funds would be available under either of these formulas you must increase the number of homes to be built, decrease the amount of some budget items or determine that your program is not feasible.

Appendix 18- RD Instruction Sections 1944.405, 1944.406, and 1944.411

Part 1944 - Housing

Subpart I - Self-Help Technical Assistance Grants (Partial Reference)

<https://www.rd.usda.gov/files/1944i.pdf>

Part 1944 - HOUSING

Section 1944.405 Authorized use of grant funds.

- a) Payment of salaries of personnel as authorized in the Agreement.
- b) Payment of necessary and reasonable office expenses such as office rental, office utilities, and office equipment rental. The purchase of office equipment is permissible when the grantee determines it to be more economical than renting. As a general rule, these types of expenses would be classified as indirect costs in multiple funded organizations.
- c) Purchase of office supplies such as paper, pens, pencils, and trade magazines.
- d) Payment of necessary employee benefit costs including but not limited to items such as Worker's Compensation, employer's share of social security, health benefits, and a reasonable tax deferred pension plan for permanent employees.
- e) Purchase, lease, or maintenance of power or specialty tools such as a power saw, electric drill, saber saw, ladders, and scaffolds, which are needed by the participating families. The participating families, however, are expected to provide their own hand tools such as hammers and handsaws.
- f) Payment of liability insurance and special purpose audit costs associated with self-help activities. These would be considered direct costs, even though the grantee's general liability insurance cost and the cost of audits for the organization are generally indirect costs.
- g) Payment of reasonable fees for training of grantee personnel including board members. This may include the cost of travel and per diem to attend in or out-of-State training as authorized by the Board of Directors and, when necessary, for the employee to do the current job. These costs are generally direct costs.
- h) Payment of services rendered by a sponsor or other organization after the grant is closed and when it is determined the sponsor can provide the necessary services which will result in an overall reduction in the cost of assistance. Typically, this will be limited to new grantees and an existing grantee for the period that its size or activity does not justify a full staff. A full staff is a full or part-time director, project worker, secretary-bookkeeper, and a construction supervisor. This type of cost is generally direct.

- i) Payment of certain consulting and legal costs required in the administration of the grant if such service is not available without cost. This does not include legal expenses for claims against the Federal Government. (Legal costs that may be incurred by the organization for the benefit of the participating families may be paid with prior approval of the State Director).
- j) Payments of the cost of an accountant to set up an accounting system and perform audits that may be required. Generally, these costs are indirect.
- k) Payments of reasonable expenses of board members for attending regular or special board meetings. These costs are indirect.

Note: The grantee's approved line item budget will supersede 1944.405 if expenditures are not included in the budget.

Section 1944.406 Prohibited use of grant funds.

- a) Hiring personnel specifically for the purpose of performing any of the construction work for participating families in the self-help projects.
- b) Buying real estate or building materials or other property of any kind for participating families.
- c) Paying any debts, expenses, or costs which should be the responsibility of the participating families in the self-help projects.
- d) Paying for training of an employee as authorized by Attachment B of 2 CFR 200 Subpart F.
- e) Paying costs other than approved indirect (including salaries) that are not directly related to helping very low- and low-income families obtain housing consistent with the objectives of this program.

Section 1944.411 Conditions for approving a grant.

A grant may be approved for an eligible applicant when the conditions in the letter of conditions are met and the following conditions are present:

- a) The applicant has or can hire, or contract directly or indirectly with, qualified people to carry out its responsibilities in administering the grant.
- b) **The applicant has met all of the conditions listed in §1944.410(e) of this subpart.**
- c) The grantee furnishes a signed statement that it complies with the requirements of the Departmental Regulations found in 2 CFR 400 and 416 if a State or local government or 2 CFR 400 and 415 if non-profit.

- d) A resolution has been adopted by the Board of Directors which authorizes the appropriate officer to execute Exhibit A of this subpart and Form RD 400-4, "Assurance Agreement." (Revised 04-24-91, PN 163.)
- e) The grantee has fidelity bonding as covered in 2 CFR Part 400 and 415 if a nonprofit organization or, if a State or local government, to the extent required in 2 CFR Part 400 and 416.
- f) The grantee has agreed by completing SF-424B, "Assurances-Non Construction Programs," that it will establish a recordkeeping system that is certifiable by a certified public accountant that it adequately meets the Agreement. (Revised 04-24-91, PN 163.)
- g) The grantee has established an interest bearing checking account on which at least two bonded officials will sign all checks issued and understands that interest earned in excess of \$500.00 annually must be submitted to Rural Development quarterly. (The use of minority depository institutions is encouraged.)
- h) The grantee has developed an agreement to be executed by the grantee and the self-help participants which clearly sets forth what is expected of each and has incorporated Exhibit B-2 of this subpart which clearly shows what work is expected of the participating family.

Appendix 19-Sample Financial Statements

ACME HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
June 30, 20XX and 20XY

ASSETS	20XX	20XY
Cash & Cash equivalents	\$ 75	\$ 460
Accounts and interest receivable	2,130	1,670
Inventories and prepaid expenses	610	1,000
Developer fee receivable	3,025	2,700
Short-term investments	1,400	1,000
Projects under construction	5,210	4,560
Land, buildings, and equipment	61,700	63,590
Long-term investments	218,070	203,500
Total Assets	\$292,220	\$278,480
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 2,570	\$ 1,050
Current portion of long-term debt		650
Grants payable	875	1,300
Construction loans	1,685	1,140
Long Term debt	5,500	8,200
Total Liabilities	\$ 10,630	\$ 12,340
NET ASSETS:		
With Donor restriction	\$ 24,372	\$ 25,470
Without Donor restriction	\$257,218	\$240,670
Total Net Assets	\$281,590	\$266,140
Total Liabilities and Net Assets	\$292,220	\$278,480

ACME HOUSING CORPORATION
STATEMENT OF ACTIVITY
Year Ended June 30, 20XX

						With Donor Restriction	Without Donor Restriction	Total
Revenues, Gains and other support:								
	Contributions & Grant Income					\$ 8,110	\$ 8,920	\$ 17,030
	Development Fees						\$ 5,400	\$ 5,400
	Investment income					\$ 2,580	\$ 8,720	\$ 11,300
	Management income						\$ 8,500	\$ 8,500
	Net unrealized and realized gains on long-term investments					\$ 2,952	\$ 5,198	\$ 8,150
	Other						\$ 150	\$ 150
	Net assets released from restrictions							\$ -
	Satisfactions of program restrictions					\$ (11,990)		\$ (11,990)
	Satisfaction of equipment							\$ -
	acquisition restrictions					\$ (1,500)		\$ (1,500)
	Expiration of time restrictions					\$ (1,250)		\$ (1,250)
	Total revenues, gains and other support					\$ (1,098)	\$ 36,888	\$ 35,790
Expenses and losses:								
	Development						13100	13100
	Property Management						8540	8540
	Technical Assistance						5760	5760
	Management and general						2420	2420
	Fundraising						2260	2260
								0
	Total expenses					\$ (1,098)	\$ 68,968	\$ 67,870
	Change in net assets					\$ 25,470	\$ 137,000	\$ 266,140
	Net assets at beginning of year							
	Net assets at end of year					\$ 24,372	\$ 68,032	\$ 198,270

ACME HOUSING CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 20XX

	Property	Technical	Management	Total
Personnel:				
Salaries and wages	\$ 10,373	\$ 4,697	\$ 1,331	\$ 16,401
Payroll taxes	\$ 754	\$ 342	\$ 97	\$ 1,193
Insurance	\$ 724	\$ 328	\$ 93	\$ 1,145
Training	\$ 34	\$ 16	\$ 4	\$ 54

	Development	Management	Assistance	General	Fundraising	Total
Total personnel	\$ 8,256	\$ 5,382	\$ 3,630	\$ 1,525		\$ 18,793
Other:	\$ 147	\$ 96	\$ 65	\$ 27	\$ 2,260	\$ 2,595
Project expenses Professional fees	\$ 1,169	\$ 762	\$ 514	\$ 216		\$ 2,661
Insurance	\$ 630	\$ 411	\$ 277	\$ 116		\$ 1,434
Rent	\$ 958	\$ 624	\$ 421	\$ 177		\$ 2,180
Utilities	\$ 83	\$ 54	\$ 36	\$ 15		\$ 188
Telephone	\$ 218	\$ 142	\$ 96	\$ 40		\$ 496
Office Expense Dues and Publications	\$ 295	\$ 192	\$ 130	\$ 54		\$ 671
Equipment maintenance	\$ 77	\$ 50	\$ 34	\$ 14		\$ 175
Travel	\$ 556	\$ 363	\$ 245	\$ 103		\$ 1,267
Board expense	\$ 103	\$ 67	\$ 45	\$ 19		\$ 234
Public relations	\$ 101	\$ 66	\$ 44	\$ 19		\$ 230
Depreciation	\$ 17	\$ 11	\$ 7	\$ 3		\$ 38
Miscellaneous	\$ 318	\$ 207	\$ 140	\$ 59		\$ 724
	\$ 173	\$ 112	\$ 76	\$ 32		\$ 393
				\$ 895		\$ 895
Total Other	\$ 4,845	\$ 3,157	\$ 2,130	\$ 1,789	\$ 2,260	\$ 14,181
Total Expenses	\$ 13,101	\$ 8,539	\$ 5,760	\$ 3,314	\$ 2,260	\$ 16,776

Appendix 20-Sample Audit Request for Proposal (RFP)

SAMPLE AUDIT RFP

[AUDIT FIRM CONTACT PERSON]

[AUDIT FIRM NAME]

[AUDIT FIRM ADDRESS]

DEAR [AUDIT FIRM CONTACT PERSON]:

[ORGANIZATION] invites you to submit a proposal for the preparation of its yearly audited financial statement and related information for the three year period beginning with the fiscal year ending [EXACT DATE OF FISCAL YEAR END] The audited financial statement must be prepared according to [CITE SPECIFIC AUDIT REQUIREMENTS HERE].

[NAME OF NONPROFIT] provides [BRIEF DESCRIPTION OF SERVICES. ADD ANY ADDITIONAL AUDIT-RELATED REQUIREMENTS, (FOR EXAMPLE, OMB A-133 AUDIT REQUIREMENTS) AND SPECIFY UNIQUE NEEDS SUCH AS BOND COVENANT CERTIFICATIONS, ETC.].

We require the following services:

Yearly financial audit

Preparation of IRS Form 990

Preparation of [STATE PUBLIC CHARITY TAX RETURN, IF ANY]

Other compliance-related work

Management letter

All of the above must be completed within [NUMBER] days of the end of each fiscal year. In addition, we require that an exit conference be held with senior management to discuss a draft version of the financial report, and that the auditors meet at least yearly with the Finance Sub-Committee of the Board of Directors.

All audit proposals must include: a) evidence of qualifications to provide the above services; b) a detailed work-plan, including timelines and tasks to be carried out by auditors and [ORGANIZATION]'s staff; c) resumes of key audit team members; d) a proposed audit budget including total number of hours by staff level and corresponding rates; e) at least three references from comparable audit clients. Please include a separate schedule of hourly fees for each staff level for management consulting services.

[NUMBER] copies of each proposal must be received at the address above by 5:00

p.m. on [DUE DATE]. [ORGANIZATION] staff will be available to discuss details of this RFP and of the accounting system by telephone or in person at any mutually convenient time prior to that date.

The [ORGANIZATION]'s Finance Committee will review all proposals and make a recommendation regarding choice of auditors to the full Board of Directors approximately [NUMBER] weeks after the deadline.

If you have any questions or would like further clarification of any aspect of this request for auditing services please contact [ORGANIZATION CONTACT] at [PHONE NUMBER]. We look forward to receiving your proposal.

Sincerely,

Taken from: *Streetsmart Financial Basics for Nonprofit Managers* by Thomas A. McLaughlin, 1995

Appendix 21-List of U.S. Department of the Interior Office of Indirect Cost Services**The Department of Interior--Office of Indirect Cost Services**

The Office of Indirect Cost Services (ICS) negotiates and issues federally recognized indirect cost rate agreements on behalf of the Department of the Interior and as a federal shared service provider on behalf of other federal cognizant agencies for indirect costs. ICS supports the Federal Financial Assistance Grants community and ensures the indirect costs paid by the U.S. Government are legally sound, fair, and equitable. ICS negotiates indirect cost rates with various non-federal entities to include state and local governments, Tribes, and nonprofit organizations.

General Questions and Inquiries:

Phone: 916-930-3803

Fax: 916-930-3804

Indirect Cost Services

650 Capitol Mall, Suite 7-400

Sacramento, CA 95814

Doris Jensen (General Inquiries)

Norma Mullins (DOI Proposals)

Craig Willis (Non-DOI/other Federal Agencies Proposals)

Tania DeJesus (Proposal Status Questions)

Email Us: To access an email link to submit inquiries via email please click on the link below.

<https://www.doi.gov/ibc/contactus/icsfeedback>

Contact Us:

Craig Wills, Office Chief: 916-930-3828

Doris Jensen, Branch Chief for other Federal Agency Partners: 916-930-3829

Mark Stout, Branch Chief for Department of Interior and Tribal Partners: 916-930-3830

For more information, please click on the link below to access **The Department of Interior-Indirect Cost Services** website: **<https://www.doi.gov/ibc/services/finance/indirect-Cost-Services/>**

**Appendix 22-523 Grant Closeout Procedures Checklist &
Final Grantee Evaluation Summary**

523 TA GRANT CLOSEOUT PROCEDURES

- ✓ Prepare for and review the report from the final evaluation of the program conducted by USDA RD. (See Final Grantee Evaluation summary.)
- ✓ Close out staff and contractor billings to the grant with the exception of resources needed for the closeout.
- ✓ Submit Form SF-425 and all other financial and performance-related reports to USDA Rural Development within 90 days following the expiration/termination date of the grant.
- ✓ An accounting for all property acquired with the 523 grant funds should be submitted along with the SF-425. If this is the final 523 TA grant to be awarded to the organization, all equipment must be properly disposed of by either donating it to another nonprofit or selling it and remitting the proceeds to an approved Rural Development designee. If the organization will be awarded another 523 grant, an inventory should still be conducted of all equipment and tools purchased with 523 grant funds.
- ✓ Refund to USDA Rural Development any un-obligated balance of cash advanced to the organization that will not be needed for closeout.
- ✓ Submit a request for payment (SF-270) for any allowable reimbursable costs not covered by previous payments/advances.
- ✓ Submit an audit conducted according to generally accepted government auditing standards (GAGAS) no later than 90 days following the end of the grant period if the program will not continue after the end date of the current 523 grant. The audit should include a review of borrower 502 loan funds (the lesser of 10% or 10 loans).
- ✓ Make sure that all 502 loan bank accounts have been cleared with all residual funds disposed of according to USDA procedures.
- ✓ Retain program records for three years from the date of submission of the final SF-270.
- ✓ Retain nonexpendable property records for three years after the final disposition of the property.

(The above closeout procedures are drawn from the following document: 2 CFR 200)

Final Grantee Evaluation

Prior to the last month of the grant period, USDA Rural Development will conduct a final evaluation of the program. The report should conclude whether or not the organization would be eligible for renewal. This is a quantitative evaluation of the grantee to determine if it met the following goals:

1. Assisted the projected number of families to obtain adequate housing (# of completed homes);
2. Met the goal of assisting very low-income families (% of VLI served);
3. Kept the costs within the guides set in 1944.407 (“Limitations”) (cumulative TA costs per equivalent unit);
4. Met the family labor requirement outlined in 1944.411(h) (“Conditions for approving a grant”) (family labor tasks);
5. Met the other objectives outlined in the grant agreement.

The evaluation is a narrative made up of three parts - findings, recommendations and overall rating – that is sent to the State Director. The overall ratings are:

- OUTSTANDING – Met or exceeded all goals
- ACCEPTABLE – Met or exceeded all but 2 goals of the first 4 goals
- UNACCEPTABLE – Failed to obtain “acceptable” rating

**Appendix 23- RD Instruction 1944-I Exhibit E Guidance for Recipients of Self-Help
Technical Assistance Grants**

RD Instruction 1944-I
Exhibit E

GUIDANCE FOR RECIPIENTS OF SELF-HELP TECHNICAL ASSISTANCE GRANTS
(SECTION 523 OF HOUSING ACT OF 1949)

7 CFR Part 1944, Subpart I provides the specific details of this grant program. The following is a list of some functions of the grant recipients taken from this subpart. With the list are questions we request to be answered by the recipients to reduce the potential for fraud, waste, unauthorized use or mismanagement of these grant funds. We suggest the Board of Directors answer these questions every six months by conducting their own review. Paid staff should not be permitted to complete this evaluation.

A. Family Labor Contribution

- | | | |
|---|-----|----|
| 1. Does your organization maintain a list of each family and a running total of hours worked (when and on what activity)? | Yes | No |
| 2. Are there records of discussions with participating families counseling them when the family contribution is falling behind? | Yes | No |
| 3. Are there obstacles which prevent the family from performing the required tasks? | Yes | No |

B. Use of Grant Funds

- | | | |
|--|-----|----|
| 1. Were grant funds used to pay salaries or other expenses of personnel not directly associated with this grant? | Yes | No |
| 2. Were grant funds used to pay for construction work for participating families? | Yes | No |
| 3. Were all purchases or rentals (item and cost) of office equipment authorized? | Yes | No |
| 4. Are all office expenses authorized by 7 CFR Part 1944, Subpart I? | Yes | No |
| 5. Was a record of long distance telephone calls maintained and was that log and telephone checked? | Yes | No |

6. Was all travel and mileage incurred for official business and properly authorized in advance?	Yes	No
7. Were mileage and per diem rates within authorized levels?	Yes	No
8. Were participating families charged for use of tools?	Yes	No
9. Were grant funds expended to train grant personnel?	Yes	No
10. Was training appropriate for the individual trainee?	Yes	No
11. Were any technical or consultant services obtained for participating families?	Yes	No
12. Were the provided technical or consultant services appropriate in type and cost?	Yes	No

C. Financial Responsibilities

1. Does each invoice paid by the grant recipient match the purchase order?	Yes	No
2. Does each invoice paid by the borrower and Rural Development match the purchase order?	Yes	No
3. Were purchases made from the appropriate vendors?	Yes	No
4. Are the invoices and itemized statements totaled for materials purchased for individual families?	Yes	No
5. Is there a record of deposits and withdrawals to account for all loan funds?	Yes	No
6. Are checks from grant funds signed by the Board Treasurer and Executive Director?	Yes	No
7. Are grant funds deposited in an interest bearing account?	Yes	No
8. Are checks from loan funds prepared by the grant recipient for the borrower's and lender's signature?	Yes	No
9. Are checks from loan funds accompanied by accurate invoices?	Yes	No

10. Are any borrower loan funds including interest, deposited in grantee accounts?	Yes	No
11. Are checks from loan funds submitted to Rural Development more often than once every 30 days?	Yes	No
12. Is the reconciliation of bank statements for both grant and loan funds completed on a monthly basis?	Yes	No
13. If the person who issues the checks also reconciles them, does the Executive Director review this activity?	Yes	No
14. Are materials purchased in bulk approved by the Executive Director?	Yes	No
15. Was the amount of materials determined by both the Executive Director and construction staff?	Yes	No
16. Were any participating families consulted about the purchase of materials?	Yes	No
17. Were savings accomplished by the bulk purchase method?	Yes	No
18. Did the Executive Director review the purchase order and the ultimate use of the materials?	Yes	No
19. Are materials covered by insurance when stored by grantee?	Yes	No

D. Reporting

1. Are "Requests for Advance or Reimbursement" made once monthly to the Rural Development District Office?	Yes	No
2. Has the grant recipient engaged a certified public Accountant (CPA) or CPA firm to review their operations on a regular basis: (Annually is preferable but every two years and at the end of the grant period are requirements)?	Yes	No
3. Are the quarterly evaluation reports submitted on time to the time to the County Supervisor?	Yes	No

What, if any, problems exist that need to be corrected for effective management of the grant project?

President, Board of Directors

Date

(Period covered by report_____)

(11-15-90) SPECIAL PN

RD Instruction 1944-I (Exhibit E)

ANSWER KEY

The following answers should help your organization in assessing its vulnerability to fraud, waste, and abuse. You should take actions to correct practices that now generate an answer different from the key.

<u>Question</u>	<u>Answer</u>
A. 1	yes
A. 2	yes
A. 3	yes
B. 1	no
B. 2	no
B. 3	yes
B. 4	yes
B. 5	yes
B. 6	yes
B. 7	yes
B. 8	no
B. 9	yes
B. 10	yes
B. 11	yes
B. 12	yes
C. 1	yes
C. 2	yes
C. 3	yes
C. 4	yes
C. 5	yes
C. 6	yes
C. 7	no
C. 8	yes
C. 9	yes
C. 10	no
C. 11	no
C. 12	yes
C. 13	yes
C. 14	yes
C. 15	yes
C. 16	yes
C. 17	yes
C. 18	yes
C. 19	yes
D. 1	yes
D. 2	yes
D. 3	yes

Informal Cost Comparison Form

Quotations Obtained By:

	Quotation # 1		Quotation # 2		Quotation # 3	
Supplies/Materials/ Merchandise/Services to be Procured: Location of item/supply usage:	Source:		Source:		Source:	
	Firm:		Firm:		Firm:	
	Address:		Address:		Address:	
	Name of Person:		Name of Person:		Name of Person:	
	Phone #		Phone #		Phone #	
	Terms:		Terms:		Terms:	
	Delivery Date:		Delivery Date:		Delivery Date:	
Totals Should Reflect Any Applicable Sales Tax, S&H and/or any other Charges	Sub Total: \$0.00		Sub Total: \$0.00		Sub Total: \$0.00	
	Tax \$0.00		Tax \$0.00		Tax \$0.00	
	S & H		S & H		S & H	
	Total \$0.00		Total: \$0.00		Total \$0.00	

Appendix 25-Delivery/Receiving Report**DELIVERY/RECEIVING REPORT**

Delivery Date : _____
Order Contact: _____
Delivered By: _____
Order Number: _____
Vendor Name: _____

Order has been checked for the receipt of all shipped items. Missing or damaged items have been reported to the company for credit or replacement.

Initials

Packing list attached? _____ YES _____ NO

If no packing slip, complete the following grid.

Item Description	Qty Rec'd

Received by: _____

Date: _____

[illegible]