

FINANCIAL MANAGEMENT HANDBOOK FOR FEDERALLY FUNDED ORGANIZATIONS

July 2025 v2

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

Disclaimer

A handbook for grantees of the United States Department of Agriculture (USDA) Section 523 Self-Help Housing Program developed jointly by the Self-Help Housing Technical and Management Assistance (T&MA) Contractors:

- *Florida Non-Profit Housing, Inc. (FNPH)*
- *LIFT Community Action Agency, Inc. (LIFTCAA)*
- *NeighborGood Partners*
- *Rural Community Assistance Corporation (RCAC)*

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Region I	Region II
Florida Non-Profit Housing, Inc.	LIFT Community Action Agency, Inc.
P.O. Box 1987	209 North 4 th Street
Sebring, Florida 33871-1987	Hugo, Oklahoma 74743
(863) 385-2519	(580) 326-5165
www.fnph.org	www.liftca.org
Region III	Region IV
NeighborGood Partners	Rural Community Assistance Corporation
363 Saulsbury Road	3120 Freeboard Drive, Suite 201
Dover, Delaware 19904	West Sacramento, California 95619
(302) 678-9400	(916) 447-2854
www.neighborgoodpartners.org	www.rcac.org

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INTRODUCTION

The Self-Help Housing Program

Self-help housing is just as it sounds, participants working to build or repair their own homes. This program is a direct application of the barn raising traditions of pioneering rural Americans. The Self-Help Program began as the Mutual Self-Help Housing method, where 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. The program authority also allows for two additional methods of home repair (owner-occupied and acquisition rehab).

Regardless of the method selected, the participants must be low or very low income. At least 40% of the total participants served should be in the very low-income category. The remaining participants must be in the low-income category (see income map for details: <https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf>).

Mutual Self-Help Method: With the assistance of skilled staff, a group of generally 4 to 10 households is formed. The regulation requires a minimum of 4 households; we encourage a group of at least 5 households as this makes for a better program. The participants typically select lots, house plans, 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 mortgage loans are closed, 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; usually the more technical work such as electrical, plumbing and HVAC is subcontracted out. The construction stage typically lasts from 8 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.

Self-Help Rehab Method Options:

Acquisition Rehabilitation: With the assistance of skilled staff, an applicant repairs a home that they purchase. The participant applies for a loan and/or grant and once qualified, they enter into a contract to purchase a property. The property is inspected, and a scope of work is developed. This information is submitted to Rural Development for approval. Once the loan is approved and closed, the participant, under the guidance of a skilled construction supervisor, completes selected tasks from the scope of work. Usually, more technical work such as electrical, plumbing and HVAC is subcontracted out.

Owner-Occupied Rehabilitation: With the assistance of skilled staff, an applicant repairs a home that they already own and reside in. The participant applies to be in the program and then they may need to apply for a loan and/or grant. Once qualified, they provide proof of ownership and residency. The property is inspected, and a scope of work is developed. This

information is submitted to Rural Development for approval. The participant, under the guidance of a skilled construction supervisor, completes selected tasks from the scope of work. Usually, more technical work such as electrical, plumbing and HVAC is subcontracted out.

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, and supporting economic and community development with information and technical assistance.

Rural Development has been providing funds for the Self-Help Housing Program since the late 1960s. They provide Section 523 Self-Help Housing Technical Assistance grants to eligible entities to start and implement the program. Rural Development thoroughly reviews the self-help application before a grant is awarded and 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 to permanent financing at favorable interest rates in the form of a Single-Family Housing Direct Home Loan (Section 502). They are independent of private or conventional lending institutions, and the financing is directly between Rural Development and the borrower. 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 operates from three levels: national, state, area /local. The 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, interacts with Congress for legislation, managing program funding, and much more. They also obligate and monitor all Section 523 self-help grants, maintain reports and statistics on operating self-help organizations and project needs for funding. At the national level, USDA has a separate Appeals Division that hears appeals on actions unresolved at the state level.

Rural Development State Office

Section 502 home loan funds are allocated on a state-by-state basis and obligated at the State Office level. Each state receives 502 funds based on a formula allocation calculated by the National Office. A Funding Unnumbered Letter is released annually

specifying the fiscal year allocations for each housing program, set-asides, and state allocations, etc. Staff members who are key to the operation of a self-help program located in the State Offices are the:

- Rural Development State Director – Has the authority to sign grant agreements.
- Rural Housing Program Director – Typically oversees the self-help program.
- Rural Development Housing Specialist – Reviews and approves the 502 direct loans and 504 grant/loans, also approves building sites, and completes environmental reviews.

Rural Development Area/Local Offices

In most states grant monitoring has been retained at the State Office level with the Single-Family Housing Program Director, but in some cases, it has been assigned to the Area/Local Office. In any case, the Rural Development grant manager is responsible for ensuring that the grant is operated effectively and in accordance with the regulations. At this level of Rural Development, the Loan Specialist is typically responsible for making the Section 502 home loans to participating applicants of each self-help group. They will be responsible for monitoring the 502 loans and will also be the co-signer on the participant's Supervised Bank Accounts and will process the construction draws. They are also the personnel who will convert the loans once the local jurisdiction has completed the final inspection and issued a Certificate of Occupancy.

Rural Development Section 502 Single Family Direct Home Loan

Most 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 (<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfpd>). 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 (see the income map for details: <https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf>). They must be credit-worthy, have repayment ability for the loan requested, and be unable to secure a mortgage from other sources. The income limits, developed in consultation with the U.S. Department of Housing and Urban Development, are subject to local variation and are published annually. Current information on income limits and eligibility requirements for Section 502 loans is available at RD local offices or online (links above).

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 payment is either determined based on 24% of their monthly income or the loan at a 1% interest rate, whichever is the higher of the two, but can never be higher than the loan at full note rate. 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. This process is called subsidy recapture.

Some other benefits of a 502 loan are that there is no requirement for a down payment, closing costs can be included in the loan (up to the appraised value with authorized exceptions to include the tax service fee, homeownership education fee, appraisal fee, and any required contribution to an escrow account for taxes and insurance (excluding the first-year insurance premium)) and there is no requirement for private mortgage insurance. Rural Development can offer a moratorium on loan payments for up to two years if a borrower's income decreases by at least 20% by no fault of their own.

During 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. This funding can be used for either new construction, acquisition rehab and in certain circumstances, owner-occupied.

Rural Development Section 504 Single Family Housing Repair Loan & Grant

Also known as the Section 504 Home Repair program, this provides loans to very-low-income homeowners to repair, improve or modernize their homes or grants to elderly (62 or older) very-low-income homeowners to remove health and safety hazards or remodel a dwelling to make them accessible to a household member with a disability. The maximum loan is \$40,000 and the maximum grant amount is \$10,000. This funding could be used with the owner-occupied rehab program, or other funding could be sought.

The 523 Self-Help Housing Technical Assistance Grant

For organizations to operate a self-help housing program, Rural Development provides technical assistance (TA) grants. The TA grant is for a period of up to two years, and is available to 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 or repair in a grant period. For new construction programs, an organization can receive up to 15% of the average cost of a similar new home in their area, for every home they are planning to build. Check with your Contractor for other methods of determining grant amounts for repair programs.

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; obtain or create Rural Development-approved house plans and help 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.

Regulations

The main regulation that governs the Self-Help Housing Program, RD Instruction 1944-I, can be downloaded from the following web-link: <https://www.rd.usda.gov/files/1944i.pdf>.

Additionally, USDA Rural Development provides an overview and guidance for the Self-Help Housing Program in the [USDA RD Handbook 3550 Appendix 13](#). Appendix 13 guidance includes an overview of the following:

- Overview of Self-Help Housing
- Application Processing Priority
- Self-Help Loan Application Packaging
- Environmental Reviews
- Appraisals
- Loan Approval and Closing
- Selecting a Contractor
- Construction Documents
- Sub-Contracts
- Administering Construction Funds
- Self-Help Inspections
- Post Closing Leveraged Loans/Grants
- Participant Withdrawal
- Construction Closeout
- Self-Help Take-out Loans
- Other Loan Financing
- Rural Eligibility Reviews

The T&MA Contractors

Rural Development contracts with four Technical and Management Assistance (T&MA) Contractors to assist operating and potential self-help housing grantees. This assistance ranges from staff and board training, grant management, and development of applications to 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.
- LIFT CAA fka Little Dixie CAA – covering Region II, the South-Central US, including the states of AR, KS, LA, MO, ND, NE, NM, OK, SD, TX, and WY.
- NeighborGood Partners fka NCALL – 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, and 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.

- Accounting for Individual Borrower 502 Loan Accounts Handbook
- Acquisition and Owner-Occupied Rehab Handbook
- Board of Directors Governance Guide
- Construction Supervisor Handbook
- Custodial Accounting for Mutual Self-Help
- Feasibility Handbook
- Financial Management Handbook for Federally Funded Organizations
- Group Coordinator Handbook
- Orientation Handbook
- Orientation for Grantees PowerPoint
- Pre-Construction Meeting Handbook
- Program Director Handbook
- Section 523 Self-Help Housing Application Training PowerPoint
- Section 523 Technical Assistance Grant Application Handbook
- Self-Help 502 Loans Guidebook
- SHARES 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, USDA Rural Development (RD), and the United States 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 may need some more specific direction on establishing written, financial procedures that will 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 RD, local Certified Public Accountants (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 helpful ideas gleaned from successful self-help housing grantees over the years.

Note that this is one of three financial handbooks produced by the T&MA Contractors. The other handbook covers the topic of 502 loan fund accounting, see *Accounting for Individual Borrower 502 Loan Accounts Handbook*. In addition to this handbook, there is a *Self-Help 502 Loan Guidebook* referencing loan calculations. See the section above entitled "Self-Help Training Handbooks" for more information on the other handbooks.

FEDERAL ADMINISTRATIVE REQUIREMENTS

By accepting federal grant funds, **organizations agree to be bound by all applicable grant requirements regardless of whether the grantee is specifically notified of all 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. These include laws on civil rights, nondiscrimination against people with disabilities, nondiscrimination for age, accessing agency records, and lobbying limitations.

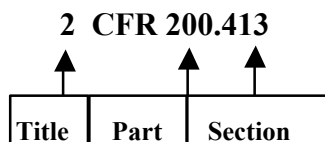
1. Code of Federal Regulations

Federal granting agencies, such as United State Department of Agriculture's Rural Development (USDA RD) explicitly adopt the United States Office of Management and Budget (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 federal government's official and complete text of agency regulations in one organized publication, and it provides 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, which usually bear the name of the issuing agency
- Each chapter is further subdivided into parts that cover specific regulatory areas
 - Large parts may be subdivided into subparts (for example, the 2 CFR 200 contains Subparts A-F and further appendices; note that the subparts are not commonly referenced in citation)
- All parts are then organized into sections, and most citations to the CFR refer to material at the section level

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 OMB is the principal source of government-wide administrative requirements affecting federal grants. Part 200 of the 2 CFR <https://www.ecfr.gov/title-2/part-200> is the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, also commonly referred to as the *Uniform Guidance*. This is an invaluable resource to understanding the requirements and the commitments your organization assumes when it contracts under agreement with a federal funder, such as USDA Rural Development, the funder for self-help. 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 Requirements and Contents of Federal Awards

Subpart D – Post-Federal Award Requirements

Cost Principles:

Subpart E

Audit Requirements:

Subpart F

Appendices I-XII

All self-help grantees must be able to show that their financial management system meets the standards outlined in the Uniform Guidance. All grantees must familiarize themselves thoroughly with the Uniform Guidance and should feel comfortable regularly searching, sourcing and obtaining information from the register.

In accordance with federal guidance 2 CFR §200.302(b), a grantee's financial management system **must**:

Subpart D—Post Federal Award Requirements

§200.302(b) Financial Management System **must:**

- ☑ Identify funds received and expended
- ☑ Disclose accurate, current and complete financial results
- ☑ Identify source and application of funds
- ☑ Effective controls and accountability for funds, property and other assets
- ☑ Compare budget to actual results
- ☑ **Written procedures** for payment requirements
- ☑ **Written procedures** for determining allowability of costs

USDA also codified and implemented the Uniform Guidance in **2 CFR 400** which states that USDA adopts 2 CFR 200 as its policies and procedures for uniform administrative requirements, cost principles and audit requirements for recipients of federal monies awarded by USDA.

3. Part 1944 Housing: RD Instruction 1944-I and the Self-Help Grant Agreement

2 CFR 200 & 400 are referenced in [RD Instruction 1944-I](#) that outlines all the requirements for recipients of Mutual Self-Help Technical Assistance grants. The 1944-I should be referenced regularly, utilized, and understood by all grantees. It is the specific instruction for managing the self-help grant, the activity, and the financial components of the agreement. While grantees must understand and comply with the broad legal requirements of federal grant administration outlined in OMB's Uniform Guidance, the 1944-I is Rural Development's primary source document for regulations that grantees must familiarize themselves with when a self-help grant is awarded.

The final level of grant requirements is found in the **Self-Help Grant Agreement** itself (see 1944 Exhibit A). It may contain special conditions or requirements that aren't included in any common source of 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.

STRUCTURING YOUR ACCOUNTING SYSTEM

A clear, precise, accounting system is crucial for sound fiscal management of Section 523 Technical Assistance (TA) grant funds. An accounting system is a formal means of gathering and reporting on fiscal data to aid management in prudent decisions impacting 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 decision making and formulating 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 in regulations and/or in practices. These written procedures should be based on Generally Accepted Accounting Principles (GAAP), [see [FASB](#) for more information on Accounting Standards Codification and GAAP], and must be clear enough to be used for cross-training of current staff and training new hires.

1. Accrual vs. Cash Basis Accounting

Your agency must first determine whether to use a cash basis or accrual basis method of accounting for your organization's bookkeeping needs. Operating on a cash basis means that a transaction is recorded based upon real-time receipt of income and expenses. The advantage is in its practical simplicity. Your reports will easily answer “*How much has come in?*”, “*How much has gone out?*”, and “*How much is in the bank right now?*”. The significant disadvantage of using cash basis accounting is that it offers only a partial view of your organization's financial status. Accrual basis accounting offers a much more accurate and broader view of your organization's fiscal picture. Accrual accounting includes expense commitments that you have incurred, whether or not the invoice has been paid, or has yet to clear the bank. It also includes all revenue that you have earned, regardless of whether or not the cash has been received yet. Another important note is that 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. So, a recommended best practice would be to consider utilizing accrual basis accounting consistently for your organization's bookkeeping. Conferring with a Certified Public Accountant (CPA) is also recommended for aid in establishing or revising accounting procedures.

2. Account Types, General Ledger Accounts & The Chart of Accounts

There are five major **Account Types**:

- Assets
- Liabilities
- Net Assets (or Equity)
- Income
- Expenses

A **General Ledger Account** is a single account that is organized by the account types detailed above, e.g., “Office Supplies” would be a ledger account found under the category type: Expense.

The collection of all the general ledger accounts used in the bookkeeping system is known as the organization’s **Chart of Accounts**. A good chart of accounts is the cornerstone of a sound accounting system. Assigning each account type category a different range of account numbers, according to its account type, will also simplify the procedures for financial reporting (see Appendix 1 and the **Double-Entry Accounting** chart on the following page).

The quantity of general ledger accounts that your organization uses will generally depend upon the size of the organization and the detail level desired for financial reporting. Group accounts by type and then arrange similar transactions together. Consider the lowest level of detail needed in the reports generated from the accounting system when setting up the chart of accounts. But simultaneously keep the chart of accounts as high-level and as simple as possible to minimize confusion during transaction entry. If your chart of accounts is properly designed, the flow of your agency's accounting systems will be smooth and productive.

CHART OF ACCCOUNTS			
good idea		maybe not so good...	
5041	Supplies	5041	Office Supplies
		5042	Program Supplies
		5043	Cleaning Supplies
		5044	Disposable Supplies
*could this many "supply" accounts create an opportunity for data entry error?			
**or perhaps your organization needs to have an exact total on "cleaning supplies" specifically			

3. Debits & Credits & Double-Entry Accounting

Whether your organization uses a cash or accrual basis, the double-entry system of bookkeeping is essential. This system balances itself. Double-entry accounting is based upon the rule that the total value of Debits must equal the total value of Credits. Each of the five major account types identified earlier (Assets, Liabilities, Net Assets/Equity, Income, and Expenses), has a “nature” that will determine how to increase or decrease the account. When a transaction occurs, it must be recorded in the books as a debit in at least one of the account type categories and also as a matching credit in at least one of these account type categories (see the “Double-Entry Accounting” chart below).

DOUBLE ENTRY ACCOUNTING			
Total value of debits must = total value of credits			
Five Account TYPES	Account NATURE	To INCREASE You add a	To DECREASE You add a
Assets 1000's cash, accounts receivable, inventory, prepaid, expenses, fixed assets	debit	debit	credit
Liabilities 2000's accounts payable, accrued liabilities, bank loans payable, long-term debt, taxes	credit	credit	debit
Net Assets (Equity) 3000's fund balance, net assets	credit	credit	debit
Income 4000's contributions, sales, receipts	credit	credit	debit
Expenses 5000's salaries, supplies, rent, insurance	debit	debit	credit
General Ledger is a single account, contained within the collective Chart of Accounts ; all accounts must be assigned one of the above Account Types When posting transactions, if an account is Increasing in value, it follows its Nature ; if Decreasing in value it goes against its Nature			

Since every recorded transaction is entered once as a debit and once as a credit, the books should easily balance. In fact, most accounting software programs 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. Two examples of transactions follow. Note that the transaction is in balance: debits always equal the credits.

Payment of Office Telephone Bill			
Date	Account Name	Debit	Credit
1/5/2024	6021 Telephone Expense	200	
	1001 Cash Bank Acct		200
Receipt of Revenue			
Date	Account Name	Debit	Credit
1/5/2024	4100 SH Grant Revenue		9,000
	1001 Cash Bank Acct	9,000	

Tip: A “Balance Sheet” and “Profit & Loss” should be prepared at least once a month to ensure that your organization’s books are balanced.

4. The Primary Financial Reports: Balance Sheet & Profit & Loss

In business accounting, there are two primary financial reports that populate from the transactions that you enter into your books. The **Balance Sheet** (or Statement of Financial Position) and the **Profit & Loss** (or Revenue & Expense or Income & Expense) reports. These two reports are the basis from which you can measure your organization’s fiscal health, develop budgets, and plan for the future. The Balance Sheet displays a snapshot of your organization’s Assets, Liabilities and the Equity, or an overall report of the organization’s fiscal status for that given date/moment in time. The Profit & Loss is the report of your Income and Expenses during a measured period of time (month, quarter, fiscal year, etc.). Note that between these two reports all five of the account types that we discussed earlier are represented and detailed.

5. Net Asset Account (formerly known as Fund Balance)

There are instances where accounting methods differ between nonprofit and commercial organizations. Nonprofit organizations use a **Net Asset** account as a representation of their net worth on financial statements. In a corporate organization's books, this term would coincide with the "Capital" or "Equity" of the organization.

The principal use for the Net Asset account is at the fiscal year-end, when the organization’s books are to be “closed” for 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 to run the **Trial Balance** report, which should be prepared to ensure that the books are in balance. If they are not, they must be checked for posting errors. Adjusting entries (journal entries) should be made for any corrections. The books cannot be closed if they do not balance.
- Income accounts will have natural 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 have a natural debit balance 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.
- 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. 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 to an external Certified Public Accountant (CPA).

6. Accounting Records

The following is a summary 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 should be maintained by using 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. Software improvements are changing rapidly. Query other self-help grantees in your region, or other nonprofit housing organizations in your state or local area for their recommendations and ask your TA provider. There are also multiple online resources, [TechSoup – Technology for nonprofits, charities, and libraries](#) is an example, for reduced cost software programs available to small nonprofits.

a) Accounts Payable (A/P) – An accounts payable (A/P) 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 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 (A/R) – Accounts receivable 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 fund checks are received (or any other monies received for the organization's programs), they should be recorded here. **Most grant funds are now received through an Electronic Funds Transfer (EFT) rather than a check, a journal entry is then required to record the cash receipt (see "e" below for adjusting entry detail).**

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 by individual account 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 all five account type classifications. 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 & 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 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.

Typically, 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 active/current employee, as well as for those whose employment has been terminated.

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

- 1) Employee's name, address, telephone number
- 2) Job title
- 3) Employee's Social Security number
- 4) Tax exemption status
- 5) Other deduction information
- 6) Date of employment (date of termination if applicable)
- 7) Salary rate
- 8) Individual paycheck information (gross salary, taxes, other deductions, and net salary)
- 9) salary)
- 10) 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.

7. Cost Allocation Methods and the Application of Indirect Rates

Responsible accounting relies on the fair and equitable allocation of costs. The term cost allocation is used as a general label for the act of prorating various costs to cost objectives, such as programs, departments and/or funding sources. It is the responsibility of each grantee that receives federal funding to maintain written procedures about how costs will be classified, as direct or indirect, and how they will be allocated. Consistent application of your written procedures will then ensure that costs charged to government-supported projects are charged fairly, equitably and in a uniform manner to each of the organization's funding sources.

Exhibit P of 1944-I states that since the release of OMB's Uniform Guidance, "...it has been made evident that an indirect rate will be more appropriate for the majority of Section 523 Grantees ..." nonprofit organizations will be required to obtain indirect cost rates [either through a negotiation with their **Cognizant Agency** or by electing to utilize the 10% de minimis indirect rate. Cost allocation plans may still be appropriate for tribal or governmental entities.]

The direct method of cost allocation requires that all costs be directly attributed to a funding source. Direct cost allocation may be appropriate for organizations with limited sources of revenue, one federal source of funding, and one or minimal lines of business. The indirect method of cost allocation involves pooling those costs that benefit the organization as a whole, but whose benefit to specific programs or projects is difficult to determine. These "indirect" costs often 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 2 CFR §200.413 and §.414. Note that some common indirect costs, like those just mentioned, can also qualify as direct costs. If they are deemed vital to the successful execution of the grant work scope, as they are in the self-help grant, items like insurance, audits, administrative staff wages, are allowable direct costs. Your financial policies and procedures and documentation will then need to ensure

that all like costs are treated the same, i.e., these costs that are direct are not also included in your indirect pool.

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, RD's contracted indirect cost negotiator. (See Appendix 20 for contact information.) Other federal agencies must accept the indirect cost rate approved by the cognizant agency.

This illustration 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

Since November 2020, the Uniform Guidance allows that in lieu of rate negotiation, grantees may elect to apply a 10% de minimis indirect rate. This rate requires that no current negotiated rate is in effect. 10% of modified total direct costs may be applied, and no documentation is required to justify the 10%. The rate may be used indefinitely and must be applied consistently to all federal awards until the non-Federal entity chooses to negotiate for a rate with their cognizant agency, which they may do at any time. When deciding whether to

pursue a negotiated indirect cost rate, or to utilize the 10% de minimis indirect rate, please consult with your T&MA Contractor, your local CPA, and your cognizant federal agency.

8. Bank Accounts

Upon receipt of the initial draw/advance of 523 TA 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 523 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 523 TA grant funds. All approved check signers should be approved by your Board of Directors. Only pre-printed and numbered checks should be used.

On a regular basis, usually monthly, 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).

Custodial Checking Accounting Note: If your organization is participating in custodial supervision accounting for the family builder 502 loan funds you will open a separate bank account for the collective management of those custodial funds. Unlike the 523 grant deposit account, this bank account should not bear interest. It is a collective account and the cost to allocate interest earned is more burdensome than the value of the interest. Otherwise, all of the same criteria will apply, FDIC insured, 2 fidelity insured check signers, reconciliation, etc.

9. Financial Certification

Rural Development Instruction §1944.411(f) (See Appendix 17), 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” during grant application. 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.

During the Financial Certification your organization’s financial practices will be thoroughly reviewed. Best practice suggestions and/or required corrections may be necessary to earn certification. A letter will be provided to indicate compliance with certification requirements and to outline any necessary or suggested updates to financial practices.

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 via draws for your self-help program. For both receipt of grant funds and for payment of grant expenditures the following traditional accounting best practices, with internal controls, are offered. Note that as of November 2020, the **2 CFR §200.336 Methods for collection, transmission, and storage of information** states, “The Federal awarding agency and the non-Federal entity should, whenever practicable, collect, transmit, and store Federal award-related information in open and machine-readable formats [electronically]...” while many of these practices can be streamlined electronically, the internal control suggestions should still be adhered to and incorporated in recordkeeping, e.g., involving multiple staff and check point reviews during receipt and disbursement payments of grant funds.

As explained above, grant funds are typically advanced on a monthly basis, and normally not for a period longer than 30 days (exceptions require written advance permission from RD). 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 higher than normal advance requests.

Practicing internal controls through a separation of duties, when your agency receives a traditional paper check, a staff member not working in the accounting department of your agency should be responsible for entering the check into a **Cash Receipts Log** electronic spreadsheet. (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. At times financial practices can appear redundant, but safeguarding funds through documentation for all expenditures will help you demonstrate a clear trail during audit time and demonstrate your attention to internal controls. Proper accounting procedures are vital to the operation of a successful program.

1. Ordering/Procurement Procedures

All grantees will need to establish written **Procurement** procedures that align with the Uniform Guidance requirements in Subpart D Procurement Standards 2 CFR §200.317-§200.327. Ensure that your financial policies and procedures address each of the section requirements, including:

- Established written financial procedures that are regularly reviewed and updated
- Address real or apparent conflicts
- Policies for disciplinary actions or violations
- Address non-substantial or unsolicited gifts

- Ensure competition
- Identify current procurement thresholds and the methods of procurement to be followed
- Informal
 - Micro-purchases
 - Small purchases
- Formal
 - Sealed bids
 - Request for Proposals
- Noncompetitive (less than micro purchase, special circumstances)

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 23 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, self-help 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 24-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, e.g., 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 all of the service deliverables were actually performed according to the contract, and that no extra costs were applied to the invoice(s).

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 reviewed and verified, it should be coded to indicate the program(s) and/or account(s) that should be charged or allocated to. The staff member responsible for the checking and coding should then initial it, signaling that it is “approved for payment”. 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

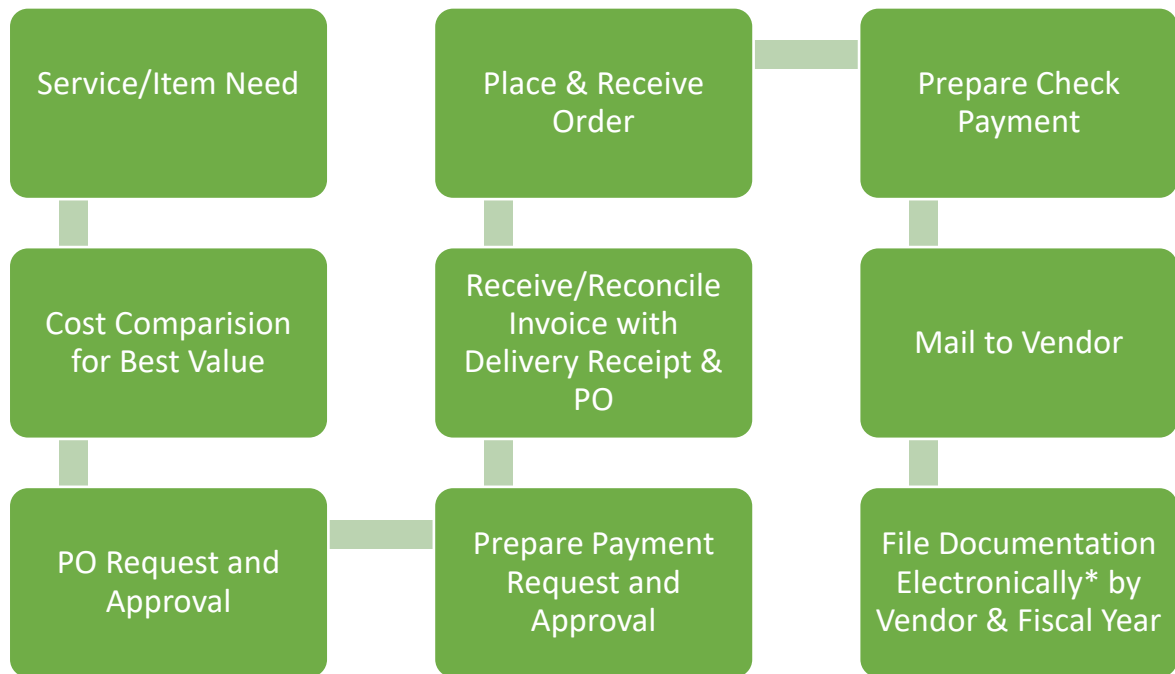
Once the request for payment voucher has been completed, a copy of the invoice, delivery slip or receipt, purchase order and/or any other applicable documentation should be attached to it. After the person preparing the voucher signs it, the voucher should be forwarded to the authorized staff member(s) 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. The check number should be recorded on the voucher to show which check paid for the 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. Prepared checks can then be sent to the authorized signatories who will review the check to ensure that it 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 reviewed again by a different staff member for accuracy and the proper signatures, and then mailed.

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**. If the transaction is 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. If a transaction occurred by EFT/ACH or by Credit Card, record that transaction in the disbursements journal as well.

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



**2 CFR §200.336 Methods for collection, transmission, and storage of information*

3. Travel Expenditures

Some of your budget will be devoted to local and out-of-town travel expenses. During an audit of your 523 TA grant, an auditor will most likely do an in-depth audit of all travel expenditures. Once again, documentation is critical. 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, and adhering to these practices ensures you are vigilant with internal controls.

a. Regulations for Travel

Uniform Guidance 2 CFR §200.475 Travel Costs defines travel costs as “...the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-Federal entity.”

Grantees should familiarize themselves with this section, along with the [Travel management policy overview | GSA](#), and ensure the inclusion of travel costs in their financial policies and procedures.

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 GSA travel policy link above). For travel to higher cost areas where the standard rate has been determined inadequate, higher rates have been authorized by [prior](#) written approval. Check with RD or your T&MA Contractor if you are unable to secure lodging rates at or below the GSA-established per diem rate.

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 travel 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 by program funds.

d. Other Travel

Appendix 10-12 of this handbook details three 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 documented 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.

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 much federal tax to withhold 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. 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. Timesheets, whether electronic or paper records, 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 the funding source to charge for 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 13) is included to show how time worked and leave earned should be charged to different funding sources.

c. Payroll Preparation

Time and attendance sheets should be approved by the employee's supervisor and then submitted to the staff member who prepares payroll. The payroll processor should verify 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 14 for a tax calendar.)

Circular E – Employer’s Tax Guide, available <https://www.irs.gov/publications/p15> 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 \$300) and should be controlled by one staff member designated as custodian of the fund. This person would be responsible for reconciling at any given time, ensuring that the total cash in the fund, plus any receipts for disbursements from the fund, equals the total petty cash account.

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 and/or 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 petty cash expenditure should be established and documented in the accounting policies and procedures manual

6. Allowed and 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 RD-Instruction

§1944.405 Authorized use of grant funds.

§1944.405 lists ways the funds may be used including hiring personnel, travel and training, payment of office expenses, administrative costs, liability insurance, audit costs and purchasing specialty tools. (See Appendix 17.) Some **§1944.406 Prohibited use of grant funds**, 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. The grantee's 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.
- d) Paying costs not directly related to helping very low- and low-income families obtain housing

The Uniform Guidance also clearly specifies allowable and unallowable costs for federal grant funded programs in 2 CFR 200 Subpart E-Cost Principles 2 CFR §200.421-200.476. Some examples of allowable program expenses include advertising, insurance, meeting costs, etc., that are pursuant to the federal award. Bad debts, contributions to other organizations, entertainment expenses, fines and penalties for late tax filings are listed as unallowable.

The Bookkeeper and Executive Director should become very familiar with the [2 CFR 200](#) as some costs will have to be carefully examined to determine allowability.

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. The budget must be revised and approved in writing by RD prior to incurring any allowable expense that was not included in the original approved budget.
- e) Any expense incurred before the execution of the 523 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. Note, below however, that the Uniform Guidance 2 CFR §200.308(d) does allow for transferring dollars from an under-spent approved budget category to an overspent line item, but best practice is still to notify RD in writing of any budget modifications and it is also essential to keep an approved record of any budget modifications for your auditor's reference (see Appendix 5).

Uniform Guidance direction on prior approval: 2 CFR §200.308 Revision of budget and program plans states that the funder's prior approval is required for:

- Change in program scope
- Change in program key person
- Disengagement of a project leader for more than 3 months or a 25% reduction in program or project time
- Need for additional federal funding to complete the project and any costs that require prior approval

FIXED ASSETS/EQUIPMENT

2 CFR 200 Subpart A-Acronyms and Definitions 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 establish and use its own capitalization threshold provided that it does not exceed the \$5,000 threshold defined in the Uniform Guidance. We recommend that the Board of Directors for each self-help TA grantee review their current capitalization threshold and discuss

the merits of using the Uniform Guidance established amount of \$5,000 or utilizing a lower threshold.

Purchases of equipment (tools, furniture and equipment) whose unit cost falls below the capitalization threshold should still be charged to your equipment expense line item – the useful life beyond a year still applies. Some organizations may utilize a “Capitalized Equipment” ledger account and a “Non-Capitalized Equipment” ledger account. Purchases of **Supplies** are expendable (this may include temporary use/disposable tools, furniture and equipment) and should be charged to your supplies line item.

The Uniform Guidance 2 CFR §200.313(d) and (e) 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 section. Proper bookkeeping entries and recommendations for a competent inventory system in regard to the purchase of non-expendable equipment, furniture, and power tools are described below.

1. Book Entries

The GAAP for recording the purchase of capital 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 the 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 25 – Inventory of Fixed Assets):

1. Date of purchase
2. Item purchased
 - a. Total cost
3. Program or account charged
4. Serial number
5. Control number (number assigned to the asset item to connect it with the inventory spreadsheet)
6. Location of item

The inventory spreadsheet must 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

RD §1944.405I 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 capital equipment as explained above, grantees should also 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. Expendable tools purchased with 523 grant funds can NOT be leased to the participating 502 families. Capitalized equipment may be eligible to rent for a fee to family builders, but must meet additional criteria defined in §1944.405(e)(1-3).

FEDERAL TAX FORMS

This section will address several federal tax resources and 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. This information is provided as a starting point, and grantees should consult a tax advisor for specific guidance.

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 updated circular annually 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\(c\)\(3\)](#) 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 (from the W-2). It must also be submitted to the Internal Revenue Service by January 31st.

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's [**Publication 15**](#), Circular "Employer's Tax Guide" (published annually) should again 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. Tax Calendar and nonprofit, local government and tribal entity IRS links

The [**tax calendar**](#), indicates tax requirements throughout the year and specific links are also here for [**nonprofits**](#) and [**local government entities**](#) and [**Indian tribal governments**](#) IRS tax information.

5. [I-9 Forms](#)

It is illegal to discriminate against any individual in hiring, (other than an alien not authorized to work in the United States) discharging or recruiting or referring for a fee because of that individual's 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.

6. [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.

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 office staff 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, both custodial and organizational. 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. Although, as noted above, the actual insured amount will vary by grantee, \$250,000 could be a minimum consideration level when securing fidelity bond coverage.

INTERNAL CONTROLS

While there are many important ingredients in an accounting system, responsible financial management 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 the most up-to-date and complete fiscal information and reports enabling prompt, sound decision-making.

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

1. Accounting Procedures

Procedures must be developed to match the organization's needs while meeting all standard accounting, funding source, and Uniform Guidance requirements. Policies and procedures must be in writing, approved by the Board of Directors and enforced. All books of

financial 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 18 for a sample Financial Statement to be presented to the Board of Directors on a regular basis.)

3. Separation of Duties

In designing or upgrading 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 must 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 expenses. Documentation and proper administrative forms are essential to the fiscal health of an organization. One 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. Internal controls are required by GAAP, ensure that your organization's are reviewed regularly. (See Appendix 15.)

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 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 §1944.422 is “...the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the grantee's audit period.” 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.

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. 1944.422 “...The number of borrower accounts will be determined by the auditor. In instances where it is difficult to determine the appropriate number of accounts to be audited, auditors should be authorized by the State Director to audit the lesser of 10 loans or 10 percent of total loans...” The auditor should review how the loan funds were spent, confirm traceable documentation 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 that conform to the standards prescribed in Uniform Guidance Subpart F and the *Procurement Standards* of Subpart D.

Audit services for self-help housing grantees can usually be procured by Informal Method/Small Purchase procedures (see 2 CFR 200.320). While informal, your auditor selection should still be based upon price quotations, along with a scope of work. Quotes should be obtained from an adequate number of qualified sources and some form of price and qualitative analysis should be made. Consideration should be given to such matters as integrity, record of past performance, technical resources, and experience in performing government and non-profit audits. (See Appendix 19 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.

You will need to provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit, such as:

- Description of programs to be audited, including time periods
- Type of accounting records maintained (accrual vs. 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 overburdened 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 auditor's 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 also be orientated to Rural Development Instruction and to Uniform Guidance and have 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. The organization's Financial Policies and Procedures Manual, if stand-alone or as part of the organization's comprehensive Policies and Procedures Manual, ensure contents:
 - All written policies and procedures relating to the use of 523 grant funds and the supervision and maintenance of the §502 loan accounts
 - Insurance policies for the organization
 - Personnel policies
- 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. Accounting records and reports pertaining to the self-help grant
- h. Paid invoice files
- j. Payroll records
- k. Personnel files

- l. Tax reports
- m. Bank statements
- 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 builder 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 organization’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 stand-alone financial policies and procedures manual. The purpose of a financial manual is to document the actual processes, 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
- Division of Responsibilities
 - Board of Directors
 - Executive Director/CEO
 - Operations Manager/Finance Director
 - Bookkeeper
- General Accounting System (including description of software)
- Chart of Accounts and an explanation of each line item
- Accounting Department Deadlines/Calendar
 - End of Month & Fiscal Year-End Close
- Cost Allocation Plan & Indirect Cost Rate
- Investment Policy
- Bank Accounts
- Requesting Funds from Grantor
- Cash Receipts
- Inter-Account Bank Transfers
- Cash Disbursements & Expense Allocations
- Credit Card Policies & Charges
- Accruals
- Procurement/Purchasing System
- Payroll/Timesheet Policy
- Travel Cost
- Petty Cash
- Bank Account Reconciliations
- Fixed Assets/Inventory
- Financial Reporting
- Fiscal Policies

- Acceptance of Gifts, Gratuities, and Services Policy
- Authorization to Sign Contracts & Agreements
- Personnel Records*

2. Policies for Computerized Financial Records

Computer-based accounting systems are the standard. 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 cloud-based systems, an external drive, or as part of a service from an IT vendor. Policies around employee computer use should be developed and maintained as part of the financial policies and procedures manual.

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. A good resource for more information on policies for nonprofits is [National Council of Nonprofits](#).

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. Your organization's personnel policies, just like the financial policies, will require regular review and updates to ensure accurate capture of procedures and practices. It is also a good practice to have an attorney versed in HR review the policies for compliance with federal and state laws.

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 common types of items that should be included in personnel policies:

1. Hiring
 - Recruitment
 - Selection standards
 - General policy
2. Conditions 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
3. Employment Standards of Conduct
 - Conflicts of interest
 - Outside employment
 - Gifts, gratuities, or honorariums
 - Use of intoxicants or drugs
 - Management and retention of documents
 - Use of property and equipment
 - Conduct on the job
 - Appropriate use of computers/technologies
4. Employee Grievance Procedures

5. Leave

- Annual leave
- Sick leave
- Emergency leave
- Leave without pay
- Personal leave
- Holidays
- Maternity leave
- Paternity leave

6. Fringe Benefits

7. Time and Attendance

- Office hours and work hours
- Timesheets and records

8. Travel

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

9. Other Administrative Policies

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

10. Organizational Chart

11. 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 for 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 state's Department of Labor office and/or an experienced HR/Labor attorney can also be an important resource.

12. 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 your state's 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.

Other policy suggestions:

1. At-Will Nature of Employment
2. Statement of Non-Discrimination
3. Sexual and Other Unlawful Harassment Policy
- Workplace Violence Prevention
4. Disability Accommodation Policy
5. Business Ethics and Conduct Expectations
6. Ownership of Work Materials Policy
7. Conflict of Interest Policy
8. Whistle Blower Policy
9. Access to Personnel Files Policy
10. Non-Disclosure (Confidentiality) Policy
11. Communication with the Press
12. Document Retention Policy
13. Computer and Email Usage Policy
14. Social Media Policy
15. Smart Phone Issuance and Use While
16. Driving – insurance requirements, vehicle use reimbursement, use of company car

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 password protected if held electronically, and/or located in a locked office, in a locked cabinet, the same cabinet, if hard copy, as 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. Review your personnel records to ensure that they are current and complete.

BUDGETS AND STRATEGIC PLANNING

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. Often budgets are solely thought of as a line-item list of projected expenditures. However, in best practice, a budget should also include sources of income/revenue to be reported on and measured as well. Typically, a non-profit presents a “zero budget” for planning purposes, meaning that projected revenue should be equal to projected expenses. 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.

Appendix 16 offers examples for self-help budgeting, including budget feasibility, preliminary budget and budget analysis tools.

OTHER GRANT REQUIREMENTS

USDA RD Instruction 1944-I specifies required reporting (fiscal and programmatic) as follows:

1. Request for Advance or Reimbursement

Form SF 270 (See Appendix 2). §1944.417(a) This form is typically completed monthly and submitted to the Rural Development Director. 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/expense period. 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 RD Director’s office 15 days prior to the beginning of the month. If the request is in order, RD will try to have the advance

payment via EFT or check delivered on the first of the next month. Grant disbursements are based upon an approved draw schedule that takes into account, but is not based exclusively on the Equivalent Units (EU's) produced, as well as other factors such as power tool and equipment needs, audit requirements, and training. Along with the SF 270 request, the grantee should submit a current working budget to actual (see below) and draw request form (see 1944-I Exhibit L).

2. Monthly Fiscal Report

(See Appendix 4). Self-help grantees are encouraged to prepare a monthly budget to actual report detailing the financial status of their grant program funds for the entire two-year grant cycle to accompany SF 270. The report should contain four columns:

- 1st column totals the report month's expenditures and loan draws,
- 2nd column is a cumulative total of expenses and draws for the approved two-year grant cycle,
- 3rd column is the approved self-help program budget for the two-year cycle (from SF-424A; note that a grantee may line item more detail on their monthly and/or quarterly budget reports, but the total line-item sums should roll up into the same budget category totals submitted and approved on SF-424A),
- And a 4th column detailing the balance of funds remaining for the two-year grant cycle.

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, RD will often ask to review the latest monthly fiscal report to assess the program's progress. It is also suggested that this report be presented to the Board of Directors on a regular basis. Because the board is the ultimate fiduciary authority in your organization, it must be well informed so that it can make wise and effective policy decisions.

3. Quarterly Evaluation Report

Quarterly, on January 15, April 15, July 15, and October 15, the grantee must provide a self-help program evaluation report to RD. Most commonly, grantees will utilize **SHARES (Self-Help Automated Reporting and Evaluation System)**, a web-based application designed to manage, track, evaluate, and report on the status of the self-help program (see also the

SHARES handbook). Grantees can enter data into the SHARES system and then generate a quarterly detailed report or they may elect to utilize the form provided in 1944-I Exhibit B: **Evaluation Report of Self-Help Technical Assistance (TA) Grants** to provide measures of program progress.

After the report is received in the RD Office, a meeting (virtual is acceptable) should be scheduled between the grantee, RD staff, and the T&MA Contractor to review the report and discuss progress specifically related to assisting the projected number of families, serving very low-income applicants, the equivalent units of build progress, labor contributions by the families, and funds monitoring.

4. Extension or Revision of Grant Agreement

The State or Housing Program Director may execute an amendment to the grant agreement for a time extension, modification of goals or an adjustment to the funding amount of the grant, whether it be an increase or decrease. Provisions to the extension or revision are outlined in USDA Rural Development Instruction §1944.420. Grantees needing a revision to their grant agreement should submit complete justification to their RD District Director, including a revised budget and other requested documentation, as necessary. Your T&MA Contractor should also review the request and provide a written recommendation to RD. This request and supporting documentation from the T&MA Contractor **MUST** be received by RD at least 30 days prior to grant expiration, or the request may not be granted. If an extension is granted, make sure that your organization receives a copy of that executed amendment from RD.

5. Handling and Accounting for Borrower Loan Funds

§1944.425 states that grantees will be required to administer borrower loan funds during the construction phase. The grantee will need to maintain a recordkeeping system which shows that the cost of the materials and services were allocated to each borrower's account in relation to the actual material and service used by each borrower. When requesting funds from the 502 borrower accounts, the grantee should provide RD with clear documentation of the expenditures due. This should include a coversheet detailing the current charges due from the borrower as well as copies of corresponding invoices. The coversheet should be signed by both the grantee and the participating family before it is submitted to the RD for processing.

Custodial Accounts maintained by the grantee must have acceptable collateral pledged with the Federal Reserve Bank in an amount to cover any funds exceeding \$250,000. All efforts should be made to avoid a balance in the custodial account that would exceed the FDIC insured amount.

A letter from the grantee's auditor or T&MA Contractor that indicates the bill-paying methods provide an adequate audit trail is also required.

6. Grantee Self-Evaluation

USDA Rural Development Instruction §1944.427 requires that annually, or more often, the Board of Directors will evaluate their own self-help program. Exhibit E of 1944-I is provided for that purpose (see Appendix 22). 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 self-evaluation. We recommend that the board designate a committee of board members to perform the evaluation. The completed evaluation should be presented to the board and formally accepted by the board. It is highly desirable that a summary also be presented to staff and families, with opportunities for discussions and suggestions.

7. Grant Closeout and Federal Financial Report

At grant closeout, the grantee must furnish SF 425 (see Appendix 3) to RD within 90 days after the date of completion of the grant. This form shows the total expenditures and unliquidated obligations for the full grant period. Any unused funds must be returned to Rural Development. The grantee will also provide RD with the most recent audit that includes audits of the self-help borrower accounts.

Section 1944.419 entitled "Final Grantee Evaluation" provides details on a number of other tasks that your organization must complete at the conclusion of your 523 TA grant. These include closing out all invoices and contracts with subcontractors. (See Appendix 21 for 523 TA Grant Closeout Procedures checklist.) USDA RD 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.

CLOSING SUMMARY

All self-help housing grantees must establish financial management systems and written financial policies and procedures in order to accurately account for their 523 TA grant funds. The systems established must conform to generally accepted accounting principles (GAAP) and meet RD's regulatory instruction requirements and comply with all federal regulations set forth in OMB's Uniform Guidance. Furthermore, the Grant Agreement itself commits signers to adhere to these and additional stipulations outlined therein.

The procedures, guides, and checklists offered in this financial management guide are recommended as minimum standards of control. The reader is expected to use this handbook only as a starting point to seek further clarification from the federal, state and national regulatory sources cited. While conditions may vary among organizations, grantees each can adapt the principles outlined in this handbook to establish, supplement or review their own accounting systems and practices to ensure that all aspects of their self-help housing operation are based upon sound fiscal methods.

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

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Appendix 3.	Federal Financial Report (SF 425)
Appendix 4.	Sample Monthly Budget Comparison Report
Appendix 5.	Budget Revision Worksheet
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Appendix 19.	Sample Audit Request for Proposal (RFP)
Appendix 20.	List of U.S. Department of the Interior Office of Indirect Cost Services
Appendix 21.	523 TA Grant Closeout Procedures Checklist & Final Grantee Evaluation Summary
Appendix 22.	RD Instruction 1944-I Exhibit E Guidance for Recipients of Self-Help Technical Assistance Grants
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Appendix 25:	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	Checking Account	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)**

[Mutual Self-Help Housing Technical Assistance Grants | Rural Development \(usda.gov\)](#)

2-page form, 3rd page instructions, partial screen shot provided for recognition reference

OMB Number: 4040-0012
Expiration Date: 01/31/2025

REQUEST FOR ADVANCE OR REIMBURSEMENT	1. TYPE OF PAYMENT REQUESTED	a. "X" one or both boxes ☐ ADVANCE ☐ REIMBURSEMENT	2. BASIS OF REQUEST ☐ CASH ☐ ACCRUAL
		b. "X" the applicable box ☐ FINAL ☐ PARTIAL	
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED 		4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY 	
5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST 	6. EMPLOYER IDENTIFICATION NUMBER 	7. FINANCIAL ASSISTANCE IDENTIFICATION NUMBER 	
8. PERIOD COVERED BY THIS REQUEST From: To:			

Appendix 3- Federal Financial Report (SF 425)**Federal Financial Report**

[Mutual Self-Help Housing Technical Assistance Grants](#) | [Rural Development \(usda.gov\)](#)

2-page form, 3-7 pages instructions, partial screen shot provided for recognition reference

View Burden Statement		Federal Financial Report (Follow form Instructions)		OMB Number: 4040-0014 Expiration Date: 02/28/2025	
1. Federal Agency and Organizational Element to Which Report is Submitted 			2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment) 		
3. Recipient Organization (Name and complete address including Zip code)					
Recipient Organization Name:					
Street1:					
Street2:					
City:		County:			
State:					Province:
Country:					ZIP / Postal Code:
4a. UEI 		4b. EIN 		5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment) 	
6. Report Type ☐ Quarterly ☐ Semi-Annual ☐ Annual ☐ Final		7. Basis of Accounting ☐ Cash ☐ Accrual		8. Project/Grant Period From: To:	
				9. Reporting Period End Date 	

Appendix 4-Sample Monthly Budget Comparison Report

	3/31/2023				
	current period	cumulative	TOTAL PROG BUDGET	balance	
Personnel	\$ 17,561	\$ 52,683	\$ 421,460	\$ 368,778	
Fringe	\$ 4,566	\$ 13,697	\$ 109,580	\$ 95,882	
Travel	\$ 105	\$ 316	\$ 2,530	\$ 2,214	
Equipment	\$ 438	\$ 1,313	\$ 10,500	\$ 9,188	
Supplies	\$ 323	\$ 969	\$ 7,754	\$ 6,785	
Contractual	\$ 333	\$ 1,000	\$ 8,000	\$ 7,000	
Other	\$ 2,568	\$ 7,704	\$ 61,630	\$ 53,926	
Total Direct Costs	\$ 25,894	\$ 77,682	\$ 621,455	\$ 543,773	
10% de minimis Indirect	\$ 2,589	\$ 7,768	\$ 62,145	\$ 54,377	
Total Program Costs	\$ 28,483	\$ 85,450	\$ 683,600	\$ 598,150	

Appendix 5-Budget Revision Worksheet

523 SAMPLE BUDGET REVISION				
EXAMPLE ORIGINAL 2-YEAR BUDGET		INCREASE	DECREASE	REVISED BUDGET
Personnel	\$ 896,524	\$ 2,140.00		\$ 898,664
Fringe	\$ 291,370	\$ 690.00		\$ 292,060
Travel	\$ 2,165			\$ 2,165
Equipment	\$ 2,675		\$ (800.00)	\$ 1,875
Supplies	\$ 5,960		\$ (1,350.00)	\$ 4,610
Contractual	\$ 5,400		\$ (680.00)	\$ 4,720
Rent/Utilities	\$ 93,480			\$ 93,480
Marketing	\$ 696			\$ 696
Insurance	\$ 13,685			\$ 13,685
Audit	\$ 13,652			\$ 13,652
Communications	\$ 2,456			\$ 2,456
Total	\$ 1,328,063	\$ 2,830	\$ (2,830)	\$ 1,328,063
Budget Revision Approved by:				
Date:				

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 _____

[illegible]

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-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

Allocation of Costs table

CODE	% of time	\$ Charged

TOTAL PAYABLE HOURS

Program Code	Program Name
100	Unrestricted
105	Indirect
200	Head Start
560	523 TA Grant #1
570	523 TA Grant #2
580	Weatherization
590	HOME Admin
600	Bank of America Grant

Deductions \$ _____
 Social Security \$ _____
 Medicare \$ _____
 Federal withholding \$ _____
 State withholding \$ _____
 Total Deductions \$ _____

Date of Check: _____

Check #: _____

GROSS WAGES \$ _____

Amount of Check: _____

LESS TOTAL DEDUCTIONS \$ _____

NET PAY \$ _____

Employee's signature: _____ Date: _____

Supervisor's signature: _____ Date: _____

Appendix 14-Tax Calendar

TAX CALENDAR

IRS Tax Calendar

BY JANUARY 31 or WHEN EMPLOYMENT ENDS:

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

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.

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 \$500.

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 15-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 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?
- Are payroll checks distributed by someone other than the person who prepares payrolls?
- Are payroll checks always prepared after receipt of approved time and attendance reports and based on those reports?

C. ACCOUNTING

- Are there written policies and procedures for all accounting functions?
- For small organizations, 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 applications of various 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 daily?
- 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 allowability, allocability, and reasonableness of costs? Are the procedures verified and/or approved by a responsible official?
- If costs have been transferred or adjusted 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 costs on a regular basis, at least monthly?
- Is action taken when the comparisons disclose problems or concerns?
- 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 the 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 organizations, are certain functions such as receipt of bank statements, preparation of bank reconciliations, etc., carried out by independent bookkeepers or other staff 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 marked “VOID” 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?
- Does the issuance of checks require a voucher authorization?
- 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)?
- If purchase cards are used, is there a written policy and procedure, and are they kept locked?
- 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 16-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 16- 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 individual down payment assistance or their self-help program overall.

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 Coordinator/Loan Packager	_____	_____
Accountant/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: [Per Diem Rates | GSA](#)
Rate e.g., is \$.58 per mile.

TOTAL Travel	\$ _____	\$ _____
---------------------	----------	----------

D. Equipment

Office Equipment* note capital items		
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		
Marketing/Social Media		
Bulk Mail Postage Estimate		
Publications and Subscriptions		
Annual Subscription Fees		
Books, Pamphlets, etc.		
Printing, Copying, Advertising		
Insurance		
Liability		
Other		
Training		
Staff/Board Training (Appendix 17)		

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 16-Budget Analysis**BUDGET ANALYSIS****Formula A**

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

$$\underline{\hspace{2cm}} / \underline{\hspace{2cm}} = \underline{\hspace{2cm}}$$

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

$$\underline{\hspace{2cm}} \times \underline{\hspace{2cm}} = \underline{\hspace{2cm}}$$

Formula B

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

$$\underline{\hspace{2cm}} / \underline{\hspace{2cm}} = \underline{\hspace{2cm}}$$

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

$$\underline{\hspace{2cm}} \times \underline{\hspace{2cm}} = \underline{\hspace{2cm}}$$

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 17- RD Instruction Sections 1944.405, 1944.406, and 1944.411**Part 1944 - Housing****Subpart I - Self-Help Technical Assistance Grants (Partial Reference)****9/29/23****[RD Instruction 1944-I](#)**

§ 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. If the grant award will not cover all tools, any proposal to charge a tool rental fee directly to a program participant must meet the following criteria:

(1) The fee amount must be reasonable and approved by Rural Development.

(2) The proposal must demonstrate that the program participants are receiving the best value as compared to renting from other sources. These funds may only be used for the rental of tools and other miscellaneous shared cost items for the building group (i.e. porta- potty, scaffolding, temporary power supply, etc.).

(3) All rental fees must be tracked as a separate ledger item with disbursements approved and reviewed annually by the Technical and Management Assistance (T&MA) Contractor and Rural Development.

(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. The amount of required liability insurance will vary based on the organization's assets at risk. For example, assets that could be lost due to employee dishonesty at \$100,000 requires matching liability coverage.

(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 of time 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.

§ 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 the responsibility of the participating families in the self-help projects should be.

(d) Paying for training of an employee as authorized by 2 CFR part 200 adopted by USDA through 2 CFR part 400.

(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.

§ 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 (see Exhibit J for a sample letter of conditions):

(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 200 as adopted by USDA through 2 CFR 400.

(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."

(e) The grantee has fidelity bonding as covered in 2 CFR 200 as adopted by USDA through 2 CFR 400 if a nonprofit organization or, if a State or local government, to the extent required in 2 CFR 200 as adopted by UDSA through 2 CFR 400.

(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. This form is completed in the System for Award Management (SAM) and will not be collected in the application docket.

(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 \$250.00 annually must be

submitted to Rural Development quarterly. (The use of minority depository institutions is encouraged.) Effective September 10, 2015, interest earned up to \$500 per year may be retained by the grantee for administrative expense in accordance with 2 CFR §200.305(b)(9). Grantees must maintain advance payments of Federal awards in interest-bearing accounts in accordance with 2 CFR §200.305(b)(8) unless the following apply:

(1) The Non-Federal entity receives less than \$120,000 in Federal awards per year.

(2) The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.

(3) The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

(4) A foreign government or banking system prohibits or precludes interest bearing accounts.

(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.

(i) The grantee is not a debarred or an excluded party. The Treasury's Bureau of Fiscal Service Do Not Pay (DNP) portal, or an equivalent system is used as part of the pre-award verification process and to reduce improper payments. The organizations and their principals are checked through the DNP portal.

Appendix 18-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 Restrictions	Without Donor Restriction	Total
Revenue, Gains & Other Support				
	Contributions & Grant Income	8,110	20,660	28,770
	Development Fees	-	5,400	5,400
	Investment Income	2,580	8,720	11,300
	Management Income	-	8,500	8,500
	Net Unrealized & Realized Gains (on long-term investments)	2,952	5,198	8,150
	Other	-	150	150
<i>Net Assets Released from Restrictions</i>				
	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 Revenue, Gains & Other Support	(1,098)	48,628	47,530
Expenses & Losses				
	Development	-	13,100	13,100
	Property Management	-	8,540	8,540
	Technical Assistance	-	5,760	5,760
	Management & General	-	2,420	2,420
	Fundraising	-	2,260	2,260
	Total Expenses	-	32,080	32,080
	Change in Net Assets	(1,098)	16,548	15,450
	Net Assets at Beginning of FY	25,470	240,670	266,140
	Net Assets at End of FY	24,372	257,218	313,670

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
	\$ 103	\$ 67	\$ 45	\$ 19		\$ 234
Board expense	\$ 101	\$ 66	\$ 44	\$ 19		\$ 230
Public relations	\$ 17	\$ 11	\$ 7	\$ 3		\$ 38
Depreciation	\$ 318	\$ 207	\$ 140	\$ 59		\$ 724
Miscellaneous	\$ 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 19-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, 2 CFR 200 SUBPART F: 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

Review of Section 502 Loan Files for traceability

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 20-List of U.S. Department of the Interior Office of Indirect Cost Services

The Department of Interior--Office of Indirect Cost Services

Resources and Contacts:

Grantees should be informed that they may request assistance from the Department of Interior (DOI) in preparing their indirect cost proposals. For detailed information and guidance on preparation of Indirect Cost Proposals grantees may visit the DOI web site at [IBC Indirect Cost Rate Negotiation Services](#). Grantees requesting funding during the period of this agreement should be advised to prepare and submit proposals to DOI at least 90 days prior to the desired grant closing date; or provide a copy of its approved indirect cost rate agreement to Rural Development with their grant application.

Under the terms of the Interagency Agreement, Rural Development State Directors, or their designee, will notify the DOI Interior Business Center regarding grantees that do not have a federally approved indirect cost rate agreement, or in certain cases, a federally approved cost allocation plan. The contact information for the DOI, Interior Business Center is:

Doris Jensen, Branch Chief

Email: doris_w_jensen@ibc.doi.gov Phone: 916-930-3829

US Department of the Interior Interior Business Center Indirect Cost and Contract Audit Division

450 Capitol Mall, Suite 430

Sacramento, CA 95816

ICS Mailbox: ics@ibc.doi.gov

**Appendix 21-523 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 in 1944-I.)
- ✓ Close out staff and contractor billings to the grant with the exception of resources needed for final encumbered costs at closeout.
 - ✓ Prepare the Final Quarterly Report to match the Grant ending date:
 - ✓ For SHARES users, prepare the Grant-to-Date report with any final comments. Please include any pertinent comments regarding issues you had during the grant period. Note the Grant close-out date in SHARES under the Grant screen which changes the status to CLOSED.
 - ✓ For other grantee quarterly reports, prepare a final report that shows the cumulative data with the ending date of the grant. Use the narrative section to describe the experiences of the program, how you worked to overcome the obstacles, and conclude with your summary of the evaluation criteria.
- ✓ 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 according to [2 CFR 200.313\(e\)\(1\)](#) Disposition regulations. 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. Indicate the equipment will be used in the next grant period.
- ✓ 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. 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 returned to USDA RD (to reduce loan principle).

- ✓ Secure the lien releases for all materials and subcontracting.
- ✓ Return balances and/or check books to the local RD office for closeout of the 502 loans.
 - This should be done within 90 days of the final inspection or conversion unless there are extenuating circumstances.
 - If more than 90 days are necessary, a written notice should be given to RD with an explanation and an anticipated date.
- ✓ The grant cannot be closed until the 502 loans are completed/converted.
- ✓ 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.

References:

The above closeout procedures are drawn from the following documents: Subpart D Post Federal Award Requirements of 2 CFR 200 (200.344 Closeout); 1944.419 (Final grantee evaluation); 1944.422 (Audit and other report requirements); 1944.426 (Grant closeout

§ 1944.426 Grant closeout.

(a) Grant purposes completed. Promptly after the date of completion, grant closeout actions will be taken to allow the orderly discontinuance of grantee activity.

(1) The grantee will immediately refund to Rural Development any balance of grant funds advanced that are not committed for the payment of authorized expenses. The unused grant funds will be remitted on Form RD 451-2, "Schedule of Remittances" in accordance with the form's manual insert.

(2) The grantee will furnish Form SF-269A, "Financial Status Report (short form)" to Rural Development within 90 days after the date of completion of the grant. All other financial, performance, and other reports required as a condition of the grant also will be completed.

(3) After the grant closeout, Rural Development retains the right to recover any disallowed costs which are discovered as a result of the final audit. 7 CFR part 3550 will be used by Rural Development to recover any unauthorized expenditures.

(4) The grantee will provide Rural Development an audit conforming to those requirements established in this part, including audits of self-help borrower accounts.

(5) Upon request from the recipient, any allowable reimbursable cost not covered by previous payments shall be promptly paid by Rural Development.

*If applicable, see 1944.426(b) Grant Purposes Not Completed, or
1944.426(c) Grant Suspension, or
1944.426(d) Grant Termination*

§1944.419 Final grantee evaluation.

Near the end of the grant period but prior to the last month, an evaluation of the grantee will be conducted by Rural Development. The State Director may use Rural Development employees or an organization under contract to Rural Development to provide the evaluation. The evaluation is to determine how

successful the grantee was in meeting goals and objectives as defined in the agreement, application, this regulation, and any amendments. Failure to obtain at least an acceptable grant rating could jeopardize future grant awards.

(a) This is a quantitative evaluation of the grantee to determine if it met its goals in:

- (1) Assisting the projected number of families in obtaining adequate housing.
- (2) Meeting the goal of assisting very low-income families.
- 3) Meeting the family labor requirement in §1944.411(h) and Exhibit B-2 of this subpart. For rehabilitation use Exhibit K-2.
- (4) Keeping costs within the guides set in §1944.407.
- (5) Meeting other objectives in the Agreement.

(b) The evaluation is a narrative addressed to the State Director with a copy to the National Office, Single Family Housing Processing Division. It will be in 3 parts, namely; findings, recommendations, and an overall rating. The rating will be either unacceptable, acceptable, or outstanding, as follows (see Exhibit O for a sample final evaluation letter):

- (1) Outstanding if the grantee met or exceeded all of the goals in paragraph (a) of this section.
- (2) Acceptable if the grantee met or exceeded all of the goals as defined in paragraph (a) except two.
- (3) Unacceptable if the grantee failed to obtain an acceptable rating.

(c) After the State Director has reviewed the evaluation, a copy will be mailed to the grantee. The grantee may request a review of the evaluation with the District Director. This review is for clarification of the material and to dispute the findings if they are known to be wrong. The rating is not open for discussion except to the extent it can be proven that the findings do not support the rating. If this is the case, the District Director will file an amendment to the State Director. A copy of this letter should also be forwarded to the National Office, Single Family Housing, Special Programs Branch and the T&MA Contractor.

§ 1944.422 Audit and other report requirements.

The grantee must submit an audit to the appropriate Rural Development District Office annually (or biennially if a State or local government with authority to do a less frequent audit requests it) and the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the grantee's audit period. The audit, conducted by the grantee's auditors, is to be performed in accordance with Generally Accepted Government Auditing Standards (GAGAS), using the publication "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" developed by the Comptroller General of the United States in 1981, and any subsequent revisions. In addition, the audits are also to be performed in accordance with 2 CFR part 200 as adopted by USDA through 2 CFR part 400 and Rural Development requirements as specified in this subpart. Audits of the borrower loan funds will be required. The number of borrower accounts audited will be determined by the auditor. In incidences where it is difficult to determine the appropriate number of accounts to be audited, auditors should be authorized by the State Director to audit the lesser of 10 loans or 10 percent of total loans. Audits of the borrower funds do not necessarily need to be tested in the same manner as the organizational audit. Agreed Upon Procedures (AUPs) may be developed and used for the Section 502 or 504 loan funds in custodial accounts. At a minimum, an AUP engagement will include a review of the draw requests to ensure charges listed can be traced back to source documents and a reconciliation of the financial institution's account record.

(a) Nonprofit organizations and others. If determined necessary, these organizations are to be audited in accordance with Rural Development requirements in accordance with 2 CFR part 200 as adopted by USDA through 2 CFR part 400. These requirements also apply to public hospitals, public colleges, and universities if they are excluded from the audit requirements of paragraph (b) of this section.

(1) An audit conducted by the grantee's auditor shall be supplied to the Rural Development District Director as soon as possible but in no case later than ninety (90) days following the period covered by the grant agreement.

(2) Auditors shall promptly notify United States Department of Agriculture's Office of the Inspector General Regional Inspector General and the Rural Development District Office, in writing, of any indication of fraud, abuse, or illegal acts in grantees use of grant funds or in the handling of borrower's accounts.

(3) Nonprofit organizations that receive less than \$25,000 a year in Federal financial assistance need not be audited.

(b) State and local governments and Indian tribes. These organizations are to be audited in accordance with this subpart and 2 CFR 200 as adopted by USDA through 2 CFR part 400. The grantee will forward completed audits to the appropriate Federal cognizant agency and a copy to the Rural Development District Director. "Cognizant agency" for audits is defined at 2 CFR 200.18 as the Federal agency designated to carry out the responsibilities described in §200.513 Responsibilities, paragraph (a). The cognizant agency for audit is not necessarily the same as the cognizant agency for indirect costs. A list of cognizant agencies for audit may be found at the FAC Web site. Within USDA, the OIG shall fulfill cognizant agency responsibilities. Smaller grantees not assigned a cognizant agency by OMB should contact the Federal agency that provided the most funds. When USDA is designated as the cognizant agency or when it has been determined by the borrower that Rural Development provided the major portion of Federal financial assistance, the State Director will contact the appropriate USDA OIG Regional Inspector General. Rural Development and the borrower shall coordinate all proposed audit plans with the appropriate USDA OIG.

(1) State and local governments and Indian tribes that receive \$25,000 or more a year in Federal financial assistance shall have an audit made in accordance with 2 CFR part 200 as adopted by USDA through 2 CFR 400.

(2) State and local and Indian tribes that receive less than \$25,000 a year in Federal financial assistance shall be exempt from 2 CFR part 200 as adopted by USDA through 2 CFR part 400.

(3) Public hospitals and public colleges and universities may be excluded by the State Director from OMB Circular A-128 audit requirements. If such entities are excluded, audits shall be made in accordance with paragraph (a) of this section.

**Appendix 22- 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 Yes No
family and a running total of hours worked (when and on what activity)?
2. Are there records of discussions with participating Yes No
families counseling them when the family contribution is falling behind?
3. Are there obstacles which prevent the family from performing Yes No
the required tasks?

B. Use of Grant Funds

1. Were grant funds used to pay salaries or other Yes No
expenses of personnel not directly associated with this grant?
 2. Were grant funds used to pay for construction Yes No
work for participating families?
 3. Were all purchases or rentals (item and cost) Yes No
of office equipment authorized?
 4. Are all office expenses authorized by 7 CFR Part 1944, Yes No
Subpart I?
 5. Was a record of long-distance telephone calls Yes No
maintained and was that log and telephone checked?
 6. Was all travel and mileage incurred for official Yes No
business and properly authorized in advance?
 7. Were mileage and per diem rates within authorized Yes No
levels?
 8. Were participating families charged for use of Yes No
tools?
 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 Yes No
for participating families?
 12. Were the provided technical or consultant services Yes No
appropriate in type and cost?
- C. Financial Responsibilities**
1. Does each invoice paid by the grant recipient match Yes No
the purchase order?
 2. Does each invoice paid by the borrower and Rural Yes No
Development match the purchase order?
 3. Were purchases made from the appropriate vendors? Yes No
 4. Are the invoices and itemized statements totaled Yes No
for materials purchased for individual families?
 5. Is there a record of deposits and withdrawals to Yes No

account for all loan funds?

6. Are checks from grant funds signed by the Board Yes No
Treasurer and Executive Director?

7. Are grant funds deposited in an interest bearing Yes No
account?

8. Are checks from loan funds prepared by the grant Yes No
recipient for the borrower's and lender's signature?

9. Are checks from loan funds accompanied by accurate Yes No
invoices?

10. Are any borrower loan funds including interest, Yes No
deposited in grantee accounts?

11. Are checks from loan funds submitted to Rural Yes No
Development more often than once every 30 days?

12. Is the reconciliation of bank statements for both Yes No
grant and loan funds completed on a monthly basis?

13. If the person who issues the checks also reconciles Yes No
them, does the Executive Director review this activity?

14. Are materials purchased in bulk approved by the Yes No
Executive Director?

15. Was the amount of materials determined by both the Yes No
Executive Director and construction staff?

16. Were any participating families consulted about the Yes No
purchase of materials?

17. Were savings accomplished by the bulk purchase method? Yes No

18. Did the Executive Director review the purchase Yes No
order and the ultimate use of the materials?

19. Are materials covered by insurance when stored by Yes No
grantee?

D. Reporting

1. Are "Requests for Advance or Reimbursement" made Yes No
once monthly to the Rural Development District Office?

2. Has the grant recipient engaged a certified public Yes No
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)?

3. Are the quarterly evaluation reports submitted on time to the Yes No
County Supervisor?

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

Date President, Board of Directors

(Period covered by report _____)

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.

Question Answer

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

Appendix 23-Informal Cost Comparison Form

Informal Cost Comparison Form

Date: _____

Quotations Obtained By:

PO/Rec. No. _____

	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 24-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]