|  |  |  |  |
| --- | --- | --- | --- |
| **Guide for Review of Section 4 Financial Management and Audits** | | | |
| **Name of Recipient:** | | | |
| **Name of Subrecipient (if applicable):** | | | |
| **Name of Program(s) Monitored:** | | | |
| **Grant Number(s) Reviewed:** | | | |
| **Staff Consulted:** | | | |
| **Name(s) of Reviewer(s)** |  | **Date** |  |

**NOTE:** All questions that address requirements contain the citation for the source of the requirement (statute, regulation, NOFA, or grant agreement). If the requirement is not met, HUD must make a finding of noncompliance. All other questions (questions that do not contain the citation for the requirement) do not address requirements, but are included to assist the reviewer in understanding the recipient's program more fully and/or to identify issues that, if not properly addressed, could result in deficient performance. Negative conclusions to these questions may result in a "concern" being raised, but not a **"finding.**"

**Instructions:** This Exhibit is to be used to monitor the organization’s conformity to financial management requirements. The Exhibit is divided into 8 sections: Financial Management System; Internal Controls, Payment and Financial Reporting; Improper Payments; Program Income; Period of Performance; Record Retention and Access; and Audit Requirements. The organization’s financial management system is to be reviewed for compliance with 24 CFR Part 84, Subpart C, *Post Award Requirements*, and Subpart D, *After the Award Requirements*, for grant agreements signed before December 19, 2014. For grant agreements signed after December 19, 2014 and, therefore, subject to 2 CFR Part 200, use Exhibit 34-1 in this Handbook. Note that, in this Exhibit, the following terms are used interchangeably when referring to RCB grant awardees: program participant, recipient, non-Federal entity.

A. FINANCIAL MANAGEMENT SYSTEM

1.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Do the program participant accounting records identify HUD programs and awards received and expended by specifying HUD award identification number and year?  [24 CFR 84.21(b)(2)] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

2.

|  |  |
| --- | --- |
| The program participant’s accounting records must identify adequately the source and application of funds for HUD-funded activities. | |
| a. Do the program participant’s accounting records contain information on HUD grant awards, authorizations, obligations, unobligated balances, assets, liabilities, expenditures, program income, and interest?  [24 CFR 84.21(b)(2)] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |
| 1. Does the non-Federal entity maintain adequate source documentation? To determine compliance, select a sample of accounting entries and determine whether they are supported by invoices, contracts, or purchase orders, etc. (Describe sample in response below.)   [24 CFR 84.21] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |
| 1. Does the program participant’s financial management system provide for comparison of expenditures with budget amounts for each HUD award?   **NOTE:** Governmental entities will usually demonstrate compliance with this requirement by making entries in its accounting records of the amounts budgeted/allocated for activities to be undertaken with the assistance provided under the HUD award which, in turn, facilitates preparation of financial statements that provide for such comparison. | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |
| 1. Does the program participant enter in its accounting records an encumbrance/obligation when contracts are executed, purchase orders issued, etc.?   **NOTE:** Non-Federal entities may use the term “encumbrance” in lieu of “obligation” in its accounting records.  [24 CFR 84.21(b)(2)] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |
| 1. Does the program participant identify expenditures in its accounting records according to eligible activity classifications specified in the statute, regulations, or grant agreement that clearly identify the use of program funds for eligible activities?   [NOFA; Grant Agreement; 24 CFR 84.21] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |
| 1. Does the information on obligations, expenditures, and program income submitted to HUD reconcile with the non-Federal entity’s accounting records for the time period reviewed?   [24 CFR 84.21] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |

3.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Does the non-Federal entity maintain adequate control over all funds, property, and other assets to ensure that they are used solely for authorized purposes?  [24 CFR 84.21(b)(3) and (6)] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |

B. Internal ControlS

4.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| a. Has the non-Federal entity performed a self-assessment of its internal control system? | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| b. Does the non-Federal entity have an organization chart that sets forth the actual lines of responsibility for HUD awards? | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| c. Are duties for key employees of the program participant defined? | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| d. Does the program participant’s approval controls provide reasonable assurance that appropriate individuals approve recorded transactions in accordance with management’s general or specific criteria? | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| e. Does the program participant’s segregation of duties controls effectively reduce the opportunity for someone to perpetrate or conceal errors or irregularities in the normal course of duties?  [24 CFR 84.21(b)(3) and 24 CFR 84.21(b)(6)] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

C. Payment and financial reporting

5.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Does the program participant have written procedures that minimize the time elapsing between the transfer of funds from the U.S. Treasury (or pass-through entity) and disbursement by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs?  [Grant Agreement; 24 CFR 84.22(b)] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

6.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| a. Does the program participant disburse funds available funds from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments?  [24 CFR 84.22(g)] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| b. Does the financial information (e.g., drawdowns, unexpended balances) recorded in HUD’s financial management systems (e.g., Line of Credit Control System, or LOCCS) match the official accounting records of the program participant for the period covered by the last CPD-required performance report?  [24 CFR 84.21(b)(1)] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| c. If the program participant receives grant advances, does it maintain the advance payments in an interest-bearing account or meet one of the following exceptions?   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.   [24 CFR 84.22(k)] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

D. IMPROPER PAYMENTS

7.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| a. Does a review of program expenditures show that no improper payments were made? (Results from other Exhibits can be included here.)  **NOTE:** Improper payments means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements and includes payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.  [24 CFR 84.22] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |
| b. If the program participant discovered that improper payments were made, did the program participant take appropriate corrective action(s)?  [24 CFR 84.22] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

E. Program IncomE

8.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| If revenue-generating activities are being undertaken (e.g., loans or revolving loan fund), has the non-Federal entity established revenue accounts in its accounting records to record program income?  [24 CFR 84.24(a)] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |

9.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| a. Does the recipient have a system for tracking program income generated by subrecipients?  [24 CFR 84.24(a)] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| b. If program income is retained by the subrecipient, does the recipient have a system for ensuring that such income is reported in a timely and accurate manner?  [24 CFR 84.24(a)] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

10.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Does the recipient comply with the requirements governing the reporting on receipt and use of program income in the Integrated Disbursements and Information System or SF-425, as applicable? | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

F. PERIOD OF PERFORMANCE

11.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Has the recipient charged to the HUD award only allowable costs incurred during the period of performance and authorized pre-award costs?  [Grant Agreement] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |

G. record retention and access

12.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Did the program participant comply with the record retention and access requirements?  [24 CFR 84.53] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |

H. Audit RequirementS

**Instructions:** A recipient that expends $500,000 or more during the recipient’s fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of OMB Circular A-133. Recipients that provide Federal awards to subrecipients are referred to as “pass-through entities.” A subrecipient must also have a single or program-specific audit if it meets the $500,000 expenditure threshold. Pass-through entities are required by OMB Circular A-133 to ensure compliance. A recipient that expends less than $500,000 in Federal awards during the entity's fiscal year is exempt from audit requirements for that year. This section of questions is designed to assist the HUD reviewer in determining whether the recipient is in compliance with the required elements of an audits management system.

13.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Does the recipient (or any of its subrecipients) meet the annual expenditure threshold ($500,000) for having a single or program-specific audit conducted? If “no,” skip the remaining questions. | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

14.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| a. Did the auditee procure or arrange for the audit services in accordance with the procurement standard in OMB Circular A-133? | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| b. Did the request for proposal for audit services clearly state the objectives and scope of the audit and request a copy of the audit organization's peer review report which the auditor is required to provide under Generally Accepted Government Auditing Standards (GAGAS)?  [OMB Circular A-133, Part 3] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| c. Did the factors to be considered in evaluating the proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price?  [OMB Circular A-133, Part 3] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

15.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Did the auditee promptly follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan?  [OMB Circular A-133, Part 3] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |

16.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Did the auditee electronically submit to the Federal Audit Clearinghouse the data collection form and reporting package?  [OMB Circular A-133, Part 3, L] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |

17.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| a. Did the recipient inform subrecipients of the OMB Circular A-133 audit requirements at the time of the subaward?  [OMB Circular A-133, Part 3, M] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |
|  | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| b. Has the recipient verified that every subrecipient is audited, as required by OMB Circular A-133, when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the $500,000 expenditure threshold?  [OMB Circular A-133, Part 3, M] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| c. Has the recipient ensured that the subrecipients take timely and appropriate action on all deficiencies pertaining to HUD awards it provided to subrecipients that were detected through audits, on-site reviews, and other means?  [OMB Circular A-133] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| d. Has the recipient issued a management decision for audit findings that relate to HUD awards that it makes to subrecipients?  [OMB Circular A-133] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |

18.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Has the recipient ensured that the HUD award is charged no more than a reasonably proportionate share of the costs of audits required by, and performed in accordance with, OMB Circular A-133?  [OMB Circular A-133, Part 3, B] | |  |  |  | | --- | --- | --- | |  |  |  | | **Yes** | **No** | **N/A** | |
| **Describe Basis for Conclusion:** | |