

# U.S. Department of Housing and Urban Development

## **Distressed Cities Technical Assistance Program**

### **Financial Management Capacity Assessment**



The Distressed Cities Technical Assistance (DCTA) program is designed to improve fiscal health and build administrative capacity of relatively small units of general local government (UGLGs or local governments) that are economically distressed and have been recently impacted by a natural disaster.

DCTA considers good fiscal health, strong financial performance, and effective financial management practices to be the foundation for local governments to successfully implement projects and goals. These are viewed as the essential components of the technical assistance (TA) offered through this program. Other possible areas of TA under this program include economic stabilization and recovery, federal development programs, affordable housing financing, community engagement practices, cross-sector partnerships, and plan implementation.

Good financial management systems are the cornerstone for any organization managing local, state, and federal government funds, philanthropic grants, or private capital and provides assurance to potential investors and funders that adequate policies and internal controls are in place to properly administer resources. A complimentary fiscal health analysis will help the UGLG understand the impact of the disaster on the organization's fiscal health. The information gleaned from the analysis will also help to inform other technical assistance being considered by the DCTA program.

The financial assessment is not an audit nor is the UGLG being monitored by HUD or the DCTA team. The primary purpose of the assessment is to ensure the grantee is in the best position to manage any new resources that may become available.

#### **Financial Management Capacity Assessment**

The Financial management assessment will determine if the organization has in place the minimum standards for compliance with federal regulations and in conformance with Generally Accepted Accounting Principles (GAAP) including:

- Sound accounting policies and procedures to administer various sources of funding
- Procurement procedures that are compliant with federal regulations
- Good reporting practices to manage and monitor funds
- Adequate safeguards to protect assets

#### **Documents**

Only a few documents are needed to get started with the assessment:

1. Last three-year audits. If the prior year audit is in process, provide either a draft audit or internal financial statements.
2. Most recent audit management reports and the UGLG's responses to findings or concerns.
3. Current year internal financial management reports and any analysis provided to senior management or elected officials.
4. Accounting Policies and Procedures
5. Procurement Policies and Procedures

### Assessment Process

The DCTA team will begin the process by reviewing the documents provided. This should take up to 30 days. An interview will be scheduled with appropriate UGLG staff to answer any questions or clarify information requested by the DCTA team. Additional data or information may be requested during the assessment such as:

1. Sample employee timesheet
2. Documentation to support recent procurement of goods or services
3. Budget to actual report

The DCTA team will produce a final report of the assessment for review with the UGLG. A meeting will be held to review the results of the financial management analysis with senior management and HUD. Based on this discussion, additional technical assistance will be determined.