

*Modified for Community Development Block Grant (CDBG)
Disaster Recovery Grantees under Public Law 113-2*

Guide for Review of Financial Management			
Grantee:			
Staff Completing Form (Name/title):		Date	

NOTE: All questions that address requirements contain the citation for the source of the requirement (statute, regulation, NOFA, or grant agreement). All other questions (questions that do not contain the citation for the requirement) do not address requirements, but are included to assist the grantee identify issues that, if not properly addressed, could result in deficient performance.

Instructions: The Disaster Relief Appropriations Act, 2013 (Public Law 113-2) requires the Secretary to certify, in advance of signing a grant agreement, that the grantee has in place proficient financial controls. A CDBG disaster recovery grantee must use this Exhibit to demonstrate its conformity to financial management requirements as required by the Department at 78 FR 14329 (published March 5, 2013). The exhibit is divided into nine sections covering: Financial Management; Advances; Internal Controls; Accuracy of Report Information; Program Income; Salaries and Wages; Indirect Costs; Lump Sum Drawdowns; and OMB Circular A-133. The program participant’s financial management system is to be reviewed for compliance with 24 CFR Parts 84, 85, and 570 (as applicable). All references to “program participant” refer to the CDBG disaster recovery grantee. For simplification purposes, the term “subrecipient” will be used in this guide to refer to all secondary organizations (including units of local government that receive funds from a CDBG disaster recovery State grantee). As used in this Exhibit, the term “standards” is synonymous with “procedures”.

Questions:

A. FINANCIAL MANAGEMENT SYSTEM

1.

Does the program participant have a financial management system to record amounts budgeted and obligations? [24 CFR 570.502(a)(4), 24 CFR 570.489(d)]	<input type="checkbox"/> <input type="checkbox"/> Yes No
Describe Basis for Conclusion:	

2.

Does the program participant have standards that require it to maintain adequate source documentation? [24 CFR 570.502(a)(4), 24 CFR 570.489(d)]	<input type="checkbox"/> <input type="checkbox"/> Yes No
Provide Cross-Reference to Standards:	

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3.

Does the program participant have standards for the use of its financial management system and the maintenance of accounting records? (NOTE: accounting records must contain information on grant awards, obligations, unobligated balances, assets, liabilities, expenditures, and program income. Expenditures must identify how funds are used for an eligible activity.) [24 CFR 570.502(a)(4), 24 CFR 570.489(d)]	<input type="checkbox"/> <input type="checkbox"/> Yes No
Provide Cross-Reference to Standards: 	

B. ADVANCES

4.

If the program participant will request funds in advance, does the participant have standards to minimize the time elapsed between the transfer of funds from the U.S. Treasury and disbursement by the participant? [24 CFR 570.502(a)(5), 24 CFR 570.489(c)]	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No N/A
Provide Cross-Reference to Standards: 	

5.

If the program participant will advance grant funds to subrecipients, does the participant have standards to minimize the time elapsed between the transfer of funds to, and disbursement by, the subrecipients? [24 CFR 570.502(a)(5), 24 CFR 570.489(c)]	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No N/A
Provide Cross-Reference to Standards: 	

6.

If grant advances will be deposited into an interest-bearing account, does the participant have standards to require the return of interest income to HUD? [24 CFR 570.502(a)(5), 24 CFR 570.489(c)]	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No N/A
Provide Cross-Reference to Standards: 	

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C. INTERNAL CONTROLS (Reference for some of the questions: GAO/AIMD-98-21.2.1, “Framework for Federal Financial Management System Checklist,” May 1998)

7.

a. In its standards, does the program participant have an organization chart that sets forth the actual lines of responsibility?	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No
Provide Cross-Reference to Standards:		

b. In its standards, are duties for key employees of the program participant defined?	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No
Provide Cross-Reference to Standards:		

c. Do the program participant’s standards require the participant to obtain fidelity bond coverage for responsible officials?	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No
Provide Cross-Reference to Standards:		

d. Do the program participant’s standards include a chart of accounts (used to ensure that resources used do not exceed resources authorized)?	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No
Provide Cross-Reference to Standards:		

e. In its standards, does the program participant describe approval controls that provide reasonable assurance that appropriate individuals approve recorded transactions in accordance with management’s general or specific criteria?	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No
Provide Cross-Reference to Standards:		

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f. In its standards, does the program participant describe controls over the design and use of documents that provide reasonable assurance that transactions and events are properly documented, recorded, and auditable?	<input type="checkbox"/> <input type="checkbox"/> Yes No
Provide Cross-Reference to Standards:	

g. In its standards, does the program participant describe the segregation of duties controls to effectively reduce the opportunity for someone to perpetrate or conceal errors or irregularities in the normal course of duties?	<input type="checkbox"/> <input type="checkbox"/> Yes No
Provide Cross-Reference to Standards:	

h. Do the standards make clear that all personnel are responsible for communicating upward the program participant’s operating problems and noncompliance with laws and regulations?	<input type="checkbox"/> <input type="checkbox"/> Yes No
Provide Cross-Reference to Standards:	

i. Do the program participant’s internal control standards support its ability to prepare financial statements that are fairly presented in conformity with generally accepted or other relevant and appropriate accounting principles and regulatory requirements? (One level of assurance of the accuracy and integrity of data is provided by the attainment of an unqualified opinion on the audited annual financial statements and internal controls.)	<input type="checkbox"/> <input type="checkbox"/> Yes No
Provide Cross-Reference to Standards:	

D. ACCURACY OF REPORT INFORMATION

8.

a. Does the program participant have standards to ensure that accurate information is collected and reported to HUD in compliance with Federal policies and requirements governing reporting?	<input type="checkbox"/> <input type="checkbox"/> Yes No
Provide Cross-Reference to Standards:	

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E. PROGRAM INCOME

9.

a. If revenue-generating activities (e.g., rehabilitation, economic development loans) will be undertaken by the program participant, has the participant developed standards to track and disburse the program income (for an eligible use)?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Provide Cross-Reference to Standards:	

b. Does the program participant have a system and standards for tracking program income generated by subrecipients or other entities to which funds are passed through? [24 CFR 570.502(a)(4), 24 CFR 570.489(d)]	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Provide Cross-Reference to Standards:	

c. If program income will be retained by a subrecipient or pass-through entity, does the program participant have a system and standards for ensuring that such income is reported in a timely and accurate manner?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Provide Cross-Reference to Standards:	

d. Upon expiration of any agreements between the program participant and a subrecipient and/or pass-through entity, does the participant have standards to ensure:	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
i. the timely and accurate transfer of any funds to be returned to the participant; and/or	
ii. the timely and accurate transfer of outstanding loans or accounts receivable?	
Provide Cross-Reference to Standards :	

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10.

<p>Does the program participant have standards that explain how it will comply with the requirements governing the receipt of, and reporting on the use of, program income in the DRGR System? (NOTE: program income, other than program income deposited in revolving funds, must be disbursed in payment of program costs prior to making further cash withdrawals.) [24 CFR 570.502(a)(5), 24 CFR 570.504(b), 24 CFR 570.489(d)]</p>
<p>Provide Cross-Reference to Standards:</p>

11.

<p>If the program participant will provide loans, does it have standards that describe how it will properly service all CDBG-assisted loans, including:</p> <ul style="list-style-type: none"> i. written loan agreements that clearly describe the repayment terms, what constitutes a default and how it can be cured, what actions the program participant will take if the default is not cured, and (if applicable) what is pledged as security for the loan? ii. collection standards that provide for the recognition of all current amounts due, payments received, notification to borrower when payments are overdue, a process for taking further action on defaulted loans, and criteria for writing off bad debts? <p>[24 CFR 570.502(a)(4), 24 CFR 570.489(d)]</p>	<table style="margin: auto;"> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Yes</td> <td>No</td> <td>N/A</td> </tr> </table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Yes	No	N/A					
<p>Provide Cross-Reference to Standards:</p>							

F. SALARIES AND WAGES

12.

<p>Does the program participant have standards to ensure charges to the CDBG disaster recovery program for salaries and wages (whether treated as direct or indirect costs) are based on payrolls documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit? [24 CFR 570.502(a)(4), 24 CFR 570.489(d)]</p>	<table style="margin: auto;"> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Yes</td> <td>No</td> <td>N/A</td> </tr> </table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Yes	No	N/A					
<p>Provide Cross-Reference to Standards:</p>							

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13.

<p>a. Does the program participant have standards to ensure that the charges for the salaries and/or wages of employees working solely on the CDBG disaster recovery program are supported by periodic certifications? E.g., a certification would state that the employee worked solely on that program for the period covered by the certification. [OMB Circular A-87, Attachment B, #8(h)(3), 24 CFR 570.502(a)(4)]</p>	<table border="0"> <tr> <td align="center"><input type="checkbox"/></td> <td align="center"><input type="checkbox"/></td> <td align="center"><input type="checkbox"/></td> </tr> <tr> <td align="center">Yes</td> <td align="center">No</td> <td align="center">N/A</td> </tr> </table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Yes	No	N/A					
<p>Provide Cross-Reference to Standards:</p>							

<p>b. Do the standards require the certifications to be prepared at least semi-annually and signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee? [OMB Circular A-87, Attachment B, #8(h)(3), 24 CFR 570.502(a)(4)]</p>	<table border="0"> <tr> <td align="center"><input type="checkbox"/></td> <td align="center"><input type="checkbox"/></td> <td align="center"><input type="checkbox"/></td> </tr> <tr> <td align="center">Yes</td> <td align="center">No</td> <td align="center">N/A</td> </tr> </table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Yes	No	N/A					
<p>Provide Cross-Reference to Standards:</p>							

G. INDIRECT COSTS

14.

<p>If indirect costs will be charged to the CDBG disaster recovery program, do the participant's standards reference a Cost Allocation Plan and/or an Indirect Cost Rate proposal (developed in accordance with OMB Circular A-87, Attachments C and E)? [OMB Circular A-87, 24 CFR 570.502(a)]</p>	<table border="0"> <tr> <td align="center"><input type="checkbox"/></td> <td align="center"><input type="checkbox"/></td> <td align="center"><input type="checkbox"/></td> </tr> <tr> <td align="center">Yes</td> <td align="center">No</td> <td align="center">N/A</td> </tr> </table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Yes	No	N/A					
<p>Provide Cross-Reference to Standards:</p>							

H. LUMP SUM DRAWDOWNS

15.

<p>If the program participant will draw down funds in a lump sum, do its standards address this process? [24 CFR 570.513]</p>	<table border="0"> <tr> <td align="center"><input type="checkbox"/></td> <td align="center"><input type="checkbox"/></td> <td align="center"><input type="checkbox"/></td> </tr> <tr> <td align="center">Yes</td> <td align="center">No</td> <td align="center">N/A</td> </tr> </table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Yes	No	N/A					
<p>Provide Cross-Reference to Standards:</p>							

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I. OMB CIRCULAR A-133: AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS

Instructions: Program participants under many CPD programs are subject to OMB Circular A-133, which establishes audit requirements pursuant to the Single Audit Act Amendments of 1996 for states, local governments, and non-profit organizations that receive Federal aid. The Circular defines responsibilities for implementing and monitoring those requirements. Program participants that, in turn, provide Federal funds to secondary organizations are called pass-through entities. For simplification purposes, the term “subrecipient” will be used in this guide to refer to all such secondary organizations (including units of local government that receive funds from a CDBG disaster recovery State grantee). Pass-through entities are required by OMB A-133, § ____.400(d) to establish systems to oversee subrecipient compliance with A-133. This section of questions is designed to assist in determining whether the participant is in compliance with the required elements of an audits management system.

16.

Does the program participant have standards to ensure that audits are conducted:	
a. at the proper time? [OMB Circular A-133, § ____.320(a)],	
b. by independent, qualified personnel? [OMB Circular A-133, § ____.305], and	
c. in a manner which meets the Comptroller General’s audit standards? [OMB Circular A-133, § ____.500]?	
[24 CFR 570.502(a)(7), 25 CFR 570.489(d)]	
Provide Cross-Reference to Standards:	

17.

a. Does the program participant’s most recent audit report include an opinion on whether the financial statements are presented fairly in all material respects in conformity with GAAP and whether the schedule of expenditures is presented fairly in all material respects? OMB Circular A-133, § ____.310(a) and 24 CFR 570.502(a)(7)]	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No
Describe Basis for Conclusion:		

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<p>b. Do the program participant's most recent financial statements reflect its financial position, results of operations or changes in net assets and, where appropriate, cash flows for the fiscal year? [OMB Circular A-133, § __.310(a) and 24 CFR 570.502(a)(7)]</p>	<p align="center"> <input type="checkbox"/> <input type="checkbox"/> Yes No </p>
<p>Describe Basis for Conclusion:</p>	

18.

<p>Does the program participant have standards that require each subrecipient to have internal accounting and other control systems to provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations, including OMB Circular A-133? (NOTE: each subrecipient must permit independent auditors and program participant staff to have access to the records and financial statements, as necessary, to ensure compliance with the Circular and CDBG disaster recovery program requirements.)</p>	<p align="center"> <input type="checkbox"/> <input type="checkbox"/> Yes No </p>
<p>Provide Cross-Reference to Standards:</p>	

19.

<p>Do the program participant's standards describe a process for referring contested findings and recommendations to senior level officials, outside of the normal chain of command, for resolution? [24 CFR 570.502(a)(7)]</p>	<p align="center"> <input type="checkbox"/> <input type="checkbox"/> Yes No </p>
<p>Provide Cross-Reference to Standards :</p>	

20.

<p>Do the program participant's standards require prompt notification to HUD and federal law enforcement authorities of illegal acts or irregularities? [24 CFR 570.502(a)(7)]</p>	<p align="center"> <input type="checkbox"/> <input type="checkbox"/> Yes No </p>
<p>Provide Cross-Reference to Standards:</p>	