

CHAPTER 12 – FINANCIAL

Chapter Outline

Financial Management System
The Department's Requirements
Accounting Records
Source Documents
Receipt Procedures
Electronic Funds Transfer
Bank Accounts
Payment Procedures
Administrative Costs
Matching Funds
Indirect Costs
Requesting NAHTF Funds
Drawing Funds
Contract Records

Financial Management System

Grantees should take the following steps to prepare a financial management system for implementation of a NAHTF grant:

- Appoint person to be responsible for Financial Management.
- Establish accounting records.
- Set up bank accounts and establish receipting procedures.
- Establish payment schedules and approval procedures.

The Department's Requirements

The Department identifies three basic functions that must be served by the financial management system:

- 1) The financial management system must have an identified procedure for recording all financial transactions.
- 2) All expenditures should be related to activities proposed in the grant application approved by the Department.
- 3) All expenditures of NAHTF funds should be in accordance with applicable laws, rules, and regulations.

Furthermore, grantees should incorporate the following into the management of a NAHTF project:

Financial reporting

Accurate, current, and complete disclosure of the financial results of financially assisted activities.

Accounting records

Maintain records that adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Internal control

Effective control and accountability must be maintained for all cash, real and personal property, and other assets. Grantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

Budget control

Actual expenditures or outlays must be compared with budgeted amounts for each grant. Financial information must be related to performance or productivity data.

Allowable cost

NAHTF regulations, and the terms of NAHTF Contract will be followed in determining the reasonableness, allowability, and allocability of costs.

Source documentation

Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

Cash management

Procedures for minimizing the time elapsing between the transfer of funds from the State and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

Program Income

Procedures must be in place to track program income generated from NAHTF activities. Grantees must be able to show the Department at any given time the source of all NAHTF program income, how it has been used and how much is on-hand. Remember that program income generated by the use of NAHTF program income continues to be NAHTF program income. Grantees must keep track of all CDBG, HOME and NAHTF program income separately by funding source.

Accounting Records

Each grantee should determine the accounting records that will assist in providing accurate and complete financial information. The NAHTF accounting records may be fully integrated into the grantee's existing accounting system or may be partially integrated into the existing system with subsidiary ledgers developed as needed to provide the required grant accounting. At a minimum, the grant accounting system must:

- 1) Clearly identify all receipt and expenditure transactions of the grant; and
- 2) Provide for budgetary control by tracking expenditures and accrued obligations by approved NAHTF activities.
- 3) Accounting methods should be in accordance with Generally Accepted Accounting Principles.

Department staff or the grantee's auditors should be able to readily trace NAHTF transactions through the accounting system. Also, all amounts shown on NAHTF reports should reconcile to the grantee's accounting records.

Grantees must be able to report NAHTF expenditures by approved activity and budgeted line item. Budget balances must be maintained for each approved activity that account for NAHTF expenses accrued or obligations incurred (e.g. contracted amounts) which have not yet been paid.

Source Documents

Source documents provide information to be transferred to the accounting records. A source document may be a cancelled check, invoice, purchase order, time sheet, or contract. All source documents that pertain to the NAHTF project should be identified through a code or by using the NAHTF grant number and budget line item code. This will assure that the charges against the project are properly recorded in the NAHTF accounting records.

Purchase orders should be used when requesting supplies and materials for the project. The purchase order is prepared in the same manner as all other purchase orders for the grantee and should include a reference to NAHTF.

Contracts should be kept in a separate file. The signed contract represents an obligation of NAHTF funds. When payments are made on the contract, these should be recorded in the contract file on a contract control card. If there are several contracts, a contract register should be used as a management tool.

An invoice or statement for services rendered is typically submitted by a contractor seeking payment. The accuracy of the invoice should be verified against purchase orders or contracts. Time sheets are another important source document. If staff time is charged to the project, time sheets must support the number of hours worked.

Cancelled checks, bank deposit slips, receipts, and other miscellaneous documents represent important source documents which are used in accounting for program expenditures or program income.

Receipt Procedures

In addition to NAHTF payments from the Department, cash receipts may also include program income and project funds received from other outside sources.

The Grantee must be certain that project receipts are adequately safeguarded. This includes providing for proper bonding in accordance with state law of those individuals that handle program funds, if required.

All NAHTF project receipts should be promptly deposited to the proper bank account and recorded as a receipt in the accounting system. NAHTF funds are to be drawn down only as required to pay immediate obligations or preferably to reimburse the grantee for payments already made for NAHTF-eligible expenses. The Department will consider the grantee in

violation of the requirement to minimize the elapse of time between receipt and expenditure of NAHTF funds, if more than fifteen working days elapses between receipt and expenditure.

Electronic Funds Transfer

All NAHTF payments to grantees are by Electronic Funds Transfer (EFT) to a designated local bank account. These payments are made through the Nebraska Information System (NIS for all federal and state grant payments to local governments and other organizations.

All local governments in Nebraska – cities, villages, counties – have an “electronic address” established by the State Treasurer’s Office which corresponds to a designated local bank account for receipt of funds from the State of Nebraska. This electronic address and corresponding bank account will be used for NAHTF grant payments with no additional action required by the local government grantee except to transfer NAHTF funds when received to a non-interest bearing account in accordance with NAHTF program requirements.

If a nonprofit grantee needs to establish a bank account for receipt of state funds or if a local government grantee wishes to have NAHTF funds deposited directly into a designated local non-interest bearing bank account, the grantee should complete and submit the State Treasurer ACH Enrollment Form. This form may be downloaded from the State Treasurer website at <http://www.treasurer.state.ne.us> or from the Department’s website and mailed to the Department upon completion. The Department will review the completed form and forward to State Accounting for action and State Treasurer for information. The State Treasurer is the designated “automated clearinghouse” or ACH for the State of Nebraska.

It is not required that the ACH enrollment form be submitted to receive NAHTF funds, unless the grantee has not ever established an account with the State Treasurer. If no action is taken by the grantee, the electronic address previously established will apply for the receipt of NAHTF funds. If a NAHTF-designated account (or Department-designated account) has been previously established through submission and processing of an ACH enrollment form, it is not necessary to submit this form for each new NAHTF grant; however, it is necessary to submit this form as a change action whenever a bank account in which NAHTF funds are currently being deposited has been changed (financial institution or account number).

If the local government or non-profit grantee wishes to direct NAHTF funds to a designated account, a completed State Treasurer ACH Enrollment Form must be sent to the Department. The form must be checked NEW (no bank account designated for NAHTF or Department funds currently exists) or CHANGE (making change to financial institution or account number). It is important to note that ACH forms should be submitted to the Department only after a new (or changed) local bank account has actually been set up and activated by the local financial institution.

In the VENDOR INFORMATION section, “Name” refers to the local government or non-profit organization, i.e. City of Seward, Village of Otoe, Gage County, Wayne Housing Development Corporation, etc. “Address” is the Mailing Address (normally a PO Box Number). “Federal Tax ID #” is the local governments or non-profits federal identification number.

In the area below “FAX #” enter: DED PAYMENTS ONLY (if this account may be used for CDBG, HOME/NAHTF grant payments, or other Department payments of any type) or NAHTF PAYMENTS ONLY (if to be used for NAHTF grant payments only). The Department will not forward an ACH Enrollment Form to State Accounting for a specific NAHTF grant, as these accounts tend to be transitory, subject to closure when account activity ceases, and frequently create confusion when multiple accounts are established.

The local bank completes the FINANCIAL INSTITUTION INFORMATION section. The service agreement portion of the form should be completed by both parties as to notification procedures on receipt of funds via EFT. Make sure both parties sign the form and that all other entries are completed and accurate. Mail the completed form to:

Nebraska Department of Economic Development
NAHTF Financial Aid Administrator
PO BOX 94666
Lincoln, NE 68509-4666

It may be up to 4 weeks or longer before the locally designated NAHTF or Department account has been assigned an electronic address by state government or an account number for an existing electronic address has been revised. Grantees should confirm with the Department that action has been completed before submitting an applicable request for NAHTF funds.

Bank Accounts

Grantees are not required to maintain separate bank accounts for the deposit of NAHTF funds. However, grantees must be able to reconcile NAHTF balances in the depository account.

Since interest may not be earned on the deposit of NAHTF funds, grantees must make every effort to not earn interest on NAHTF funds or to draw down NAHTF funds on a reimbursement basis. Under this system, the grantee pays all project costs (both the NAHTF share and the local share) and reimburses the account for the NAHTF share. In this way there are never unexpended NAHTF funds on deposit that would accrue interest earnings.

Bank accounts must be secured by F.D.I.C. insurance or bank pledged collateral for the full amount of NAHTF funds held in the account. Reconciliation of bank statements should be performed promptly.

Program income may and should be deposited in interest bearing accounts. See Chapter 10 - Program Income for information on program income.

Payment Procedures

A grantee must establish a system to review and approve all billings presented for payment under the grant. All invoices should be reviewed to determine that the costs are accurate, reasonable and allowable under NAHTF regulations. The governing body of the grantee should review and approve all payments.

The grantee should determine when NAHTF disbursements will be made--weekly, bi-weekly, monthly, quarterly. Identifying a cut-off time when all invoices and vouchers must be submitted

will assist in the planning for the request for funds. This timeline should be communicated to contractors and vendors.

The Department payment process is not designed be used as the initial payment for an activity, such as a loan closing, contractor payment, or administration payment. If grantees choose to use NAHTF funds in that manner, they do so at their own risk. There is no guaranteed NAHTF payment process timeline. It is considered a good idea to have access to other funds to make payment of NAHTF-eligible costs and use NAHTF funds to reimburse the grantee. In fact, it is recommended that a line of credit be obtained for an amount equal to 6 months of project expenses.

Contractors' invoices should be paid after verification has been made of work completed. A list of disbursements to be made should be prepared and the request for funds should be submitted to the Department on the appropriate forms. All payments for expenditures must be supported by source documentation, i.e., invoices or vouchers and kept on file. Source documentation, such as contractor payment request forms approved by an engineer or architect, showing eligible expenses have been incurred must be attached to submitted Request for NAHTF Funds forms before the Department will issue payment of NAHTF funds for rental projects. Capacity building and operating grants also require source documentation, such as invoices, timesheets and canceled checks, to be attached to Request for NAHTF Funds forms showing eligible expenses have been incurred and that the grantee has satisfied those obligations.

Administrative Costs

Note that each NAHTF award is unique. The Department provides funds for administrative costs in a variety of ways depending upon the nature of the project and the type of grantee. Grantees should understand the budget in the NAHTF Contract, including the line item to be used for administrative costs.

Grantees should confirm with their program representative as to the budget line item authorized for general administration of the award. This often will vary from the budget submitted with the original application.

Administrative costs are the costs associated with implementation of the grant. These costs may include: salaries for personnel who devote full or part time to the grant, cost of equipment and supplies used for grant activities, and the cost of administrative services provided by other agencies. General administration and housing management are typically the administrative line items in the budget in the NAHTF Contract. All administrative costs charged to the project must be documented, i.e., through timesheets, purchase orders, and invoices.

Note: The terms housing management, housing administration and project soft costs are interchangeable.

Employees paid in whole or in part from NAHTF funds should prepare timesheets indicating the hours worked for each pay period. Based on these timesheets and the hourly payroll costs for each employee, a voucher statement indicating the amount of time attributed to working on the

NAHTF project and a brief description of the activities should be prepared and placed in the appropriate files.

Matching Funds

Matching funds committed to the project as a part of the approved NAHTF Contract should be accounted for in grant records. The receipt and expenditure of the matching funds should be carefully documented. If matching funds are derived from a source outside the local government or non-profit, project records should identify the source and amount. Note that NAHTF does not require proportional drawdowns (showing matching funds in the same proportion as in the budget in the NAHTF Contract), however, matching funds must be shown on Request for NAHTF Funds forms and the Final Financial Report for the project. Grantees failing to meet the match required in the NAHTF Contract budget by the end of the project are subject to penalties that include repayment of NAHTF funds to the Department.

A Department program representative will finalize the NAHTF Contract budget during contract negotiations with the applicant. The source(s) of all matching funds will be discussed for eligibility. Generally, program income and CHDO proceeds generated from other NAHP grants awarded to the grantee are eligible match if they are targeted to the proposed project and subject to the same program guidelines. Matching funds, including program income from other NAHP grants, are reported as local funds applied on the Request for NAHTF Funds form. Program income from the current grant is reported as program income on the Request for NAHTF Funds form

Although grantees are not required to show proportional match on each draw, the Department may elect to not process request for funds if satisfactory progress of match contribution is not demonstrated.

Indirect Costs

Grantees who will charge indirect costs to the grant must submit an indirect cost allocation plan to the Department and receive approval prior to the Notice of Release of Funds.

Requesting NAHTF Funds

The request by the grantee for NAHTF funds is made using the Request for NAHTF Funds form. Please note that the NAHTF Funds form totals for you. This form can be downloaded from the Department's website. If a grantee is unable to download the form, it may be requested from the Department. The website includes complete instructions for properly completing the form to request funds.

Warning: prior to drawing down NAHTF funds, a grantee must:

- Receive a Notice of Release of Funds;
- Incur NAHTF-eligible costs

Drawing Funds

The Request for NAHTF Funds Form must be used to draw down NAHTF funds. The form with instructions is available on the Department's website. Please take special note of the following concerning the request, receipt and expenditure of NAHTF funds:

- A request for funds may not be submitted until the grantee has received a Notice of Release of Funds.
- Double and triple check the completed Request for NAHTF Funds form before sending it to the Department, as any errors will cause considerable delay in payment.
- Request only the amount of funds needed to pay immediate obligations.
- Funds may be requested at any time and in any frequency; however, the minimum request is \$1500 except for the final request on a grant.
- NAHTF program income must be disbursed prior to requesting additional NAHTF funds for non-administrative activities.
- NAHTF funds on hand must be disbursed prior to requesting additional funds.
- Grantees may not earn interest on the deposit of NAHTF funds pending disbursement.
- If excessive amounts of cash (over \$5,000) are on hand for an extended period of time (over fifteen working days), the grantee must return the excess to the Department.
- The request for payment must be in accordance with the approved budget for the grant contained in the Sources & Uses of Funds section of the NAHTF Contract.
- The request for funds should show the status of all approved activities even if no funds are requested for one or more activities in a specific request.
- Amounts must be requested in whole dollar amounts only.
- For rental, capacity building and operating grants, source documentation (i.e. invoices, timesheets, cancelled checks etc.) must accompany the request for funds.

One copy of the completed Request for NAHTF Funds form must be mailed to the Department for processing. The signatures on the form must be original and correspond to those signatures on the current Authorization to Request NAHTF Funds form (initially required for Release of Funds) the Department has on file. Grantees must send in a new Authorization to Request NAHTF Funds form whenever the individuals authorized to sign Requests for NAHTF Funds change.

Grantees must contact their contract manager if budget amendments, extensions of contract completion dates, match waivers, or other actions are needed in connection with requesting NAHTF funds. The Department's website has a NAHTF Contract Amendment Request form for use by the grantee in requesting changes to the contract.

All NAHTF payments to grantees are by Electronic Funds Transfer (EFT) to a designated local bank account. These payments are made through the Nebraska Information System (NIS) based on the "electronic address" established by the Nebraska State Treasurer.

Contract Records

Grantees will enter into contracts that will require record keeping and reporting consistent with the NAHTF financial management requirements.

A proper system of management should include:

- A contract file for each signed contract.
- Enter the contract in a contracts register.
- Establish a control card for each contract that tracks invoices and payments.

The file for each contract must contain the following:

- A signed contract and amendments.
- A schedule of payments supported by copies of time sheets; copies of checks or transfer notifications; copies of approved authorization/payment forms; and copies of invoices.
- All related correspondence.
- Property records (where appropriate).
- Any notice of cancellation, termination or suspension of the contract.
- Final inspection reports.

A contracts register should be used to record all contracts signed. This register will be the summary record for all contracts. The register also indicates which contracts require compliance with other federal requirements.

In conjunction with the contract register a contract card should be established for each contract. This card is used to record all payments on the contract and the percent of the work that has been completed.