

Costs and Grant Requirements

Acceptable financial management is a major component documenting the Department of Housing and Urban Development funds. Before reviewing the grant requirements, the Department of Grants Administration strongly encourages consideration of the following questions.

- Internal controls:* Does your agency have a written set of policies and procedures that define staff qualifications and duties, lines of authority, separation of functions, and access to assets and sensitive documents? Does your agency have written accounting procedures for approving and recording transactions? Are financial records periodically compared to actual assets and liabilities to check for completeness and accuracy?
- Accounting records:* Does your agency maintain an adequate financial accounting system, the basic elements of which should include: (a) a chart of accounts, (b) a general ledger, (c) a cash receipts journal, (d) a cash disbursements journal, (e) a payroll journal, (f) payable and receivable ledgers, and (g) job cost journals (if involved in construction)? Does your accounting system provide reliable, complete, and up-to-date information about sources and uses of all funds? Are "trial balances" performed on a regular basis (at least quarterly)?
- Allowable costs:* Does your agency have a clearly defined set of standards and procedures for determining the reasonableness, allowability, and allocability of costs incurred that's consistent with the basic Federal rules (OMB Circulars A-87 or A-122)? Does your agency know which specific types of expenditures are prohibited under the grant program? Does your agency have an approved indirect cost allocation plan?
- Source documentation:* Does your agency maintain up-to-date files of original source documentation (receipts, invoices, canceled checks, etc.) for all of your financial transactions?
- Budget controls:* Does your agency maintain an up-to-date (approved) budget for all funded activities, and perform a comparison of that budget with actual expenditures for each budget category? Does your agency regularly compare progress toward the achievement of goals with the rate of expenditure of program funds?
- Cash management:* Does your agency have a regular procedure for accurately projecting the cash needs of the organization that will serve to minimize the time between the receipt of funds from the grantee and their actual disbursement? Can your agency ensure that any program income is used for permitted activities, and that such program income is used before further draw-downs are made from the grantee for the same activity?
- Financial reporting:* Is your agency able to provide accurate, current, and complete disclosure of the financial results of each Federally-sponsored project or program in accordance with the reporting requirements of the grantee and HUD?
- Audits:* When was your last Independent Public Accountant (IPA) audit and what were the results? Does your agency have a copy of the management letter?
- Administration:* Does your agency have personnel that will be responsible for the collection and reporting of the requirements of this grant?