

U. S. Department of Housing and Urban Development

Office of Public and Indian Housing

Special Attention of: NOTICE PIH 2002-17 (TDHEs)

ONAP Administrators; Issued: June 28, 2002
Tribes; and Tribally Expires: June 30, 2003
Designated Housing
Entities

Cross Reference: 24 CFR Part 1000, OMB
Circular A-87 and OMB Circular A-133

Subject: Financial Audit Requirements

- 1. What is the purpose of this notice?** This Notice provides specific guidance on the financial audit requirements for the participants in the Indian Housing Block Grant (IHBG), Indian Community Development Block Grant (ICDBG) and other Office of Native American Programs (ONAP) grant programs, such as Rural Housing and Economic Development, and Public and Indian Housing Drug Elimination Program.
- 2. What are the financial audit requirements for IHBG recipients?** Title 24 CFR §1000.544 requires recipients to comply with the requirements of the Single Audit Act and OMB Circular A-133 by obtaining annual audits if a recipient expends \$300,000 or more in Federal funds in a fiscal year.
- 3. What are the financial audit requirements for ICDBG and other grant program recipients?** Title 24 CFR §1003.501 incorporates 24 CFR Part 85 in the requirements that apply to ICDBG recipients. Title 24 CFR §85.26, Non-Federal Audits, states, “Grantees and sub-grantees are responsible for obtaining audits in accordance with the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507) and revised OMB Circular A-133, ‘Audits of States, Local Governments, and Non-Profit Organizations.’” The other programs available to ONAP recipients contain similar language and requirements.
- 4. What is the purpose of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, (Circular A-133)?** The purpose of Circular A-133 is to set forth standards to obtain consistency and uniformity for audits of non-Federal entities expending Federal awards.

- 5. What is the basic requirement for audits contained in Circular A-133?** Circular A-133 requires that “non-Federal entities that expend \$300,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part.”
- 6. Who are non-Federal entities?** Non-Federal entities are defined in Circular A-133 to be “States, local governments, or non-profit organizations.” Tribes are included as a state government for the purposes of this requirement. Section 405(a) of Native American Housing Assistance and Self –Determination Act of 1996 (NAHASDA) states “An entity designated by an Indian tribe as a housing entity [Tribally Designated Housing Entity (TDHE)] shall be treated . . . as a non-Federal entity that is subject to the audit requirements that apply to non-Federal entities . . .”
- 7. What are the basic audit requirements?** The basic requirements contained in Circular A-133 are:
- Obtain an audit if an entity expends \$300,000 or more in Federal grant awards in a reporting period;
 - Submit the audit reporting package to the Federal Audit Clearinghouse and concerned Federal agencies; and
 - Include in the audit report package the Financial Statements, Schedule of Federal Award Expenditures, Summary Schedule of Prior Audit Findings, auditor’s report(s) and corrective action plan.
- 8. Has ONAP expanded on the basic audit requirements?** ONAP has augmented the requirements of Circular A-133 by requesting recipients to:
- Identify in the Schedule of Federal Award Expenditures cumulative grant expenditures and current period expenditures for each open grant.
 - Submit a copy of the audit report package to ONAP when the package is submitted to the Federal Audit Clearinghouse. (Note: Title 24 CFR §1000.548 requires a recipient to submit a copy of their latest audit with their Annual Performance Report (APR). ONAP requests a copy of the audit be provided to ONAP concurrent with the submission to the Federal Audit Clearinghouse in lieu of with the APR.).
- 9. How often must an audit be conducted?** Circular A-133 requires annual audits, except where (a) a tribe is required by tribal law, which was in effect on January 1, 1987, to undergo its audits less frequently than annually. If this requirement is still in effect for the biennial period under audit, the tribe may undergo its audits biennially; or (b) a non-profit organization that for the periods between July 1, 1992, and January 1, 1995, had biennial audits may continue with biennial audits.

10. What are the audit responsibilities of ONAP recipients? The audit responsibilities of a recipient as stated in Circular A-133 are:

- Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.
- Maintain internal control over Federal programs that provides reasonable assurance that the recipient is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- Prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards.
- Ensure that audits required by Circular A-133 are properly performed and submitted when due.
- Follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan.

11. What requirements must the auditor meet? Circular A-133 requires that an auditor shall:

- Conduct the audit according to generally accepted governmental auditing standards.
- Obtain an understanding of the recipient's internal control procedures and perform tests to determine the effectiveness of the internal control procedures.
- Perform tests to determine if the recipient complied with the laws, regulations and the provisions of contracts or grant agreements that may have a direct and material effect on each of its major federal programs.
- Follow-up on prior audit findings, determine the reasonableness of recipient's summary schedule of prior audit findings and report as a current audit finding any instances of material misrepresentations in the summary schedule.

12. What are the cognizant federal agency audit responsibilities? Recipients expending more than \$25 million in federal awards a year shall have a cognizant audit agency. The cognizant agency will be the Federal agency providing the largest amount of funding, unless the Office of Management and Budget makes a specific assignment. The cognizant audit agency will:

- Provide technical audit advice and liaison to recipients and auditors.
- Review recipient extension requests for audit submission. The cognizant agency may grant an extension for good cause.
- Obtain or conduct quality control reviews of selected audits made by non-Federal auditors and provide the results, when appropriate, to other interested organizations.
- Inform appropriate Federal officials of irregularities or illegal acts.

- Advise the auditor and, where appropriate, the recipient of any deficiencies found in the audits that require corrective action by the auditor.
- Coordinate any additional audits or reviews so that the audits or reviews build upon work performed during the A-133 audit.
- Coordinate a management decision for audit findings that affect programs of more than one Federal agency.
- Coordinate the work and reporting responsibilities among auditors to obtain the most cost-effective audit.
- Consider requests to qualify as low-risk from recipients receiving biennial audits.

13. What are the oversight Federal agency responsibilities? Recipients expending \$25 million or less in federal awards shall have an oversight agency for audit. The oversight agency will be the Federal agency providing the largest amount of funding. The oversight agency will:

- Provide technical advice to recipients and auditors.
- Assume all or some of the responsibilities of the cognizant audit agency.

HUD will assume all of the cognizant audit agency responsibilities for those recipients for which HUD is the oversight agency.

14. What are federal awards for ONAP recipients? Federal awards to ONAP recipients mean Federal financial assistance in the form of grants and loan guarantees that recipients or subrecipients receive directly from ONAP, other Federal agencies or indirectly from pass-through entities.

15. How are federal awards identified in the audit report? ONAP recipients are required to identify all Federal funds received and expended and the Federal programs under which the funds were received. Federal program identification includes the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, awarding Federal agency, and any pass-through entities. CFDA titles and numbers may be found on the Internet at <http://aspe.os.dhhs.gov/cfda/idept.htm>.

16. What CFDA titles and numbers apply to ONAP programs? The CFDA titles and numbers applicable to ONAP may be found on the Internet at <http://www.hud.gov/cfda/cfda.cfm> and are provided below:

- 14.250 Rural Housing and Economic Development
- 14.850 Public and Indian Housing
- 14.854 Public and Indian Housing Drug Elimination Program
- 14.862 Indian Community Development Block Grant Program
- 14.865 Public and Indian Housing: Indian Loan Guarantee Program
- 14.867 Indian Housing Block Grants
- 14.869 Title VI Federal Guarantees for Financing Tribal Housing Activities

- 14.870 Resident Opportunity and Supportive Services

17. What are the financial statement requirements? An ONAP recipient is required to prepare financial statements that reflect its financial position, results of operations, and cash flows for the fiscal year; that is the Balance Sheet, Statement of Revenues and Expenses, and Statement of Cash Flows.

18. Are there any other required statements? ONAP recipients are also required to prepare a Schedule of Expenditures of Federal Awards and a Summary Schedule of Prior Audit Findings.

19. What is required to be included in the Schedule of Expenditures of Federal Awards? The schedule shall:

- Identify individual programs by Federal agency.
- Identify Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity.
- Provide the total amount expended for each Federal grant award and the CFDA number. ONAP recipients should identify cumulative expenditures to-date and expenditures for the current period for each open ONAP grant.
- Describe significant accounting policies used in preparing the schedule.
- Identify the total amount provided to subrecipients from each Federal program.
- Identify the value of non-cash assistance, amount of insurance in effect during the year and loans or loan guarantees outstanding at the year's end.

20. When are audit reports due? ONAP recipients are to submit a complete audit report package to the Federal Audit Clearinghouse within 30 days of receipt from the auditor or nine months after the end of the recipient's fiscal year, whichever occurs earlier. ONAP program recipients are requested to submit a copy of the audit report package to the appropriate ONAP Area Office when the package is submitted to the Clearinghouse.

21. What is included in the audit report package? The audit report package is comprised of the financial statements and Schedule of Expenditures of Federal Awards, summary schedule of prior audit findings, the auditor's report(s), and a corrective action plan. A sample audit report package and a Data Collection Form are attached.

22. What is the address of the Federal Audit Clearinghouse? The audit report package and a Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations (Form SF-SAC, also attached) are to be submitted to the Federal Audit Clearinghouse. The address for the Clearinghouse is:

Federal Audit Clearinghouse
Bureau of the Census
1201 E. 10th Street
Jeffersonville, IN 47132

23. How many copies of the reporting package should be submitted? In addition to the audit report package for the Clearinghouse, Federal program participants are required to include additional copies of the report package for the each Federal awarding agency when the schedule of findings and questioned costs disclosed audit findings relating to Federal awards that the Federal awarding agency provided directly. Also, copies must be submitted for each Federal awarding agency when the summary schedule of prior audit findings reported the status of any audit findings relating to Federal awards that the Federal awarding agency provided directly.

24. What happens if an audit is not performed and submitted? Circular A-133 provides that no audit costs may be charged to Federal awards if the financial reviews have not been performed according to the Circular requirements. In instances of inability or unwillingness to comply with Circular A-133, Federal agencies may take appropriate actions using sanctions, such as:

- a. withholding a percentage of the Federal award until the audit is satisfactorily completed;
- b. withholding or disallowing overhead costs;
- c. suspending Federal awards until the audit is conducted; or
- d. terminating the Federal award.

Any sanction for failure to meet the audit requirements of Circular A-133 by NAHASDA program recipients would follow the sanction process provided for in NAHASDA Title IV and Subpart F of 24 CFR Part 1000.

25. Are audit costs eligible IHBG costs? Title 24 CFR Section 1000.546 states that audit costs are an eligible program or administrative expense.

26. May a financial review be charged to IHBG? Title 24 CFR Section 1000.546 allows IHBG funds to be used to obtain a financial review for those ONAP recipients expending less than \$300,000 in Federal awards in a fiscal year. Recipients who obtain such a financial review are to submit a copy of the review to ONAP when it is received from the auditor. ONAP recipients are not required to submit the financial review to the Federal Audit Clearinghouse.

27. What are the work paper retention requirements for Auditors? Auditors are required by Circular A-133 to retain their audit working papers and reports for a minimum of three years after the date of issuance of the auditor's report(s) to the recipient unless notified in writing by the cognizant or oversight agency for audit or the pass-through entity to extend the retention period.

28. Who may review the Auditor's work papers? Audit working papers shall be made available upon request to the cognizant or oversight agency for audit or its designee, a Federal agency providing direct or indirect funding or the United States General Accounting Office. ONAP has delegated its responsibility to conduct quality control reviews of audit working papers to the Real Estate Assessment Center's Quality Assurance Subsystem (QASS) Team for those entities for which HUD is the oversight agency. The QASS Team will conduct such reviews beginning in Federal Fiscal Year 2002.

If you have any questions regarding this policy, please contact your assigned Grants Evaluation Specialist in the local ONAP Area Office.

/s/ _____
Assistant Secretary for Public and Indian Housing

**SAMPLE AUDIT REPORT PACKAGE
APPENDIX**

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INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Any Indian Housing Authority as of September 30, 200X, and for the year then ended. These financial statements are the responsibility of the Any Indian Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial and compliance audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Any Housing Authority, Anywhere, USA, as of September 30, 200X and the results of its operations and changes in its retained earnings for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 200X on our consideration of the Any Indian Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statements taken as a whole.

May 15, 200X

ANY INDIAN HOUSING AUTHORITY

COMBINED BALANCE SHEET

For the Year Ended September 30, 200X

ASSETS

Current Assets

Cash	75,000
Investments	<u>125,000</u>
Total Cash and Cash Equivalents	200,000

Receivables

Grants	300,000
Tenants	72,000
Miscellaneous	<u>8,050</u>
Total Accounts Receivables	<u>380,050</u>

Total Current Assets	580,050
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Property, Plant and Equipment

Development Costs	1,985,067
Land, Structures and Equipment	<u>18,456,865</u>
Total Property, Plant and Equipment	20,441,932

<u>TOTAL ASSETS</u>	<u><u>21,021,982</u></u>
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LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	45,025
Accrued Expenses	86,142
Tenant Security Deposits	<u>52,457</u>

Total Current Liabilities	183,624
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Equity	<u>20,838,358</u>
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<u>TOTAL LIABILITES AND EQUITY</u>	<u><u>21,021,982</u></u>
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ANY INDIAN HOUSING AUTHORITY

COMBINED STATEMENT OF REVENUES AND EXPENSES

For the Year Ended September 30, 200X

Revenues	
Dwelling Rental revenue	\$ 78,920
Other Income	<u>14,567</u>
Total revenues	\$ 93,487
Expenses	
Administrative	\$ 38,765
Tenant services	14,965
Utilities	11,345
Ordinary Maintenance	11,367
General	9,673
Non-routine Maintenance	<u>5,092</u>
Total operating expenses	\$ <u>91,207</u>
Excess Operating Revenue over Operating Expenses	\$ 2,280
Non-Operating Income (Expenses)	
Investment Income	\$ 5,813
Prior year adjustments affecting receipts	<u>587</u>
Total Non-Operating Income (Expenses)	\$ <u>6,400</u>
Net Income	\$ <u><u>8,680</u></u>

ANY INDIAN HOUSING AUTHORITY
COMBINED STATEMENT OF CHANGES IN EQUITY
For the Year Ended September 30, 200X

Retained Earnings

Balance - October 1, 200X	\$ 20,824,005
Prior Period Adjustment	<u>5,673</u>
Balance - October 1, 200X, as restated	\$ 20,829,678
Net Income	<u>8,680</u>
Balance - September 30, 200X	\$ <u><u>20,838,358</u></u>

ANY INDIAN HOUSING AUTHORITY

COMBINED STATEMENT OF CASH FLOWS

For the Year Ended September 30, 200X

Cash Flow From Operating Activities

Operating Income	\$	2,280
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Changes in assets and liabilities:

(Increase) decrease in receivables	(65,956)
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Increase (decrease) in accounts payable	14,814
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Increase (decrease) in accrued expenses	514
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Increase (decrease) in tenant security deposits	<u>1,556</u>
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Net Cash Provided (Used) By Operating Activities	\$ <u>(46,792)</u>
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Cash Flows from Capital & Related Financing Activities:

Acquisition & construction of capital assets	\$ (19,673)
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Cash Flows from Investing Activities:

Sale of Investments	\$ 50,000
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Investment Income	<u>5,813</u>
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Net Cash Provided by Investing Activities	\$ 55,813
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Net Increase (Decrease) in Cash and Cash Equivalents	(10,652)
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Cash and Cash Equivalents - Beginning of the Year	<u>210,652</u>
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Cash and Cash Equivalents - End of the Year	\$ <u><u>200,000</u></u>
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ANY INDIAN HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 200X

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Any Indian Housing Authority (Housing Authority) was created under an ordinance of the Any Indian Tribe (Tribe) to engage in or assist in the development and operation of low rent housing for qualified individuals.

Reporting Entity

The Authority is a federally recognized governmental entity. The Authority is governed by a Board of Directors appointed by the Tribe and has governance responsibilities over all activities related to the Authority and its operation. The Authority receives funding from federal government sources and must comply with the applicable requirements of those funding sources. The Authority is not included in any other governmental "reporting entity" as defined in Section 2100 *Codification of Governmental Accounting and Financial Reporting Standards* since the Board members, while they are appointed by the Tribe, have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

The criteria used in determining the scope of the Authority for financial reporting purposes is as follows:

- The ability of the Board to exercise supervision of a component unit's financial interdependency.
- The Board's governing authority extends to the fiscal decision making authority and is held primarily accountable for decisions.
- The ability of the Board to significantly influence operations through budgetary approvals, sign and authorize contracts, exercise control over facilities, and approve the hiring or retention of key management personnel.
- The ability of the Board to have absolute authority over all funds of the Authority and to have accountability in fiscal matters.

The Authority follows the criteria in GASB statement #14, "The Financial Reporting Entity", to determine the organizations for which the authority is financially accountable. Criteria, included in GASB statement #14, used to determine if a particular entity is financially accountable are an authority official appointing a voting majority of the entity's governing body and (1) the ability of the authority to impose its will on that entity or (2) the potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the authority.

The Authority has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Authority's financial statements.

FUND ACCOUNTING

The accounts of the Authority are organized on the basis of funds. The activities of the various funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenses. The various funds are summarized by type in the financial statements. The following funds are used by the Authority:

Enterprise Funds - to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis by financed or recovered primarily thorough user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Authority's policy is to prepare its financial statements for all fund types on the basis of generally accepted accounting principles. Due to the passage of the Native American Housing Assistance Self-Determination Act of 1996 (NAHASDA), the financial statements for this audit are prepared on the basis of proprietary fund accounting.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The accrual basis is followed by the proprietary fund types. Under the accrual basis of accounting, revenues are recorded when earned. Expenditures are recorded when the related fund liability is incurred, if measurable.

- a. Revenue and expense items on projects which are in the development stage are capitalized rather than recorded as revenue or expenses in the current period.

- b. Construction-in-progress on projects which are in the development or modernization states are reflected in the Development Costs account on the balance sheet.
- c. Land, structures and equipment are stated at cost. Depreciation expense or related accumulated depreciation is reflected in the accompanying financial statements.
- d. Contracts which have been entered into, but not performed, are recorded as payables and expenses based on the expenditures being included in the current year budget.
- e. A comparison of actual to budget is not presented in these financial statements.
- f. Accrued vacation and sick leave expenses have been recorded as liabilities in these financial statements.

BUDGET

The Authority prepares its budget for the fiscal year using the same basis of accounting as the financial statements.

NOTE 2 - CASH AND INVESTMENTS

The Authority's investments consist entirely of money market accounts with the designated depositories. Investments are stated at cost and are properly secured by FDIC insurance coverage and are with designated depositories which meet or exceed the Governmental National Mortgage Association Ratings. Other cash deposits are with the designated depositories and are properly secured at all times.

At September 30, 200X, the carrying amount of the Authority's deposits and investments were \$125,000, and the bank balance was \$75,000.

Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining \$100,000 is unsecured. However, the Authority has taken steps suggested by HUD to document that the bank isn't likely to fail, and therefore is in compliance.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 200X consist of the following items:

Indian Housing Block Grant	\$ 300,000
Low Rent Tenants	12,000
Miscellaneous	<u>8,050</u>
Total	328,050

Accounts deemed uncollectible are recognized as an expense when written off.

NOTE 4 - ACCRUED LIABILITIES

Accrued expenses at September 30, 200X, consist of user fees payable to the Any Indian Tribe of \$50,000 and \$36,142 in accrued vacation and sick leave expenses.

NOTE 5 - RETIREMENT PLAN

All full time employees are given a retirement benefit that is invested in employee-directed investment plans with two insurance companies. The benefit is a defined contribution of 8 percent of employee wages. The benefit amounted to \$65,923 for the year ended September 30, 200X.

NOTE 6 - ECONOMIC DEPENDENCY

The Authority receives the majority of the funds used for housing projects from the US Department of Housing and Urban Development.

NOTE 7 - PRIOR PERIOD ADJUSTMENTS

Certain prior years adjustments (affecting and not affecting residual receipts) were recorded to correct/reclassify various prior year project expenditures.

NOTE 8 - RISK MANAGEMENT

In the normal course of business, the Any Indian Housing Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance.

The Any Indian Housing Authority participates in the State Worker's Compensation Bureau.

Settle claims resulting from these risks have not materially exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GRANTS

The Authority participants in federal grant programs, which are governed by various rules and regulations of the grantor agency. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Authority has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 200X, may be impaired. In the opinion of the Authority, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies. The Authority is subject to possible examination by Federal authorities that determine compliance with terms, conditions, laws and regulations governing grants given to the Authority in the current and prior years.

NOTE 10 - RELATED PARTY TRANSACTIONS

The Authority is the general partner for the Lodges of Any Reservation, a low income tax credit project. The Authority collects rents and performs management functions for the project. The Authority has \$510 in rent collections that has not been remitted to the partnership as of September 30, 200X.

ANY INDIAN HOUSING AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended September 30, 200X

Program Title	CFDA Number	Grant Number	Grant Award	Cumulative Grant Expenditures - 10/1/0X	Grant Expenditures Current Year	Cumulative Expenditures 9/30/0X	Grant - Balance - 9/30/0X
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
NAHASDA	14.867	99IH1234567	300.000	200.000	85.000	285.000	15.000
NAHASDA	14.867	00IH1234567	<u>310.000</u>		<u>165.000</u>	<u>165.000</u>	<u>145.000</u>
	14.867		610,000	200,000	250,000	450,000	160,000
Traditional Housing Development	14.850	SD91B004120	2,500,000	1,000,000	16,000	1,016,000	1,484,000
Comprehensive Grant	14.850	SD91B004702-97	<u>1,400.000</u>	<u>800.000</u>	<u>65.000</u>	<u>865.000</u>	<u>535.000</u>
	14.850		<u>3,900.000</u>	<u>1,800.000</u>	<u>81.000</u>	<u>1,881.000</u>	<u>2,019.000</u>
TOTAL FEDERAL EXPENDITURES			<u>4,510.000</u>	<u>2,000.000</u>	<u>331.000</u>	<u>2,331.000</u>	<u>9,172.000</u>

In our opinion, except for the noncompliance described in the preceding paragraph, the Any Indian Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 200X.

Internal Control Over Compliance

The management of the Any Indian Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Any Indian Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Housing authority's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 0X-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that compliance with applicable laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions identified above to be material weaknesses. However, we believe none of the reportable conditions described above are not material weaknesses.

This report is intended solely for the information of the Board of Commissioners, management and federal awards agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Denver, Colorado

October 29, 200X

Any Indian Housing Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 200X

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors report issued - unqualified

Internal control over financial reporting

- Material weaknesses identified? - no
- Reportable conditions identified that are not considered to be material weaknesses? - no

Noncompliance material to financial statements noted? - no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? - no
- Reportable conditions identified that are not considered to be material weaknesses? - yes

Type of auditor's report issued on compliance for major programs - qualified

Any audit findings that are require to be reported in accordance with Section 510(a) of Circular A-133? - yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.850	Public and Indian Housing
14.867	Indian Housing Block Grant

Dollar threshold used to distinguish between Type A and Type B programs - \$300,000

Auditee qualified as low-risk auditee? - no

Any Indian Housing Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended September 30, 200X

Section II - Financial Statement Findings

No matters reported.

Section III - Federal Award Findings and Questioned Costs

Finding Number 0X-1 - Low Rent and Mutual Help Operations

As noted in prior audit, tenant accounts receivable continue to be excessive. Balance at September 30, 200X was \$72,000. This amount is extremely excessive when considering that total dwelling rental for the fiscal year was \$78,920 for both Low Rent and Mutual Help Programs. This situation may affect the Authority's ability to meet current financial obligations as they become due.

We recommend that management should aggressively seek payments or institute termination and eviction procedures as required by the Authority's procedures manual.

Management's Response

The Any Indian Housing Authority Counselor continues to work with the tenants in entering into repayment plans and agreements. The Any Indian Housing Authority is also trying to obtain further backing from their Tribal Council to ensure that rent payments are considered mandatory deductions for all Tribal Employees.

The Any Indian Housing Authority's Counseling Program has been working with the Crisis Team in an effort to assist families in developing household budgets and meeting their bills each month. In the case of tenants who will not cooperate, the Housing Authority will begin eviction processed through the Tribal Courts.

Any Indian Housing Authority

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 200X

U.S. Department of Housing and Urban Development

Finding No. 0X-1 Low Rent & Mutual Help Programs

Condition - Tenant accounts receivable were excessive.

Recommendation - Aggressive collection action was recommended.

Current status - Still a finding. See current Schedule of Findings and Questioned Costs.

Finding No. 0X-2 Low Rent & Mutual Help Programs

Condition - Has not performed an annual inventory.

Recommendation - It was recommended to perform an annual inventory.

Current status - An annual inventory was conducted. Finding is closed.