

Top Nine Financial Management Rules to Apply



CDBG Entitlement jurisdictions are required to follow the regulations found in 24 CFR Part 85.20 (Subpart C), which provides standards for financial management systems. State CDBG programs are expected to meet similar financial management standards, but the specific program regulations at 24 CFR 570 are much less detailed relative to financial management requirements.

State CDBG programs are required to have fiscal and administrative requirements sufficient to:

- **Show that uses of funds comply with all applicable statutory and regulatory requirements;**
- **Document that all funds received have been spent only for reasonable and necessary costs of program operation; and**
- **Demonstrate that program funds have not been used for general expenses of State or local government.**

States and local governments may comply with these requirements in one of three ways:

- **The state may use its own fiscal and administrative requirements applicable to its own funds;**
- **The state may adopt new fiscal and administrative requirements; or**
- **Apply the principles of 24 CFR Part 85 (listed above in the discussion of CDBG Entitlement communities).**

In adhering to the regulations found in 24 CFR Part 85.20 (Subpart C), CDBG Entitlement jurisdictions must have financial systems sufficient to:

1. **Provide adequate, current and complete disclosure of the financial results (regular financial reporting) of all financially assisted activities, in accordance with the programmatic requirements of the grant or sub-grant. The results will enable grantees to prepare the required financial reports such as the Consolidated Annual Performance and Evaluation Report (CAPER) and the Performance and Evaluation Report (PER);**
2. **Document that funds have been used only for permitted purposes. For CDBG this would include not only eligible activities but that the funded projects meet a national objective and were approved in the grant award;**

- 3. Maintain accounting records that show the sources and uses of funds, displaying funds authorized, obligated and unobligated balances, assets, liabilities, outlays or expenditures and income;**
- 4. Establish effective internal controls over all cash, real and personal property and other assets acquired with program funds;**
- 5. Track actual program cost against program budget in a manner that relates to program productivity and accomplishments;**
- 6. Use OMB Circular A87 Cost Principles for State, Local and Indian Tribal Governments to determine whether program costs are reasonable, allowable, and can be allocated, either directly or indirectly;**
- 7. Maintain source documentation for accounting records;**
- 8. Implement procedures for cash management that permit the timely disbursement to subgrantees and complete and accurate monitoring and reporting; and**
- 9. Comply with OMB Circular A-133 rules on audits.**

In addition, although not explicitly stated in the regulations, all CDBG grantees must ensure that the information in the Integrated Disbursement and Information System (IDIS) is consistent with paper data submissions and financial records maintained by the grantee. Complete and accurate data in IDIS also facilitates completion of the Consolidated Annual Performance and Evaluation Report (CAPER).