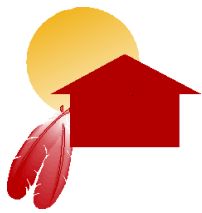
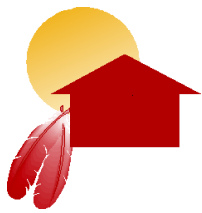


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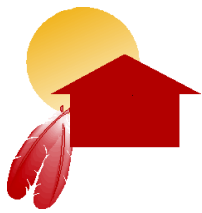
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| APPENDIX 3 – Indirect Costs/Cost Allocation | | | | |
| I. Purpose | | | | |
| <p>The purpose of this review is to determine:</p> <ul style="list-style-type: none"> • If the recipient is in compliance with the requirements for Indirect Cost Rate Proposals; or • If the recipient is in compliance with the requirements for Cost Allocation Plans; and • If the recipient is allocating the appropriate amount of indirect costs to its HUD grants. <p>Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective (programs and projects) and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned directly to Federal awards and other activities, as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives.</p> <p>The cost and other data used to distribute the costs should be supported by formal accounting and other</p> | <p>2 CFR 200.412-417 and Appendices IV, V, and VII</p> | | | <p>Read & Noted</p> |



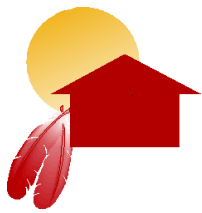
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| <p>records that support the propriety of the costs assigned to federal awards.</p> <p>If the recipient does not have an indirect cost rate or cost allocation plan but the review reveals that it should, the recipient can contact its Area ONAP on who to contact to provide technical assistance in developing one. This will be the responsibility of the recipient’s cognizant or oversight agency. If HUD is the cognizant or oversight agency, the appropriate office to refer the recipient to is the Office of Departmental Grants Management and Oversight. The web address is: http://www.hud.gov/offices/adm/grants/dgms/index.cfm.</p> <p><i>(If current IPA work papers are available, reliable, and document an adequate cost allocations/indirect rate review, document the assessment of the IPA’s review. Note: The reviewer should review any areas the auditor did not review and those where internal control weaknesses, noncompliance conditions, and/or questioned costs were disclosed. The reviewer should still test the indirect costs allocated to HUD grants.)</i></p> | | | | <p>NAHASDA was tested as one of our major programs in 2019 Audit occurring in 2020 and no areas of weakness or non-compliance were found.</p> |



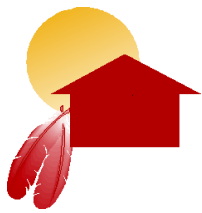
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| II. Pre-Visit Preparation | | | | - |
| <p>Generally, Tribal indirect cost billing rate proposals are submitted to and approved by the Department of the Interior (DOI). The recipient receives a letter from its cognizant or oversight agency (DOI, HHS, HUD) establishing approval for the indirect cost billing rate for each fiscal year. ONAP's review should focus on whether the recipient is using the approved billing rate, whether like-costs are billed both direct and indirect, whether HUD grants are included in the base, and whether the accounting system applies the rate to the appropriate base.</p> | | See Attached | | Read & Noted |
| <p>A. Determine if the recipient receives funding from more than one source and manages multiple programs. If no, skip to the next Section.</p> | | | | Yes, funds received from multiple programs |
| <p>B. If available, review the following documents:</p> <ol style="list-style-type: none"> 1. Policies and procedures (see section III for review instructions). 2. Previous monitoring findings in the areas of indirect costs and/or cost allocation plans. 3. Previous self-monitoring report(s). | | | | <p>Read & Noted</p> <p>N/A – no previous findings</p> <p>Read & Noted</p> |



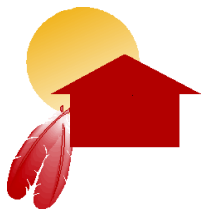
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| <ul style="list-style-type: none"> 4. Previous Single Audit and OIG audits findings and/or work papers in the areas of indirect costs and/or cost allocation plans. 5. Corrective action status for findings in either of these areas. 6. Previous and current enforcement actions. 7. Valid complaints in the areas of indirect costs and/or cost allocation plans. 8. Relevant correspondence regarding either of these areas. | | | | <p>N/A - No prior year IDC issues</p> <p>N/A – No corrective actions</p> <p>N/A – No current or previous enforcement actions</p> <p>N/A – no complaints</p> <p>Read & Noted</p> |
| <p>C. In addition:</p> <ul style="list-style-type: none"> 1. Request a copy of the recipient’s indirect cost rate proposals or cost allocation plan covering the period under review. 2. Determine how indirect costs are assigned or allocated to HUD grants (e.g., indirect rate, cost allocation plan, or fee-for-service agreements). <p>Review the trial balance or other submitted accounting data to determine the total amount of indirect charged to HUD grants.</p> | | | | <p>Read & Noted.</p> <p>IDC rate is negotiated annually and is a fixed with carryover rate.</p> <p>Indirect costs are applied to the program through the approved IDC rate</p> <p>\$156,399.19 in 2020 APR within the Planning & Admin line, of which \$148,890.78 was indirect.</p> |



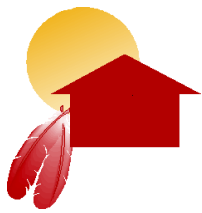
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| III. On-Site Review | | | | - |
| A. Go to the relevant section below for the appropriate review steps: <ol style="list-style-type: none"> 1. Section IV, Indirect Rates 2. Section V, Other Cost Allocation Method | | | | Read & Noted |
| IV. Indirect Rates | | | | - |
| A. Discuss with accounting personnel the procedures the recipient uses to bill for indirect costs. Indirect includes admin and planning costs. | 2 CFR Part 200 Appendix VII | <i>See Attached</i> | | We use a grant tracker that pulls out excluded items, then calculates the indirect for the program and the indirect shortfall paid by Tribal Council for all our budget work. The 2021 is attached for review. |
| B. Obtain a copy of the recipient's indirect cost rate proposals covering the period under review. <ol style="list-style-type: none"> 1. If the recipient does not have an indirect cost rate proposal and one is required because they have multiple grants, note the deficiency in the working papers. A finding should be developed. | | | | 2021 IDC proposal obtained and reviewed *See accounting files, too large to attach |
| <ol style="list-style-type: none"> 2. Notify GM to provide the recipient with the appropriate person/agency the recipient can call for assistance in developing a proposal. | | | | N/A – Negotiated with NBC |



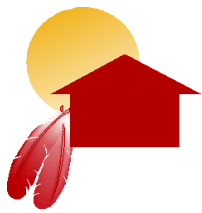
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| 3. Determine what base is used to compute the indirect cost rate (e.g., total direct costs, direct salaries and wages, or another base which measures relative benefits). | | | | Total Direct Cost Method used |
| 4. The base must exclude capital expenditures and other distorting items, such as pass-through funds, major subcontract, construction costs, contracts, direct payments to recipients (rent subsidies, down payment assistance) and consultant contracts (if distorting), etc. The indirect rate cannot be applied to any of these costs and should not be used in computing the rate. | | | | Exclusionary items seem proper based on estimates |
| 5. Determine if HUD program costs are included in the base. If HUD programs are not included in the base, the recipient cannot allocate indirect costs to HUD programs based on the rate; and all indirect costs charged to HUD grants should be questioned. If the Tribe needs help in computing an accurate indirect rate, note in working papers that technical assistance is needed. | | | | Yes, they are included in the base; however, our direct program services are excluded from the base, including Rental Assistance and Homelessness Prevention. |
| 6. Review the account names and the expenditure descriptions for areas of potential concern. | | | | No areas of concern found |



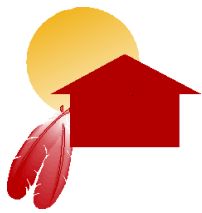
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| 7. Is there a history of including unallowable expenses? | | | | No |
| 8. Do the account names or expenditure descriptions indicate there are costs that may be unallowable? a. If not, and there is no history of expense accounts containing unallowable costs, go to item E. of this section. | | | | N/A – no unallowable expenses or accounts named as such |
| b. If there is a history or the account names or expenditure descriptions indicate costs may be unallowable, then sample expenses in those accounts to determine if they contain unallowable costs. Review the sampling methods in the General Instructions. | | | | N/A |
| (1) If no significant unallowable expenditures are disclosed, go to item E. in this Section. (Significant amounts will change the rate.) | | | | N/A |



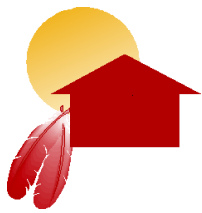
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| c. If significant unallowable expenditures are disclosed, expand the review of the pool expenditures. | | | | N/A – no unallowable costs found |
| (1) Select accounts for additional review. | | | | N/A |
| (2) Examine source documents and determine allowability. | | | | N/A |
| (3) Total all unallowable expenditures disclosed in the review. | | | | N/A |
| (4) Remove unallowable costs from the pool. | | | | N/A |
| (5) Recalculate the indirect cost rate. | | | | N/A |



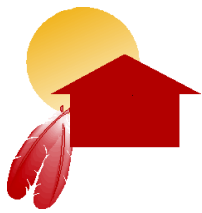
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| (6) Apply the new rate to the HUD base costs and question the difference between the amounts computed when the original rate is applied to HUD grant base costs and the amounts determine when the adjusted rate is applied to HUD grant base costs. | | | | N/A |
| C. Determine if like costs (expenditures for the same function) are charged both directly and indirectly to HUD programs. Common like costs are: | | | | Read & Noted |
| 1. Rent | | | | N/A – donated to programs by Tribal Council |
| 2. Utilities | | | | Charged directly to the program in 2021 only |
| 3. Equipment | | | | None purchased in 2021 |
| 4. Motor pools | | <i>See Attached x-mxjv-3694</i> | | Program owned vehicles maintenance and fuel is charged to program directly only for 2021; one incidence of mileage reimbursement occurred for staff use of personal vehicle due to C19 in 2020. |
| 5. Supplies | | | | Charged directly to the program only |
| 6. Accounting | | | | Charged indirectly to the program within the IDC rate |



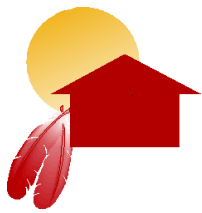
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| V. Other Cost Allocation Methods | | | | |
| A. Other methods of allocating costs are the cost allocation plan, or the fee-for-service agreements. | | | | Read & Noted |
| 1. Cost Allocation Plans | 2 CFR Part 200 Appendix V | | | N/A in 2021 |
| a. Where certain services are provided, such as motor pools, purchasing, accounting, personnel, etc., and the federal award benefits from these services, the use of a cost allocation plan may provide an appropriate method to allocate these costs. | | | | N/A in 2021 |
| b. Proposals are submitted to and approved by the appropriate cognizant agency. | | | | N/A in 2021 |
| c. The reviewer should focus on: | | | | N/A in 2021 |
| (1) whether the recipient is using the approved billing rate/amount, | | | | N/A in 2021 |
| (2) whether like-costs are billed both direct and indirect, and | | | | N/A in 2021 |



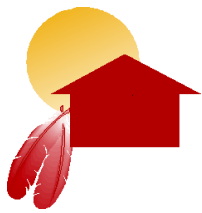
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| (3) whether the accounting system applies the correct rate to the appropriate base. | | | | N/A in 2021 |
| 2. Fee-For Service Agreements. | | | | N/A in 2021 |
| a. If a fee-for-service agreement is in place in lieu of a cost allocation plan, then: | | | | N/A in 2021 |
| (1) Determine what costs make up the service pool and analyze charges to determine if the cost is reasonable for the service provided. | | | | N/A in 2021 |
| (2) Review the base used to allocate the cost and determine if it is reasonable and includes all departments benefited. | | | | N/A in 2021 |
| For example, the following bases could be used: | | | | N/A in 2021 |
| Type of Service | Suggested Allocation Base | | | |
| Accounting | # of transactions | | | |
| Payroll | # of employees | | | |
| Personnel | # of employees | | | |
| Office space and related costs | square feet of space occupied | | | |



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| (3) Any method of distribution can be used, which will produce an equitable distribution of cost. | | | | N/A in 2021 |
| (4) The allocations should be supported by the accounting and other records. | | | | N/A in 2021 |
| b. Police Services above baseline (and other similar government services) | | | | N/A in 2021 |
| (1) Determine if baseline costs need to be considered. (A housing program may pay for additional services beyond what the Tribe provides to the general reservation public.) | | | | N/A in 2021 |
| (2) The baseline, additional charges, and additional services must all be documented. | | | | N/A in 2021 |
| (3) Review the process and the documentation to ensure charges are reasonable. | | | | N/A in 2021 |
| c. If \$150 per unit is used as a user fee or payment in lieu of taxes (PILOT): | | | | N/A in 2021 |



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| (1) Determine if other housing units (Tribal, non-low-income, etc.) are charged at least \$150 per unit per year. HUD has determined user fees are allowable only if the local government charges non-low-income and/or non-federal units are limited to \$150. | | | | N/A in 2021 |
| (2) Review the required memorandum of understanding (MOU), if PILOT is charged. The MOU should outline the services to be provided and the amounts to be paid. | | | | N/A in 2021 |
| (3) If no fee is charged to other units, question all user fees charged to HUD funds. | | | | N/A in 2021 |
| (4) Verify that the number of units and the amount used in the calculation are accurate and trace the charge through the accounting system. | | | | N/A in 2021 |
| (5) If a less than \$150 is charged to non-HUD units, question the difference between the \$150 and the lower amount. | | | | N/A in 2021 |



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| VI. SUMMARY | | | | |
| <ul style="list-style-type: none"> A. Summarize the results of the review in a work paper. B. Discuss significant issues with Supervisor. C. Develop findings, including questioned costs and corrective actions, as appropriate. D. Develop concerns because they could lead to a violation E. Develop report language, including any findings and concerns. F. If there are any major issues identified in this review and the recipient has approval to invest, determine if a withdrawal of investment authority should be recommended. | | | | In compliance and no areas of weakness found. |

| | |
|------------------------|---|
| Reviewer Name: | Jenna Burnett, Reviewed by Carey Thurston |
| Review Date(s): | 12/03/2021 |

Jenna Burnett:

Reviewed and Approved by Carey Thurston, CFO: