



# 502 Bookkeeping

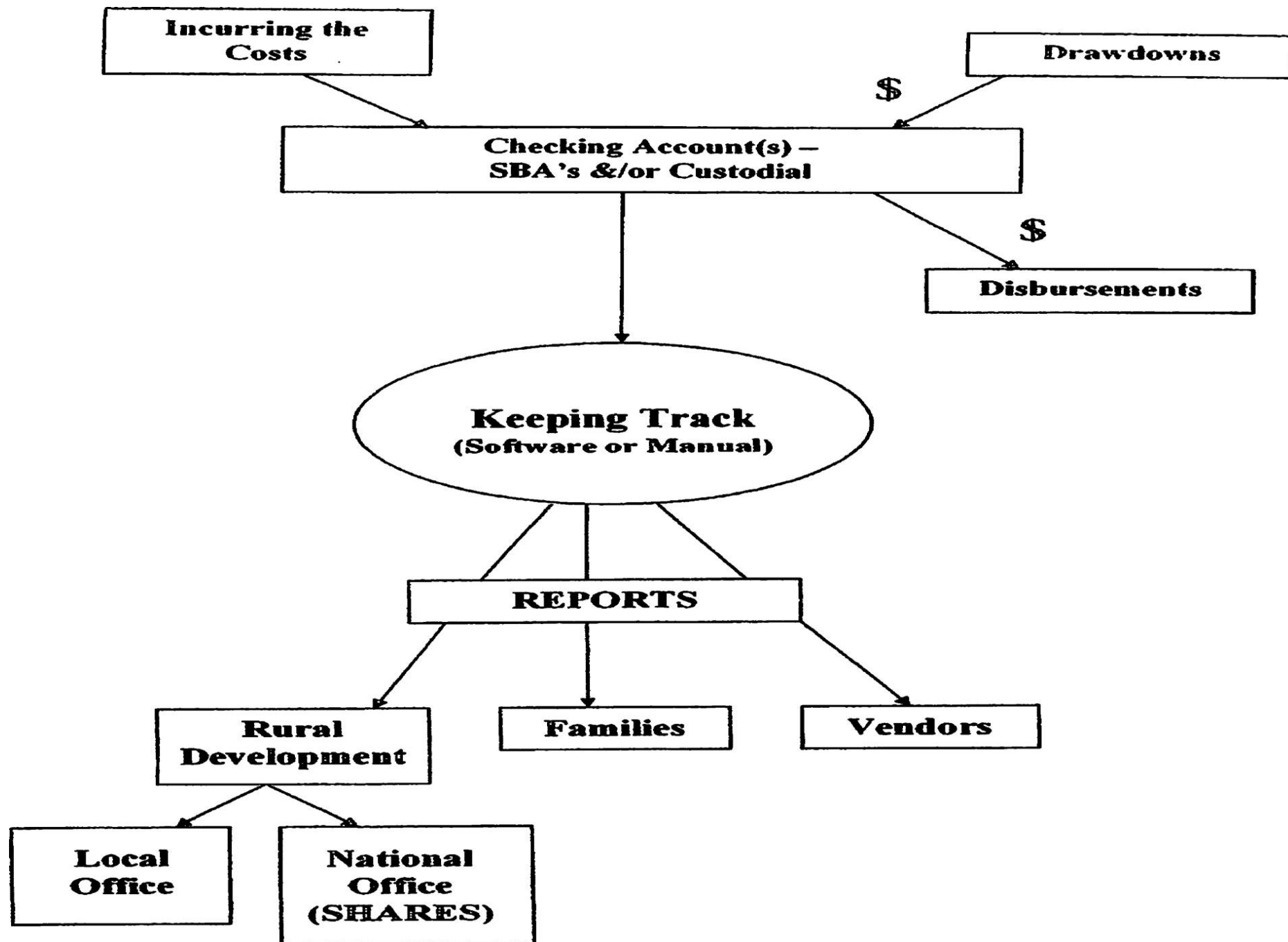
National Self-Help Conference 'Sharing the Vision'  
Albuquerque, NM Feb. 4-6, 2020

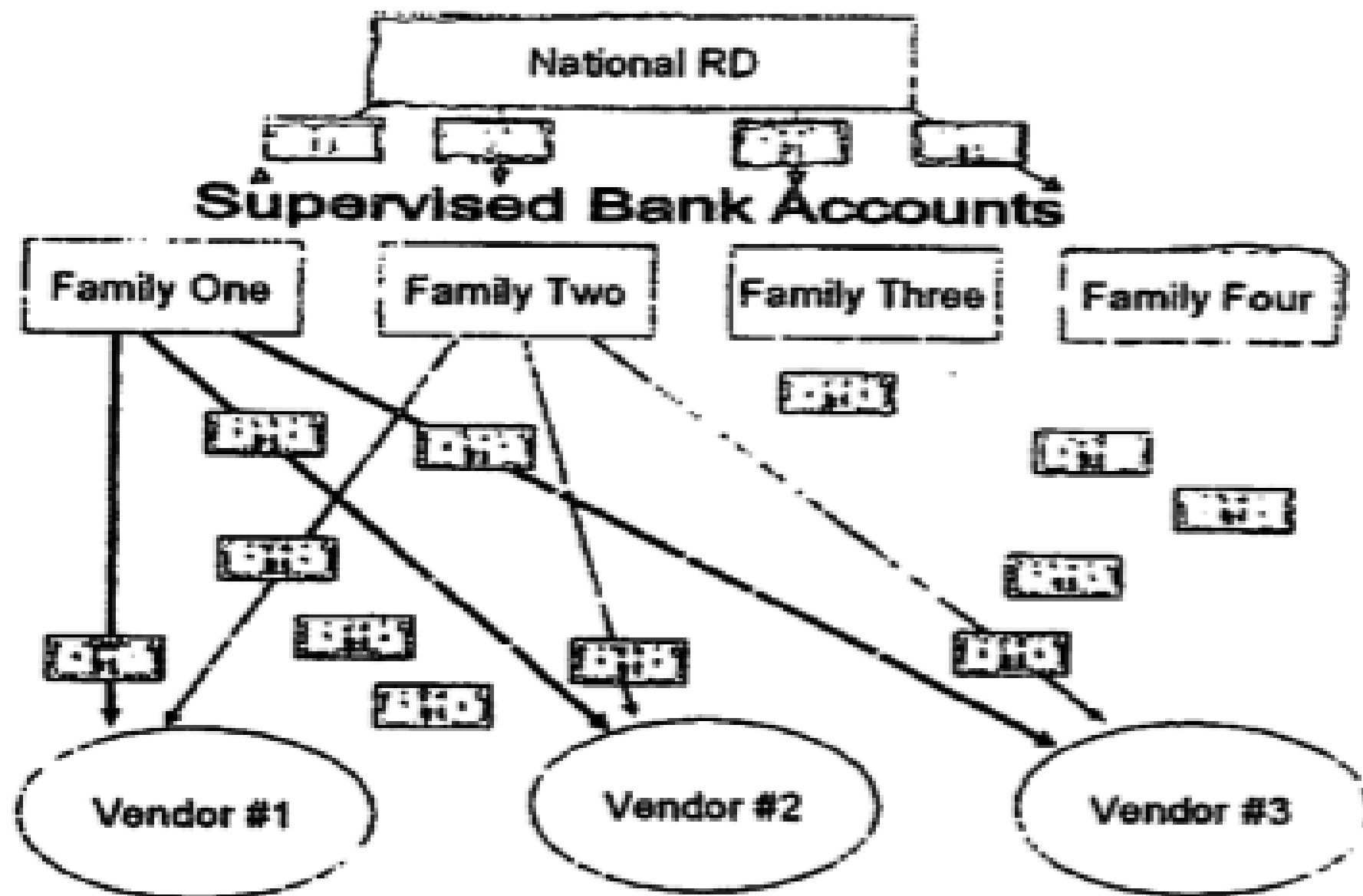
# AGENDA

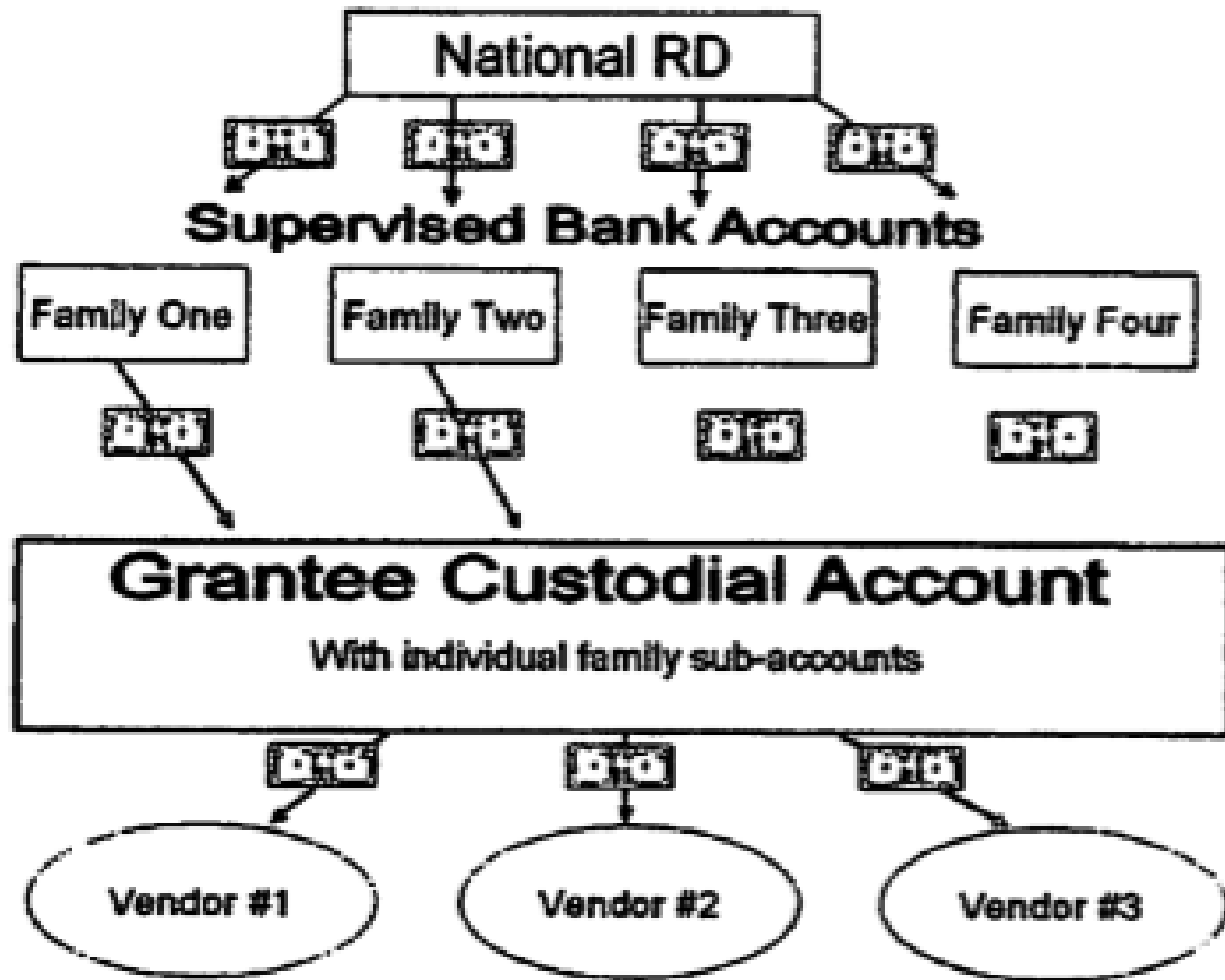
- Introduction of Presenters
- Methods of Bill Paying
- Flow Charts
- The Flow of the Money
- Handling and accounting for borrower loan funds

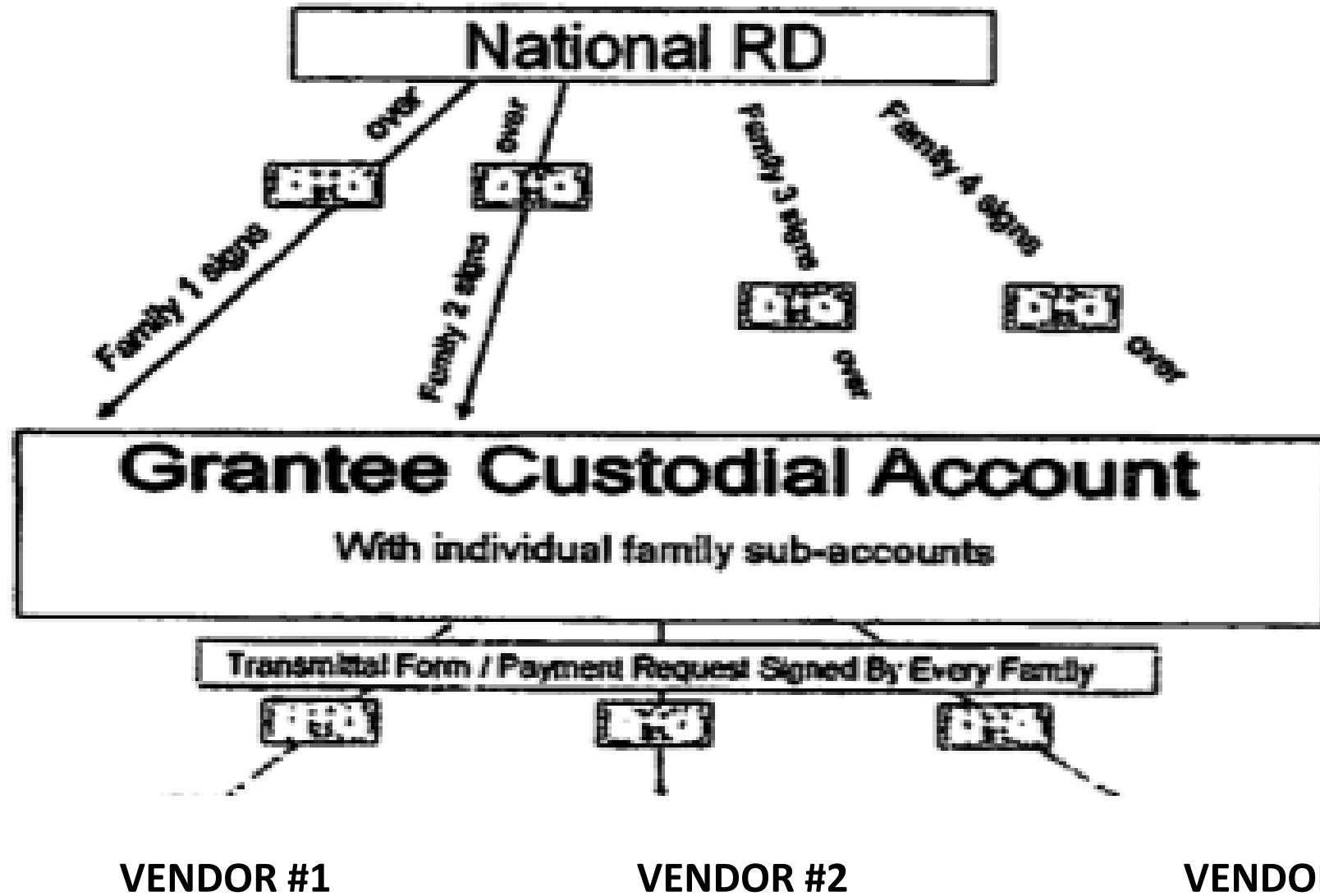
# References

- Rural Development Instruction 1944-I, 'Self-Help Technical Assistance Grants'
- Expired AN 4840, 'Supervised Bank Accounts and Custodial Accounts Used in Conjunction with Self-Help Technical Assistance Grants'
- Rural Development Instruction 1902-A, 'Supervised Bank Accounts for Loans, Grant and Other Funds'
- Handbook 3550-1, Chapter 5, Section 6 'Managing Construction'
- T&MA Contractors Training – 'Guide to Individual Borrower 502 Loan Accounts'

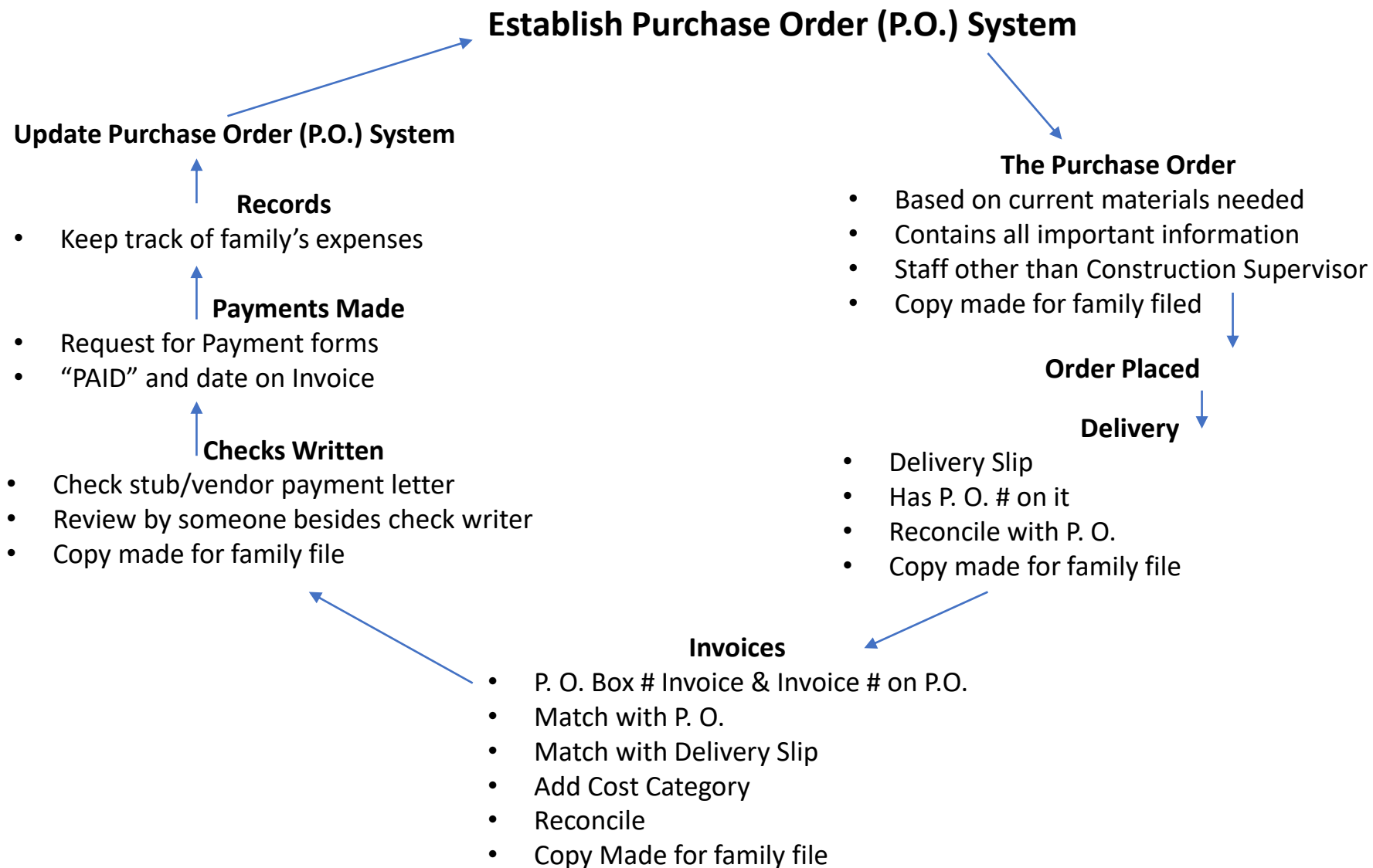








# The Flow of the Money

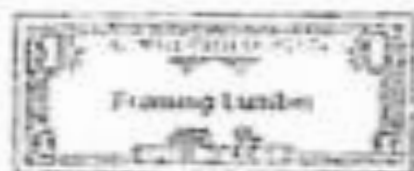




# The Purposes of a Purchase Order

Why do we use them?

1)



**Assign cost directly to Family**

2)

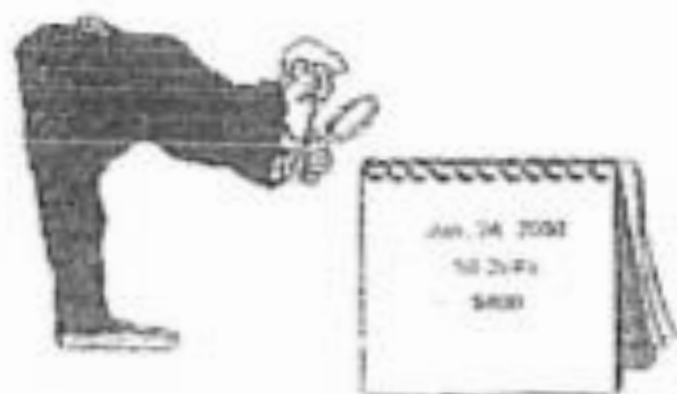


**Assure Unit Price is Correct**

## The Purposes of a Purchase Order

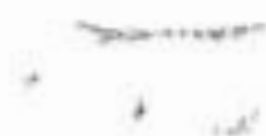
Why do we use them?

3)



Track and Document all purchases

4)



Authorization

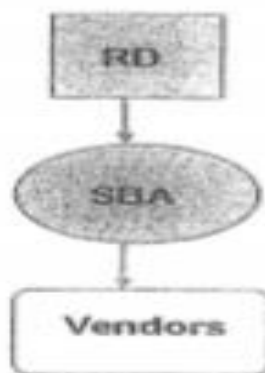


"KEEPING TRACK  
OF IT ALL"

The Accounting System

## ACCOUNTING FOR \$

SBA Only



SBA & Custodial



Custodial Only



# Managing 502/504 Borrower Funds

RD Instruction 1944-I, §1944.425

# 502/504 Borrower Funds

- §1944.425, Updated to include minimum requirements for grantees managing 502/504 funds:
  - Successfully complete one grant cycle
  - Have an adequate record-keeping system
  - Verification from the grantee's auditor or T&MA Contractor that the proposed method for bill-paying provides a means for an adequate audit trail

# Supervised and Custodial Accounts

A Comparison

# SBA vs. Custodial

| SBA                         | Custodial                   |
|-----------------------------|-----------------------------|
| Individual Borrower Account | Group Account held in Trust |
| RD Instruction 1902-A       | RD Instruction 1944-I       |
| Handbook 1-3550             | Handbook 1-3550             |
| Paper Check Only            | Paper Check Only            |
|                             |                             |

# Documentation Requirements

The Expectation



# 502/504 Borrower Funds Request

- 502/504 draw request should:
  - Be based on an approved draw schedule (monthly, bi-weekly, etc.)
  - Correspond to work in place
    - Provide inspections, as applicable
  - Contain a coversheet that-
    - Details the current charges due (invoices and reasonable anticipated expense, etc.)
    - Is signed off on by both the grantee & the participating family
  - Have attached copies of corresponding invoices, in not previously provided

# 502/504 Sample Flow

- Initial Draw
  - Typically sent to closing agent electronically
  - May include land, closing costs, building permits and projected start up building materials or subcontracted work (i.e. excavation or foundation)
- Subsequent Draws
  - Invoices for initial draw to back-up projected needs
  - Any invoices received since initial draw
  - Projected funding needs
- Final Draw
  - All remaining invoices to back-up final draw request
  - The combination of all of the draw requests (total of all the invoices) should equal the total construction cost
- Funds Remaining
  - Contract change order
  - Return to RD as extra payment

# Audits of 502/504 Borrower Funds

RD Instruction 1944-I, §1944.422

# 502/504 Borrower Funds Audits

- §1944.422, requires the audit of at least 10 percent of the open 502/504 custodial accounts during the audit cycle
- Agreed Upon Procedures (AUPs) may be developed and used for the Section 502/504 loan funds in custodial accounts.
  - At a minimum, an AUP engagement will include
    - ✓ A review of the draw requests to ensure charges listed can be traced back to source documents
    - ✓ A reconciliation of the financial institution's account record

Questions?



