RCAC Custodial Accounts Training

A-TEAM Regional Finance Meeting Special Session: 7/26/22 @ 1 PM PST

Samantha Bowley, Grandma-To-Be &
Financial Management Specialist, Mutual Self-Help Housing

Mutual Self-Help Custodial & Supervised Bank Accounts

There's a guidebook!

"I wish I would've had one of these when I started…"

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Look What We Made: The Fiscal Guidebook!

Fiscal Guidebook
Mutual Self-Help
Custodial &
Supervised Bank Accounts

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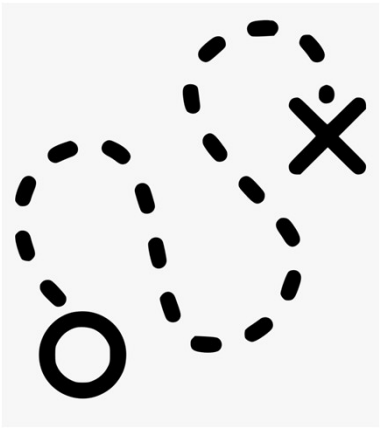

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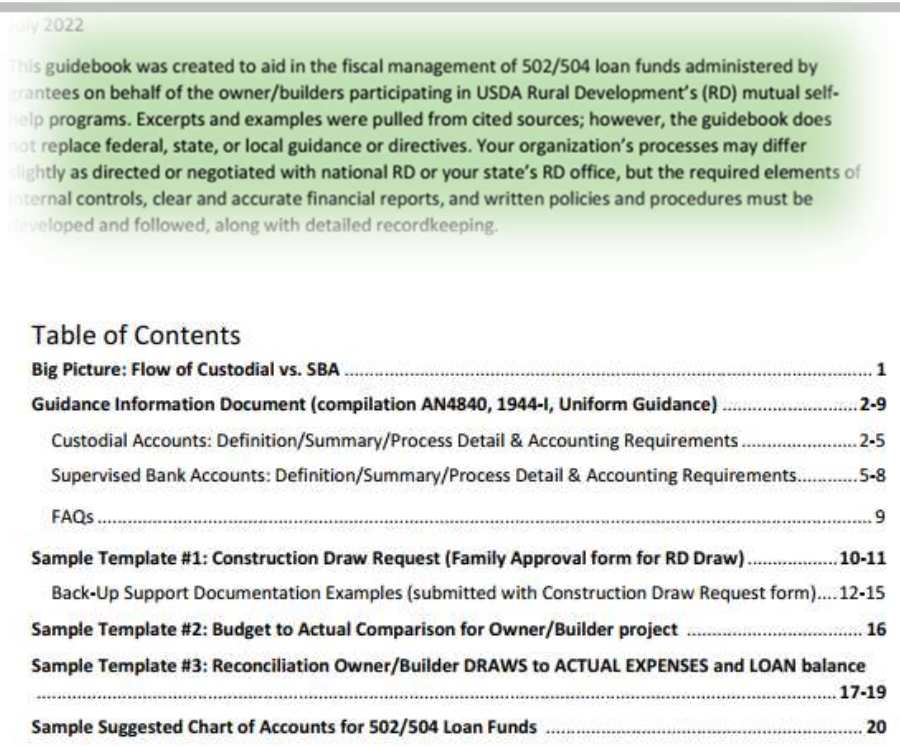
There's Always a Caveat*

This guidebook is not *the* answer everything!

- **Processes *do vary* among states and regions…**
- **but the requirements, best practices and regulations are now centralized for you**

*



2022

This guidebook was created to aid in the fiscal management of 502/504 loan funds administered by grantees on behalf of the owner/builders participating in USDA Rural Development's (RD) mutual self-help programs. Excerpts and examples were pulled from cited sources; however, the guidebook does not replace federal, state, or local guidance or directives. Your organization's processes may differ slightly as directed or negotiated with national RD or your state's RD office, but the required elements of internal controls, clear and accurate financial reports, and written policies and procedures must be developed and followed, along with detailed recordkeeping.

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Let's Start with the Foundation

What am I Custodian Of? Or What am I Supervising?

- Qualified owner/builders receive a direct 502 loan for construction; that loan will convert to a mortgage when the build is complete (or 504 if Rehab)
- 502 funds belong ONLY to the individual or family/borrowers that applied and were approved (not to the grantee) for the loan
- Grantee has some *CUSTODIAL* or *SUPERVISED* fund oversight responsibilities

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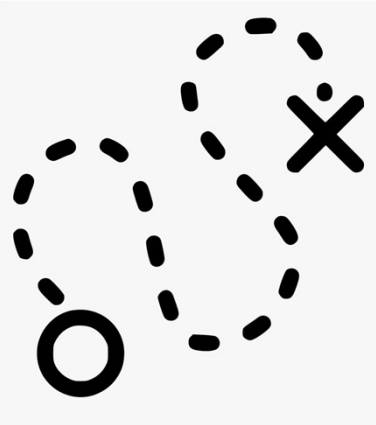
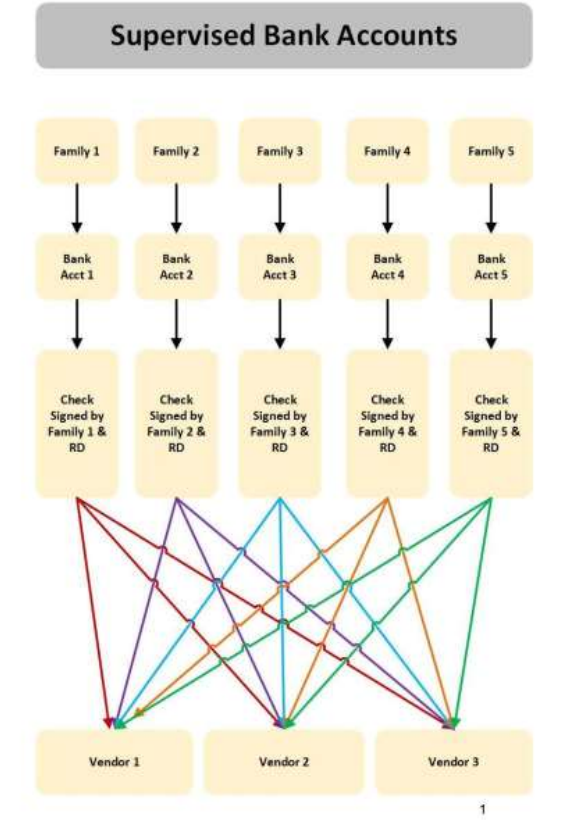
2 Methods of 502/504 Loan Fund Responsibility





SUPERVISED BANK ACCOUNTS

- USDA RD manages the individual loan borrower bank account
  - Funded with portions of the 502 loan fund to coincide with construction costs
- USDA RD and the grantee collaborate to generate, sign and distribute checks per family loan to vendors and suppliers
  - Administrative burden on RD
  - Delayed vendor payments as signatures are secured

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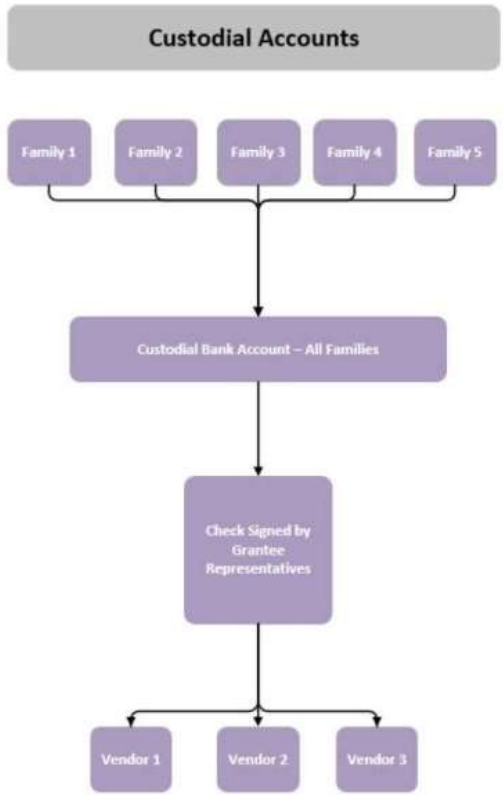
2 Methods of 502/504 Loan Fund Responsibility

CUSTODIAL ACCOUNTS

- The grantee draws the loan funds from USDA RD on behalf of the owner/builders
- The grantee is responsible for managing the collective loan funds for all owner/builders in a local bank single checking account
- The grantee pays vendors directly, one check per service/material
- The grantee reconciles the account and ledgers – keeps families up to date on expenses, budgets, and fund balances



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The Guidance Information Sheet or Melatonin?

CUSTODIAL & SUPERVISED BANK ACCOUNTS

MUTUAL SELF-HELP HOUSING

Guidance Information Sheet

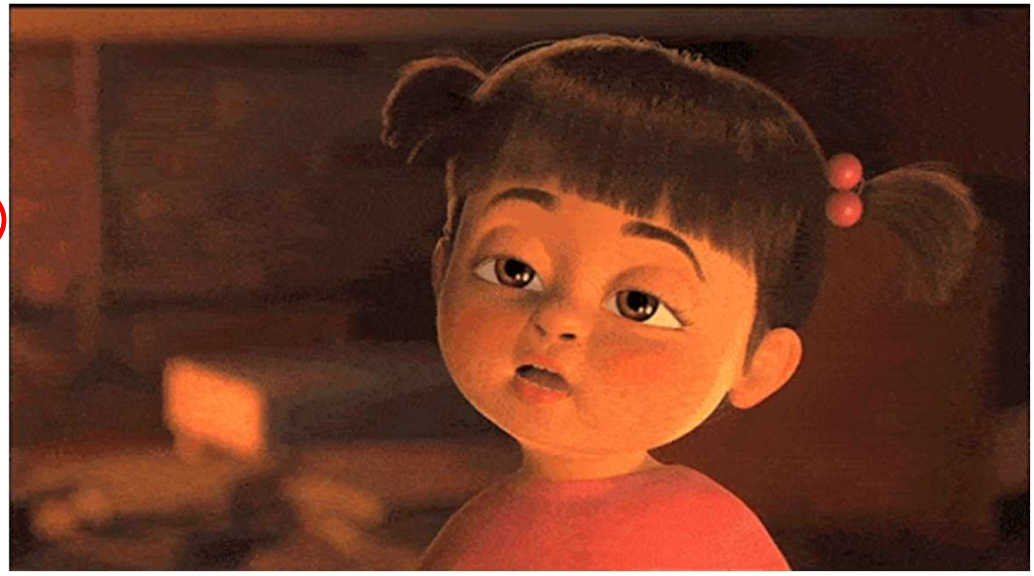
reference
*AN4840 (1944-I) 4/27/2017 expires 4/30/2018**
USDA RD Instruction 1944-I (12-12-19)
Uniform Guidance, Part 2 CFR 200 & 7 CFR Part 1902
7/13/22

DEFINITION/COMPARISON

Custodial Accounts are an authorized method for administering participating families' USDA RD 502 or 504 loan funds; custodial accounts are *preferred* as a means to alleviate USDA RD's field office workload and to streamline the administrative responsibilities of 523 Self-Help Technical Assistance grantees (referred throughout as "grantee"). The advantage of custodial method bill-paying is a major reduction in the number of checks that must be written and co-signed for each family.

Custodial Accounting Summary:
Throughout the construction process, a portion of each participating family's individual 502 or 504 loan funds are deposited into a single custodial account held in collective trust by the grantee for each of the families of the build group until the funds are disbursed to various vendors and/or contractors for payment.

- Grantee opens a single custodial checking account for collective deposits and payment activity for all families in the build group
- Grantee maintains a separate custodial bookkeeping account ledger for each participant family/borrower in the build group
- Individual check draws from each family's 502 or 504 loan are requested from USDA RD's field office, payable to the family and the grantee
- Draws from each participant family received from USDA RD are deposited into the custodial build account
- Invoices for construction expenses are entered into the custodial bookkeeping account



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The Guidance Information Sheet Sections

Custodial Bank Account Responsibility

and

Supervised Bank Accounts

4 sections each

- Definition/Comparison
- Summary Overview
- Process Detail (the how to)
- Requirements for Use

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The Process Detail Section…Cut & Paste

…and a reminder, the *Process Detail* section can function as a great template for your **Financial Policies & Procedures**…

Copy and Paste at will!

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Custodial Funds - Show Me the Money!

1. THE FUNDS & THE BANK ACCOUNT

- Money is held in trust by the grantee for the borrowers
- Grantee will open and manage a separate bank account on behalf of the family builders
  - Grantee's Tax ID
  - Non-interest bearing
- Internal control Alert! *two check signatures!*
- In/out on grantee's BALANCE SHEET asset/liability
  - Owner/Builder funds should not be a part of your organization's' P&L (income/expense)

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Custodial Funds – Accounting for the Details

2. THE ACCOUNTING SYSTEM

- Maintain a separate “company” for build group
- Identify funds received (draws) and expense costs
- Compare BTA *for each individual family*
- Establish and keep up-to-date written policies & procedures for account management
  - *specifically for the custodial account*
  - *how/when you draw*
  - *how/when you do financial reviews with the family*
  - *who among grantee staff prepares what financially speaking (separation of duties)*

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Custodial Funds – When to Draw?

3. THE 502 DRAW SCHEDULE

- State USDA RD office has schedule preferences
  - negotiate with them to ensure timely draws that allow you to pay vendors promptly
  - Timeline predetermined (e.g., a draw once a quarter, once a month, etc.) or may be flexible based upon construction purchase needs
- Typically 2 Draw Methods:
  - Advance/Construction Progress Draws: Grantee presents draw request based upon the construction budget and/or the build progress;
  - Cost-Reimbursement Draws*:* Grantee assumes construction costs up front, and then presents the draw request for reimbursement

Custodial Funds – THE DRAW Pieces & Parts

4. THE DRAW REQUEST

should contain the following:

DRAW SUMMARY COVERSHEET

the narrative, the amount, the signatures

BACK UP

copies of invoices, PO's, Estimates

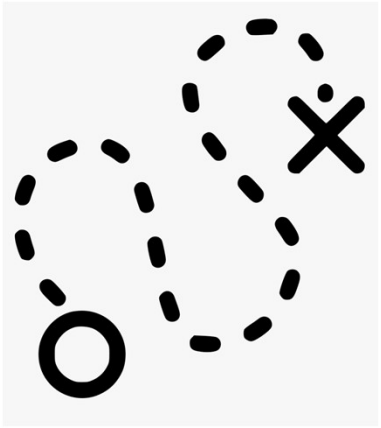
BUDGET TO ACTUAL

current period expenses, total expenses to date & loan balance

RECONCILATION

of previous advances to actual costs

Summary Sheet/Construction Draw Request Sample



SAMPLE

Construction Draw Request

May 3, 2020
Draw Request #2

Grantee's Name: *Self-Helper*
Group #: *15*
Borrowers Name: *Builder Person*
Property Address: *711 Sunshine Lane (site#2)*
Loan No: *123456*

Invoice #	Payable To	Description	Amount
10001	Company Name	foundation	16161.66
ABCR	Holm Const	excavation	2430.00
2	Holbrook Const	framing materials	1489.32
receipt	Home Depot	wallplate/electric material	9.61
TOTAL			$ 20,090.59

Total Construction Loan:	$ 272,556.00	Amount of Draw Request	$ 20,090.59
Total Draws to Date:	$ 152,730.59	Fund Balance	$ 119,825.41

Borrower Signature/Date

Grantee Signature/Date

By signing this document, I agree to the draw amount as shown above and relase funds to the Custodial Account held by Self-Helper Grantee for payments as required in construction of my home through the Mutual Self-Help Housing Program. I am also aware of the budget and the actual costs of all construction expenses to date.

Construction Draw Request

May 3, 2020
Draw Request #2

Grantee's Name: *Self-Helper*
Group #: *15*
Borrowers Name: *Builder Person*
Property Address: *711 Sunshine Lane (site#2)*
Loan No: *123456*

Construction Narrative:

The finacing & permits have been covered - job site preparation is well under way; this draw (draw #2) reconciles the initial closing draw and is covering only actual invoices related to excavation and foundation work, along with misc. supply receipt & invoice for framing materials

Delays in material shipments continue to cause delay in construction, though we are not too far behind.

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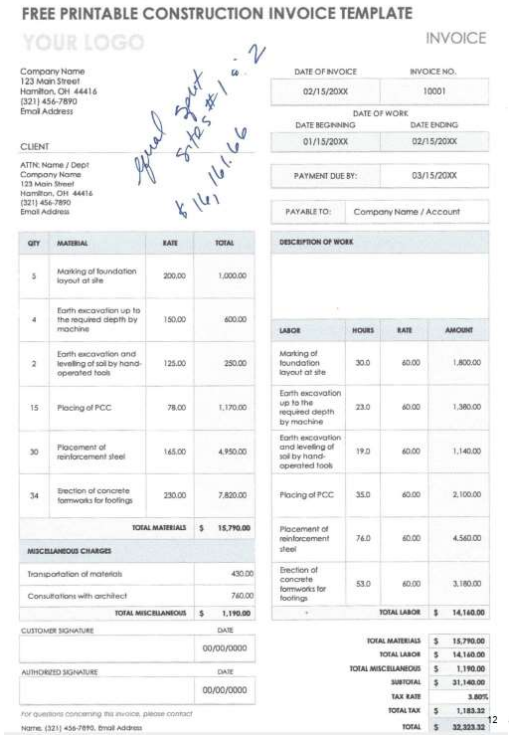
I Got Your Back-Up



FREE PRINTABLE CONSTRUCTION INVOICE TEMPLATE

YOUR LOGO

INVOICE

Company Name
123 Main Street
Hamilton, OH 44416
(321) 456-7890
Email Address

CLIENT

ATTN: Name / Dept
Company Name
123 Main Street
Hamilton, OH 44416
(321) 456-7890
Email Address

Equal split sites #1 & 2
$ 161.66

DATE OF INVOICE	INVOICE NO.
02/15/20XX	10001

DATE OF WORK

DATE BEGINNING	DATE ENDING
01/15/20XX	02/15/20XX

PAYMENT DUE BY:	03/15/20XX

PAYABLE TO:	Company Name / Account

QTY	MATERIAL	RATE	TOTAL
5	Marking of foundation layout at site	200.00	1,000.00
4	Earth excavation up to the required depth by machine	150.00	600.00
2	Earth excavation and levelling of soil by hand-operated tools	125.00	250.00
15	Placing of PCC	78.00	1,170.00
30	Placement of reinforcement steel	165.00	4,950.00
34	Erection of concrete formworks for footings	230.00	7,820.00
	TOTAL MATERIALS		$ 15,790.00
MISCELLANEOUS CHARGES			
Transportation of materials			430.00
Consultations with architect			760.00
	TOTAL MISCELLANEOUS		$ 1,190.00

DESCRIPTION OF WORK

LABOR	HOURS	RATE	AMOUNT
Marking of foundation layout at site	30.0	60.00	1,800.00
Earth excavation up to the required depth by machine	23.0	60.00	1,380.00
Earth excavation and levelling of soil by hand-operated tools	19.0	60.00	1,140.00
Placing of PCC	35.0	60.00	2,100.00
Placement of reinforcement steel	76.0	60.00	4,560.00
Erection of concrete formworks for footings	53.0	60.00	3,180.00
		TOTAL LABOR	$ 14,160.00

TOTAL MATERIALS	$ 15,790.00
TOTAL LABOR	$ 14,160.00
TOTAL MISCELLANEOUS	$ 1,190.00
SUBTOTAL	$ 31,140.00
TAX RATE	3.80%
TOTAL TAX	$ 1,183.32
TOTAL	$ 32,323.32

CUSTOMER SIGNATURE — DATE 00/00/0000

AUTHORIZED SIGNATURE — DATE 00/00/0000

For questions concerning this invoice, please contact
Name, (321) 456-7890, Email Address

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HOLM CUSTOM CONSTRUCTION
Building Your Dream

INVOICE
ABCR
Date:05/31/08

BILL TO:
John Abercrombie
Mona Fitch
120 Pine Street
Ashland, OR 97520

For Work At Job Site:
Home
1234 Hersey Street
Ashland OR 97520

Customer PO:
Fellman, 1234

Terms:
Due On Receipt

Invoice Items:

Item	Status	Amount
Job Phase: Excavation Excavation	Invoiced	$630.00
Job Phase: Foundation Kit Foundation	Invoiced	$1,800.00
	Invoice Total:	$2,430.00

All work is guaranteed to be as specified and to be performed in accordance with the drawings and specifications submitted, in a substantial and workmanlike manner.

JOB RECAP

	Description	Amount Notes
Origina Estimate	06/01/06	$130,398.01
Deposit Received	02/01/07	$1,800.00
Allowance Variances	Cabinets	$1,650.00 Allowance: $6,510.13, Actual: $7,260.13
	Counters	$800.00 Allowance: $1,200.00, Actual: $2,000.00
	Doors	$60.00 Allowance: $1,320.00, Actual: $1,400.00
	Floor Covering	$76.00 Allowance: $4,266.00, Actual: $4,340.00
	Windows	$160.00 Allowance: $8,508.00, Actual: $8,668.00
	Total Variance With Markups	$2,766.00 Estimated: $27,253.13, Actual: $30,008.13 $3,306.00
Change Orders	None	
Cost Adjustment	Cost Adjustment	-$8,003.00 Estimated: $130,398.01, Actual: $122,395.01
Draws (Invoices)	05/30/06	$2,730.00
	11/05/06	$5,374.50
	11/07/06	$13,353.50

#2 only

Holbrook Construction

Invoice

Description	Quantity	Rate	Amount
Kohler verse 33 x 22 medium double sink	1	$348.00	$348.00
American Imbel Kitchen cabinets	1	$340.00	$340.00
Tapwise	1	$75.00	$75.00
		Parts Subtotal	$863.00

Description	Quantity	Rate	Amount
Project management	5 days	$280.00	$840.00
Joinery work	6 hours	$280.00	$1,260.00
Top-mount sink installation	1 hour	$75.00	$75.00
		Labor Subtotal	$2,875.00

Subtotal $3,738.00
TAX 8% $299.04
Total $3,978.64
Paid $0.00

Pay Now

Balance Due $2,978.64

Equal split sites
#1 & 2
$ 1489.32 ea

How doers get more done.

SPOKANE WA 99218
4719 (509)466-8991

4719 00002 56255 02/28/22 04:26 PM
SALE CASHIER TASHAWNA

010306011358 1/4 IN TRAD <A>	2.97
1/4 IN. TRADITIONAL FLEXIBLE TILE SP	
078477211786 3G WF, WH <A>	3.98
3G WHT NYL MIDWAY DECORA WALLPLT	
078477919088 SS PLATE <A>	1.87
1G SST BLANK WALLPLT	
SUBTOTAL	8.82
SALES TAX	0.79
TOTAL	$9.61
XXXXXXXXXXXX1206 VISA	9.61
AUTH CODE: 21168C/8027861	TA

4719 02/28/22 04:26 PM
4719 02 56255 02/28/2022 3963

RETURN POLICY DEFINITIONS
POLICY ID DAYS POLICY EXPIRES ON
A 1 90 05/29/2022

DID WE NAIL IT?

Take a short survey for a chance To WIN A $5,000 HOME DEPOT GIFT CARD

Opine en español

www.homedepot.com/survey

User ID: HDY 117518 11,891
PASSWORD: 20128 112799

Returns must be [illegible] within 14 days [illegible] must be 18 or [illegible] rules as necessary.

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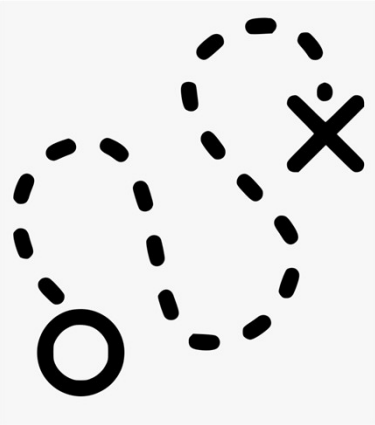
Custodial Funds – Check's in the Mail!



5. THE 502 DRAW DEPOSIT

Grantee receives single check from USDA RD for all members of the build group and deposits into the Custodial Account

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Custodial Funds – You Get a Ledger…& You Get a Ledger…

6. ACCOUNT FOR (OWNER/BUILDER'S) INDIVIDUAL CONSTUCTION COSTS

- Costs per family must be accounted for within the build group 'company'
  - Based on construction invoices, PO's, cost allocation for shared project costs, etc.
  - Pro-rated calculation must be documented on each invoice showing cost distribution
- The vendor payment schedule is determined by the grantee
  - Weekly, bi-weekly, monthly
  - Timely payments = Happy & Hard-Working Contractors
- Vendors receive one check from the grantee's custodial account for build group work
- Refunds are allocated to individual family ledgers as appropriate

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Custodial Funds – What's My Status?

7. LOAN FINANCIAL STATUS REPORTS TO FAMILIES

- Grantee should provide Budget-to-Actual to each owner/builder family on a consistent basis
  - Regular schedule of biweekly, monthly, bi-monthly, etc.
  - May or may not be tied to the draw schedule
  - Itemized detail of each construction expense, the loan balance, and a reconciliation of any advancement draws
- Grantees must also review and provide copies to owner/builders of all checks paid to vendors
  - Bonus! Meetings can function as a valuable project management tool: for example, tie the budget review to fixture choices

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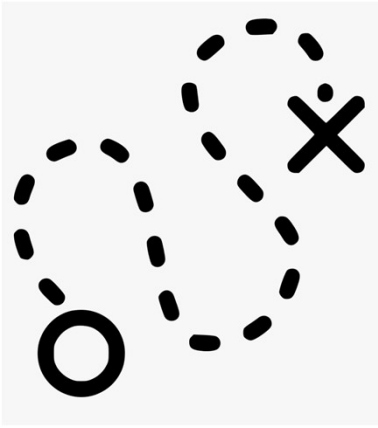
Budget to Actual Sample

Sample Builder - Lot 22, Sample Landing Plot II

	CURRENT PERIOD EXP	TOTAL EXP TO DATE	BUDGET	BALANCE
Custodial Account				
CLIENT BANK ACCOUNTS		$ 172,314.00	$ 231,322.00	$ 59,008.00

Borrower funds for construction	CURRENT PERIOD EXP	TOTAL EXP TO DATE	BUDGET	BALANCE
USDA 502		$ 126,761.00	$ 185,769.00	$ 59,008.00
HOMESTART FUNDS		$ -	$ -	$ -
HOMEOWNER DOWN PAYMENT		$ 45,553.00	$ 45,553.00	$ -
TOTAL FUNDING		$ 172,314.00	$ 231,322.00	$ 59,008.00

Borrower Construction Budget	CURRENT PERIOD EXP	TOTAL EXP TO DATE	BUDGET	BALANCE
BUILDING SITE		$ 37,692.00	$ 37,692.00	$ -
CLOSING COSTS		$ 4,600.00	$ 4,600.00	$ -
FOUNDATION		$ 24,980.00	$ 24,980.00	$ -
CONTINGENCY		$ 5,000.00	$ 5,000.00	$ -
PLANS & INSPECTIONS		$ 3,450.00	$ 3,450.00	$ -
FRAMING/INSULATION/ROOFING		$ 36,245.00	$ 36,245.00	$ -
TRASH REMOVAL/PORTABLE TOILET		$ 910.00	$ 1,100.00	$ 190.00
ELECTRICAL	$ 8,512.00	$ 8,512.00	$ 9,400.00	$ 888.00
PLUMBING	$ 26,915.00	$ 26,915.00	$ 29,550.00	$ 2,635.00
UTILITY HOOKUPS/TEMPORARIES		$ 6,010.00	$ 6,010.00	$ -
LANDSCAPING/HYDROSEEDING		$ -	$ 1,500.00	$ 1,500.00
DRYWALL		$ 2,500.00	$ 16,295.00	$ 13,795.00
APPLIANCES		$ -	$ 1,400.00	$ 1,400.00
FLOOR & CABINETS		$ 2,000.00	$ 10,000.00	$ 8,000.00
EXCAV/FINAL GRADE/LANDSCP		$ -	$ 25,800.00	$ 25,800.00
WELL		$ 13,500.00	$ 13,500.00	$ -
FINISH ITEMS		$ -	$ 4,800.00	$ 4,800.00
TOTAL COST TO CONSTRUCT		$ 172,314.00	$ 231,322.00	$ 59,008.00



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Review & Reconcile – Serious Deets

0			ACTUAL CONSTRUCTION COSTS									
	Description	Budgeted	1st Draw Closing Draw 1/1/19-3/31/20	2nd Draw 4/1/20 - 5/12/20	3rd Draw 5/13/20 - 8/31/20	4th Draw 9/1/20 - 12/31/20	5th Draw 1/1/21-3/31/21	6th Draw 4/1/21-6/30/21	7th Draw 7/1/21-8/31/21	8th Draw 9/1/21-9/30/21	Other/Contingency 10/16/21-10/31/21	Total Cost of Project to Date
	LOAN AMOUNT		$ 272,556.00									
100	**Financing**											
113	Appraisal	$ 600.00	$ 575.00									$ 575.00
114	Builder's Insurance	$ 800.00	$ 795.00									$ 795.00
115	Loan Closing Fees	$ 2,200.00	$ 2,156.12									$ 2,156.12
116	Property Tax-Unimproved Lot	$ 1,200.00				$ 974.49						$ 974.49
117	Lot Purchase	$ 115,000.00	$ 115,000.00									$ 115,000.00
121	Escrow Payment (title and escrow)	$ 3,500.00	$ 3,859.00									$ 3,859.00
122	Homeowner's Insurance						$ 296.01	$ 243.83				$ 539.84
	Lot Number: 2											$ -
	House Plan: Yew 1351											$ -
123	RD tax service fee											$ -
124	Excess to/from Borrower											$ -
		$ 123,300.00	$ 122,385.12	$ -	$ -	$ 974.49	$ 296.01	$ 243.83	$ -	$ -	$ -	$ 123,899.45
200	**Planning**											
211	Permit Package	$ 2,365.00	$ 2,857.99									$ 2,857.99
212	Permit Fee	$ 675.00	$ 479.65									$ 479.65
213	Plan review Fee		$ 623.55									$ 623.55
214	Structural Excise											$ -
215	SDCs											$ -
216	State Fee											$ -
217	Residential Site Fee											$ -
218	Plumbing Permit Fee											$ -
219	Electrical Permit Fee											$ -
220	Mechanical Permit Fee											$ -
231	House Plan Fee	$ 600.00	$ 586.00									$ 586.00
		$ 3,640.00	$ 4,547.19	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,547.19
300	**Jobsite**											
300	Jobsite Operations - Other						$ 0.35	$ 29.83	$ 60.10			$ 90.28
310	Jobsite Equipment Fee	$ 3,100.00	$ 3,200.00									$ 3,200.00
320	Monthly Utility				$ 243.72	$ 77.70	$ 326.82	$ 380.32	$ 144.43	$ 174.49		$ 1,347.48
321	Electricity	$ 500.00	$ 129.62									$ 129.62
322	Water	$ 1,000.00	$ 112.65									$ 112.65
323	Garbage	$ 750.00	$ 15.24		$ 170.93	$ 167.95	$ 172.80			$ 33.30		$ 560.22
324	Portable Restrooms	$ 350.00	$ 88.05		$ 176.87	$ 150.09	$ 188.88	$ 99.05	$ 33.74	$ 5.88		$ 742.56
325	Gas/Propane	$ -			$ 200.00		$ 27.74	$ 8.53				$ 236.27
		$ 5,700.00	$ 3,545.56	$ -	$ 791.52	$ 395.74	$ 716.59	$ 517.73	$ 238.27	$ 213.67	$ -	$ 6,655.35
400	**Site Work**											
400	Site Work - Other	$ -										$ -
410	Excavation, Dig Out & Backfill	$ 1,350.00		$ 2,430.00				$ 473.08				$ 2,903.08
411	Sidewalk Excavation	$ 150.00			$ 150.00							$ 150.00
412	Dirt Removal	$ 1,510.00			$ 203.86							$ 203.86
413	Sanitary Sewer- Sewer	$ 400.00			$ 400.00							$ 400.00
414	Utility Trenching- Unity Utility	$ 600.00			$ 600.00							$ 600.00
415	Install Propane Gas Service	$ 200.00										$ -
416	Connect Rain Drain to Storm	$ 350.00				$ 350.00						$ 350.00
417	Rain Drain Labor & Materials	$ 800.00			$ 52.23							$ 52.23
418	Additional Gravel for Site Work	$ 2,000.00				$ 1,245.00						$ 1,245.00
419	Place Rock in Driveways	$ 100.00			$ 200.00							$ 200.00
420	Site Work for Swales	$ 1,500.00			$ 1,007.00							$ 1,007.00
421	Site Work: Additional Excavation	$ 200.00										$ -
422	Contingency gravel											$ -
		$ 9,160.00	$ -	$ 2,430.00	$ 2,613.09	$ 1,595.00	$ -	$ 473.08	$ -	$ -	$ -	$ 7,111.17
500	**Concrete Work**											

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500	Concrete Work - Other						$ 6,005.00					$ 6,005.00
510-01	Garage Slab	$ 2,100.00				$ 2,300.75						$ 2,300.75
510-02	Driveway	$ 3,500.00										$ -
510-03	Approach	$ 700.00										$ -
510-04	Compaction for Sidewalk	$ 500.00										$ -
510-06	Walks & Patios	$ 1,686.00										$ -
510-07	Porches & Step Foundation	$ 750.00										$ -
511	Concrete Foundation Labor	$ 6,500.00		$ 16,161.66	$ 516.49							$ 16,678.15
512	Additional Concrete - Due to Grade	$ 500.00										$ -
513	Concrete Pumping	$ 750.00										$ -
514	Extra Gravel for Concrete Work	$ 2,500.00				$ 366.64		$ 34.66				$ 401.30
515	Curb Cutting											$ -
516	Rock Placement & Compaction	$ 700.00										$ -
517	Gravel Grading											$ -
		$ 20,186.00	**$ -**	**$ 16,161.66**	**$ 516.49**	**$ 2,667.39**	**$ 6,005.00**	**$ 34.66**	**$ -**	**$ -**	**$ -**	**$ 25,385.20**
600	**Framing**											
600	Framing - Other				$ 6,075.00							$ 6,075.00
610	Post & Beam Materials	$ 1,900.00			$ 1,963.19							$ 1,963.19
611	Decking Materials	$ 1,700.00			$ 1,598.49							$ 1,598.49
612	Main Floor Framing	$ 3,200.00			$ 5,858.90							$ 5,858.90
613	2nd Story Floor System											$ -
614	2nd Story Framing											$ -
616	Misc Framing Materials	$ 1,500.00		$ 1,489.32	$ 1,137.31	$ 1,147.90	$ 706.48	$ 482.28	$ 315.87	$ 12.98		$ 5,292.14
617	Trusses	$ 4,500.00			$ 4,748.75							$ 4,748.75
618	Additional Framing Materials	$ 2,500.00										$ -
619	Roofing System- Sheathing	$ 1,800.00										$ -
620	Garage Door	$ 1,200.00					$ 1,151.00					$ 1,151.00
621	Exterior Entry Door	$ 900.00				$ 598.68						$ 598.68
622	Windows	$ 2,020.00				$ 2,295.82						$ 2,295.82
623	Exterior Siding & Trim	$ 2,800.00				$ 2,557.75	$ 12.31					$ 2,570.06
624	Framing Labor	$ 5,900.00										$ -
		$ 29,920.00	**$ -**	**$ 1,489.32**	**$ 21,381.64**	**$ 6,600.15**	**$ 1,869.79**	**$ 482.28**	**$ 315.87**	**$ 12.98**	**$ -**	**$ 32,152.03**
700	**Insulation Labor & Materials**											
	Insulation Labor & Materials	$ 4,400.00				$ 4,837.00		$ 172.00				$ 5,009.00
		$ 4,400.00	**$ -**	**$ -**	**$ -**	**$ 4,837.00**	**$ -**	**$ 172.00**	**$ -**	**$ -**	**$ -**	**$ 5,009.00**
710	**Plumbing**											
	Plumbing	$ 15,272.00			$ 8,450.00		$ 1,450.00	$ 1,829.00				$ 11,729.00
		$ 15,272.00	**$ -**	**$ -**	**$ 8,450.00**	**$ -**	**$ 1,450.00**	**$ 1,829.00**	**$ -**	**$ -**	**$ -**	**$ 11,729.00**
720	**Electrical**											
	Electrical	$ 12,703.00		$ 9.61	$ 300.00	$ 6,250.00			$ 2,907.00			$ 9,466.61
		$ 12,703.00	**$ -**	**$ 9.61**	**$ 300.00**	**$ 6,250.00**	**$ -**	**$ -**	**$ 2,907.00**	**$ -**	**$ -**	**$ 9,466.61**
730	**Heating**											
	Heating	$ 6,500.00				$ 1,231.55	$ 3,694.65					$ 4,926.20
		$ 6,500.00	**$ -**	**$ -**	**$ -**	**$ 1,231.55**	**$ 3,694.65**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 4,926.20**
740	**Drywall**											
	Drywall	$ 7,600.00				$ 8,140.00						$ 8,140.00
		$ 7,600.00	**$ -**	**$ -**	**$ -**	**$ 8,140.00**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 8,140.00**
750	**Roofing**											
	Roofing	$ 4,235.00			$ 4,235.00							$ 4,235.00
		$ 4,235.00	**$ -**	**$ -**	**$ 4,235.00**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 4,235.00**
760	**Gutters**											
	Gutters	$ 940.00				$ 2,053.00						$ 484,566.74
		$ 940.00	**$ -**	**$ -**	**$ -**	**$ 2,053.00**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2,053.00**
770	**Paint**											
770	Paint - Other						$ 15.19					$ 15.19
771	Interior	$ 750.00				$ 444.00	$ 612.22	$ 70.22	$ 1.92			$ 1,128.36
772	Exterior	$ 750.00					$ 2.00					$ 2.00
		$ 1,500.00	**$ -**	**$ -**	**$ -**	**$ 444.00**	**$ 629.41**	**$ 70.22**	**$ 1.92**	**$ -**	**$ -**	**$ 1,145.55**
780	**Appliances**											

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	Appliances	$ 2,600.00				$ 2,426.55						$ 2,426.55
		$ 2,600.00	$ -	$ -	$ -	$ 2,426.55	$ -	$ -	$ -	$ -	$ -	$ 2,426.55
790	Interior Finish											
791	Interior Doors & Trim	$ 3,300.00					$ 3,519.74	$ 405.11	$ 1.71			$ 3,926.56
792	Cabinets	$ 6,000.00						$ 8,750.00	$ 67.31			$ 8,817.31
793	Flooring & Countertops	$ 6,800.00					$ 1,625.97	$ 1,753.56	$ 27.69			$ 3,407.22
794	Hardware & Lighting	$ 700.00						$ 387.04				$ 387.04
795	Misc Cabinet Materials											$ -
		$ 16,800.00	$ -	$ -	$ -	$ -	$ 5,145.71	$ 11,295.71	$ 96.71	$ -	$ -	$ 16,538.13
800	Landscaping											
811	Plants & Supplies	$ 1,200.00										$ -
812	Hydroseed Application	$ 400.00						$ 350.00		$ 469.25		$ 819.25
		$ 1,600.00	$ -	$ -	$ -	$ -	$ -	$ 350.00	$ -	$ 469.25	$ -	$ 819.25
900	Contingency											
900	Contingency Other											$ -
910	Contingency building materials	$ 6,500.00									$ 5,860.35	$ 5,860.35
911	Additional Jobsite Labor				$ 92.30			$ 600.94				$ 693.24
912	Misc. Trim Labor											$ -
	VIDA savings											$ -
913	Approved-only Fencing											$ -
		$ 6,500.00	$ -	$ -	$ 92.30	$ -	$ -	$ 600.94	$ -	$ -	$ 5,860.35	$ 6,553.59
	TOTAL AMOUNT BUDGETED/ACTUAL	$ 272,556.00	$ 130,477.87	$ 20,090.59	$ 38,380.04	$ 37,614.87	$ 19,807.16	$ 16,069.45	$ 3,559.77	$ 695.90	$ 5,860.35	$ 272,556.00

LOAN AMOUNT $272,556

Builder Person
711 Sunshine Lane (site #2)

DRAW REQUEST RECONCILIATION

	1st Draw 1/1/19-3/31/20	2nd Draw 4/1/20-5/12/20	3rd Draw 5/13/20-8/31/20	4th Draw 9/1/20-12/31/20	5th Draw 1/1/21-3/31/21	6th Draw 4/1/21-6/30/21	7th Draw 7/1/21 - 8/31/21	8th Draw 9/1/21-9/30/21	Contingency 10/1/21-10/31/21	Total
Draws	$ 132,640.00	$ 20,090.59	$ 32,927.54	$ 31,965.75	$ 22,540.00	$ 23,698.30	$ -	$ 8,693.82	$ -	$ 272,556.00
Actual Expenses	$ 130,477.87	$ 20,090.59	$ 38,380.04	$ 37,614.87	$ 19,807.16	$ 16,069.45	$ 3,559.77	$ 695.90	$ 5,860.35	$ 272,556.00
Over/Under	*$ 2,162.13*	*$ 2,162.13*	*$ (3,290.37)*	*$ (8,939.49)*	*$ (6,206.65)*	*$ 1,422.20*	*$ (2,137.57)*	*$ 5,860.35*	$ -	$ -

	1st Draw 1/1/19-3/31/20	2nd Draw 4/1/20-5/12/20	3rd Draw 5/13/20-8/31/20	4th Draw 9/1/20-12/31/20	5th Draw 1/1/21-3/31/21	6th Draw 4/1/21-6/30/21	7th Draw 7/1/21-8/31/21	8th Draw 9/1/21-9/30/21	Contingency 10/1/21-10/31/21
ORIGINAL LOAN BALANCE	$ 272,556.00	$ 139,916.00	$ 119,825.41	$ 86,897.87	$ 54,932.12	$ 32,392.12	$ 8,693.82	$ 8,693.82	$ (0.00)
TOTAL DRAWS	$ 132,640.00	$ 20,090.59	$ 32,927.54	$ 31,965.75	$ 22,540.00	$ 23,698.30	$ -	$ 8,693.82	$ -
LOAN BALANCE REMAINING	$ 139,916.00	$ 119,825.41	$ 86,897.87	$ 54,932.12	$ 32,392.12	$ 8,693.82	$ 8,693.82	$ (0.00)	$ (0.00)

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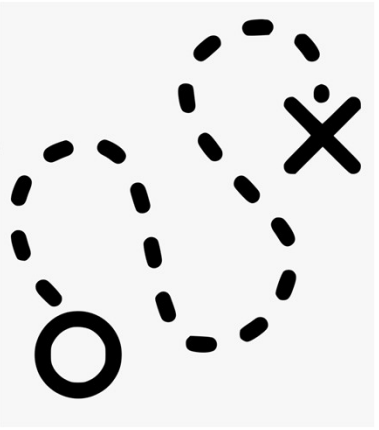
Custodial Funds – The Leftovers

8. FUND BALANCE



- Remaining **fund balance** is typically applied as a reduction to the family's loan principal by USDA RD

- The grantee shall also provide each family with the complete record of the build, including, copies of all invoices, payments, and lien releases, warranties, etc. (electronic distribution recommended, e.g., thumb drive) for reference.

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Custodial Funds – Death & Taxes

9. 1099's & THE CUSTODIAL ACCOUNT

Ask us!
We can help!

Put Me In Coach!...I Want to Manage Some Custodial Funds!

…let's talk just a bit about the "requirements"

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Minimum Custodial Accounting Requirements

Approval is at the discretion of RD State Office

1. Grantee should have successfully completed at least one previous grant cycle *(RD may waive this requirement, and often does)*
2. Grantee has a record-keeping system which shows that the cost of the materials and services were allocated to each borrower's account in relation to the actual material and service used by each borrower *(you have to do this anyway! ☺ Just use your BTA & your reconciliation sheet)*
3. Custodial Accounts maintained by the grantee on behalf of a Mutual Self-Help group with funds exceeding $250,000 at any time must have acceptable collateral pledged with the Federal Reserve Bank in an amount not less than the excess as outlined in RD Instruction 1902-A §1902.7. *(hint: timeline of draws, can you ensure you will not exceed the $250K balance?)*
4. In accordance with RD Instruction 1944-I §1944.422, audits of borrower's Section 502 or 504 loan funds are required. *(this is kind of a big deal…)*

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A Reminder for the Grantee & for the Auditor

RD Instruction 1944-I §1944.422

…"Audits of the borrower loan funds will be required. The number of borrower accounts audited will be determined by the auditor. In incidences where it is difficult to determine the appropriate number of accounts to be audited, auditors should be authorized by the State Director to audit the lesser of 10 loans or 10 percent of total loans. Audits of the borrower funds do not necessarily need to be tested in the same manner as the organizational audit. Agreed Upon Procedures (AUPs) may be developed and used for the Section 502 or 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 and a reconciliation of the financial institution's account record…"

Watch Dog

Another Reminder for the Grantee, “Help Yourself!”

Copy and paste the detailed process sections of the Guidebook to utilize as a template to develop YOUR organization’s financial P&P for Custodial or Supervised Bank Account fund management

No need to reinvent the wheel!

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What About Supervised Bank Accounts?

SUPERVISED BANK ACCOUNTS (SBA)

DEFINITION/COMPARISON

Supervised Bank Accounts RD State offices will ensure that RD field offices are trained in the correct use of SBAs as outlined in RD Instruction 1902-A. The RD field office will establish individual checking accounts in the name of the family borrower and in the authorized signatory for USDA RD. Individual checks will be distributed to the grantee who must obtain the family borrower's signature and then deliver to vendors/contractors. This process can delay payment delivery through the time required to obtain check signatures prior to payment.

Supervised Bank Accounts Summary:
USDA RD field office manages each borrower's individual checking account and produces the checks for payment of construction costs. However, the responsibility of reconciling each family borrower's account, invoice payments and loan balances is delegated to the grantee. Checks are produced and signed by the RD state office, then routed to the grantee to review and obtain 2nd check signatures from each participant borrower. Checks are then mailed to vendors/contractors by the grantee. A vendor will receive multiple check payments (one from each individual family borrower) for work on the group build project.

- USDA RD field office opens, maintains and shares signing authority with each individual family borrower on separate checking accounts tied to the family borrower's loan.
- The grantee must also maintain a separate bookkeeping account ledger for each participant family/borrower in the build group and reconcile that ledger to USDA RD's account ledger for each family borrower checking account.
- Individual check draws from each family's 502 or 504 loan are requested from USDA RD's field office, payable directly to vendors/contractors.

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Guidance Information Sheet FAQs

CUSTODIAL & SUPERVISED BANK ACCOUNTS

MUTUAL SELF-HELP HOUSING

Guidance Information Sheet

FAQs:

Who enters into (signs) contracts with the builders?

The individual borrower/builders should enter into contract with the construction vendors (each homeowner/builder should sign the professional construction agreements, e.g., plumbing/electrical), not the grantee. This helps to ensure clarity around warranty of work for each homeowner, and financial obligation of owner/borrower to contractor vs. grantee to contractor.

How does RD monitor the progress of the build group?

RD staff will commonly visit the construction site in both the initial groundwork and final inspection periods. Pictures may also be required to record build progress throughout. RD and the grantee will

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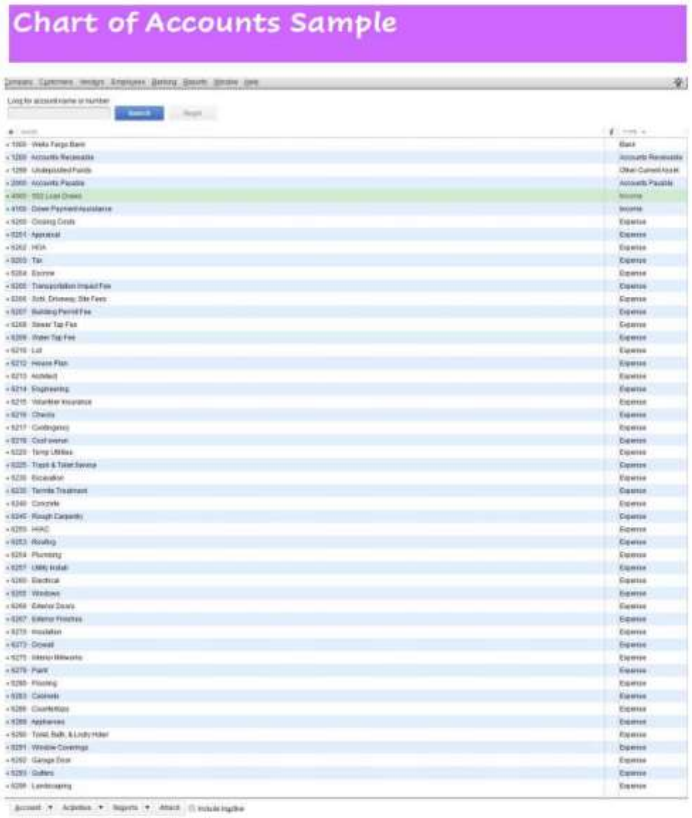
And Finally, the Beginning…the Chart of Accounts



- A good Chart of Accounts goes a long way to effective custodial fund management
- Why is the COA a critical component of support to a separate “company” for your custodial funds (vs. your organization financials)?

AFS 2-Day Training 9/14 + 9/15/22

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Questions?

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Contact Me!

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