



**North Carolina**  
**Department of Commerce**  
*Division of Community Assistance*

**Beverly Eaves Perdue, Governor**  
**J. Keith Crisco, Secretary**

**Henry C. McKoy, Asst. Secretary**  
**Gloria Nance-Sims, Director**

**BULLETIN:** 10-21 (Replaces 88-5)

**SUBJECT:** Program Income Accounting Requirements

**DATE REVISED:** October 8, 2010

**ATTENTION:** CDBG Recipients

This Bulletin is a guide for the tracking and use of program income that CDBG recipients are receiving or will receive from grant supported activities. Under Federal CDBG Regulations 24 CFR, Part 570, Community Development Block Grants, and North Carolina CDBG Program Regulations 4 NCAC 19L, Section .0907, Program Income, grantees that acquire program income are required to establish an accounting system that adequately tracks the receipt and expenditure of all income earned from grant supported activities. Pursuant to 24CFR 570.489 (ii) 3c, the State shall require units of general local government to disburse program income before requisitioning additional activity funds from the state.

Recipients must establish an accounting system which identifies and accounts for program income. While a recipient may make its accounting system as elaborate as it wishes to meet its own particular informational needs, this bulletin describes the basic program income accounting system needed to meet Federal and State standards.

Program income must be recorded on a minimum of two ledger accounts: an "account receivable" or "cash" account and a "program income" account. The cash account is debited when the program income is received and credited when it is disbursed. Generally, it will not be necessary for a recipient to establish a new cash account on its books for program income since all receipts for a particular grant may be included in the cash account already established by the recipient

The second required account is a "program income" account. This account should be classified as a revenue account similar to the CDBG grant account.

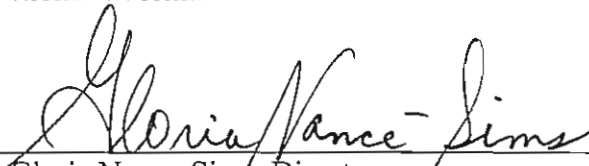
The typical accounting entry to record program income that is being applied to a grantee's current CDBG program is a debit to "cash" or "accounts receivable and a credit to the "program income account." The total amount of program income debits to the cash account should equal the total program income credited to the program income account, and should equal the sum of the program income credited to the various activity or project accounts. All program income must be identified by the grant year under which it was generated and identified by the expenditure activity. If a recipient wishes, additional program income accounts may be established to reflect the different types of program income which may be received.

Once the proper accounts have been established, it is then essential that the accounting procedures and internal controls be adequate to assure that all program income is properly recognized. This, in part, would require the recipient to establish a system which will allow it to anticipate repayments of loans and take appropriate actions when loan repayments are delinquent.

The principal factors to be addressed by the recipient's accounting procedures and internal controls include:

- procedures to assure collection of all program income due to the recipient (e.g., loan payments),
- procedures to assure that all funds received by the recipient are accurately classified and coded to the accounts to be credited,
- procedures to safeguard and prevent the misappropriation of funds,
- procedures to assure that funds are immediately deposited into the proper bank account,
- procedures to assure that, except in the special case of a revolving fund, program income funds are disbursed before requesting additional grant funds, and
- System to identify and record payments made, principal paid, interest paid, late fees and loan balance.

Please contact the DCA Business Officer at (919) 571-4900, extension 250, with any questions or need for additional information.

Issued By:  10/8/10  
Gloria Nance-Sims, Director Date