

Financial Management Standards

All recipients are required to establish and maintain accounting systems and financial records to accurately account for funds awarded to them. These records shall include both federal funds and all matching funds of state, local, and private organizations, when applicable.

Accounting System. The recipient is responsible for establishing and maintaining an adequate system of accounting and internal controls for itself. An acceptable and adequate accounting system:

- Presents and classifies projected historical cost of the grant as required for budgetary and evaluation purposes
- Provides cost and property control to assure optimal use of funds
- Controls funds and other resources to assure that the expenditure of funds and use of property are in conformance with any general or special conditions of the recipient
- Meets the prescribed requirements for periodic financial reporting of operations
- Provides financial data for planning, control, measurement, and evaluation of direct costs

Accounting System Standards. The recipient is responsible for establishing and maintaining an adequate accounting system and internal controls. Accounting systems are made up of a series of operations which involve classifying, recording, summarizing, and reporting transactions. Elements of the system must consist of an account structure, accounting records, source documents, a system for coding financial transactions, and written procedures prescribing the manner in which and by whom these operations are performed. A recipient's accounting system must include the following:

- System coding or classification must permit summarization and reporting of grant expenditures by specific programs, projects, uniform receipt and expenditure classifications
- Accounting records should adequately identify the receipt and expenditure of each recipient or contractor
- Accounting records, which must include a ledger and supporting books of account, should refer to subsidiary records or documentation which support each entry and which can be readily located and identified with the grant
- Accurate, current, and complete financial reporting information
- Systems integration with an adequate system of internal controls to safeguard grant funds and properties, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence by the recipient to prescribed management policies

Commingling of Funds. The accounting systems of all recipients must ensure that agency funds are not commingled with funds from other federal agencies. Each award must be accounted for separately. Recipients are prohibited from commingling funds on either a program-by-program basis or a project-by-project basis. Funds specifically budgeted and/or received for one project may not be used to support another.

Minimization of Cash Balance. Recipient organizations should request funds based upon immediate disbursement requirements. OJA policy is to make grant payments on a reimbursement basis. Requests for terms other than reimbursement will be considered on a case-by-case basis. Recipients must ensure that cash on hand is kept at a minimal balance.

Interest Earned on Advances. All recipients, shall account for interest earned on advances of federal funds as follows:

- a. May keep interest earned on all advances of federal grant funds up to \$100 per fiscal year per recipient and report the interest earned to OJA. This amount is not per award but from all funds received as a result of federal programs.
- b. Interest may be added to the funds committed to the grant agreement and used for the purpose and under the conditions of the grant agreement. Interest earnings must be reported to OJA.

Special Conditions. The recipient must provide written documentation that shows that the General and Special Conditions in Attachment B and Attachment C (as appropriate) to the award have been met. Failure to meet any of the General and Special Conditions, unless specifically waived in writing by both the program specialist and the financial officer prior to termination of the grant, will result in the disallowance of all award expenditures and the return of all state and federal funds to OJA.

Supplanting. A written certification must be provided to OJA that federal funds will not be used to supplant state or local funds. Federal funds must be used to supplement existing funds for program activities, and not replace those funds which have been appropriated for the same purpose. If there is a potential presence of supplanting, the recipient will be required to supply documentation demonstrating that the reduction in non-federal resources occurred for reasons other than the receipt or expected receipt of federal funds.