



*The DOs and DON'Ts
of Financial Review*

*Jean Fecteau
Steve Fowler*

Governed by the OMB Omniscircular

- 2 CFR Chapter I, Chapter II, Part 200, et al.
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule

Property Management Requirements

Equipment records must be maintained accurately.

1. Physical Inventory required every 2 years
2. Control system to insure safeguards to prevent loss, damage, or theft of the equipment; such incidences must be investigated
3. Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

Property Management Requirements

Equipment records must be maintained accurately.

4. Loss, damage, or theft of the equipment owned by the Federal Government must be promptly reported to the awarding agency.
5. If equipment is no longer needed, recipient shall request disposition instructions from the awarding agency.
6. Required to submit a final inventory of grant acquired and federal equipment; following submission of final inventory agency has 120 day to issue disposition instructions. (Note: Relevant for closeout of ARRA for agencies that purchased equipment with ARRA funding)

Reasonable costs

Definition of Reasonableness:

A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.

Ask Yourself:

Is the expense necessary and ordinary for the operation of the organization?

Allowable vs. Unallowable costs?

“If in doubt, leave it out.”

Reporting of Federal Funds by Program

Track each federally-sponsored project or program separately.



Depreciation of Equipment Purchased with Federal Funds

Depreciation and use allowances

- The computation of use allowances or depreciation will exclude:
 1. Cost of land
 2. Any portion of the cost of buildings and equipment borne by or donated by the Federal Government irrespective of where title was originally vested or where it presently resides.
 3. Any portion of the cost of buildings and equipment contributed by or for the organization in satisfaction of a statutory requirement.

Program Income

Program income means gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award...



Program Income, cont.

Program Income includes, but is not limited to:

1. Income from services fees
2. Proceeds from the sale of property or other assets with an acquisition cost of less than one thousand dollars (\$1,000)
3. Usage or rental fees
4. Royalties on patents and copyrights
5. Interest income on grant derived funds

Program Income, cont.

Requirements in accounting for program income:

1. Utilize generally accepted accounting standards
2. Account for program income on an ongoing basis on 286 report.
3. Provide an auditable trail on all program income and its uses.
4. Maintain records on interest income on grant derived funds. Interest income must be used for an activity which will further the purposes of the project.

Cost Allocation Plans

- Do you apply your allocation method consistently?
- Do you update your allocation with the change of programs and funding sources?
- Do you maintain proper documentation demonstrating consistent application of allocation?



Self Assessment

- Review and update your agency's internal controls.
- Test your policies and procedures by performing internal audits.
- Recommend the Board of Directors establishes a Finance Committee.

Please share results with agency staff

Questions?

- Steve Fowler
 - Steve.fowler@dhhs.nc.gov
 - 919-855-3739
 - OIA Monitoring and Compliance Officer
-
- Curt Martin
 - curt.martin@dhhs.nc.gov
 - 919-707-5064
 - DPH Policy and Strategic Operations Manager