

Accounting System Requirements

The subgrantee must maintain an accounting system that properly and accurately documents and controls the receipt and disbursement of project funds. The objectives of the project accounting system are to provide the subgrantee with needed management information and financial controls and to record and present historical financial information in an organized manner. Subgrantees are encouraged to use their established financial procedures, providing these procedures permit verification of compliance with the fiscal requirements of PCCD subgrants.

The subgrantee's accounting system must provide effective financial controls. Unless commonly accepted standards of financial responsibility have been followed, **audits may result in the disallowance of expenditures, creating a refund liability on the part of the subgrantee.**

The subgrantee is obligated to manage all financial affairs of the subgrant in compliance with accepted accounting procedures and in conformance with applicable federal, state and local guidelines. The subgrantee must establish and assure that all project funds are properly accounted for and disbursed in accordance with applicable regulations. Subgrantees must maintain documents to support all transactions and should include purchase orders, receiving records, paid invoices, cancelled checks, personnel, payroll, time and attendance records, and other evidence to support expenditures.

- Accounting system and records should identify receipts of funds from all sources and disbursement of funds by expenditure type, and payee and should be summarized in cash receipts and disbursement journals.
- Accounting system documentation must be able to identify revenue and expenditures for each PCCD grant separately from all other revenue and expenditure sources.
- Entries in accounting records should refer to subsidiary records and documentation that support the entry.
- Information should be cross-referenced to provide a clear audit trail.

The subgrantee is responsible for establishing and maintaining an adequate system of accounting and internal controls for itself. An acceptable and adequate accounting system must provide for the following:

- Identification, in its accounts, of all subgrant awards received and expended and the Federal and State programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.
- Accurate, current, and complete disclosure of the financial results of each subgrant award or program in accordance with the reporting requirements set forth in 2 CFR 200.327 Financial reporting and 200.328 Monitoring and reporting program performance.
- Records that identify adequately the source and application of funds for all subgrant activities. These records must contain information pertaining to Federal and State awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

- Effective control over, and accountability for, all funds, property, and other assets. The subgrantee must adequately safeguard all assets and assure that they are used solely for authorized purposes.
- Comparison of expenditures with budget amounts for each subgrant award.
- Written procedures to implement the requirements of 2 CFR 200.305 Payment.
- Written procedures for determining the allowability of costs in accordance with 2 CFR 200 Subpart E—Cost Principles and the terms and conditions of the Federal award.