



ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF INTERGOVERNMENTAL SERVICES

SUBGRANT ADMINISTRATION GUIDE
PART I: GENERAL INFORMATION

H. STANDARDS FOR FINANCIAL MANAGEMENT

1. **ACCOUNTING SYSTEM**

All subgrant organizations are required to establish and maintain accounting systems and financial records that accurately account for the funds subgranted to them. These records shall include both federal and matching funds. The system of accounting must:

- a. Present and classify projected historical cost of the subgrant as required for budgetary and evaluation purposes;
- b. Provide cost and property control to ensure optimal use of funds;
- c. Control funds and other resources to assure that the expenditure of funds and use of property conform to any general or special conditions that apply to the subgrant organization;
- d. Meet the prescribed requirements for periodic financial reporting of operations; and
- e. Provide financial data for planning, control, measurement, and evaluation of direct and indirect costs.

A sample of the accounting subgrant organizations may be requested for desk audit by IGS.

2. **TOTAL COST BUDGETING AND ACCOUNTING**

Accounting for all funds awarded by DFA/IGS shall be structured and executed on a "total program cost" basis. That is, total program costs, including federal funds, matching contributions, and any other fund sources included in the approved project budget or received as program income shall be the foundation for fiscal administration, accounting, and audit.

3. **CO-MINGLING OF FUNDS**

Although DFA/IGS does not require physical segregation of cash deposits or the establishment of any eligibility requirements for funds which are provided to a subgrant organization, the subgrant organization's accounting system must ensure that agency funds are not co-mingled with funds from other federal agencies.

- a. Each award must be accounted for separately. Subgrant organizations are prohibited from co-mingling funds on either a program-by-program or project-by-project basis.
- b. Funds specifically budgeted and/or received for one project may not be used to support another. Where a subgrant organization's accounting system cannot comply with this requirement, the subgrant organization shall establish a system to provide adequate fund accountability for each project grant that it has been awarded.

A sample of the subgrant organization accounting records may be requested for desk audit by IGS.



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4. **CASH DEPOSITORIES**

Per the Office of Justice Program Financial Guide 2006, Part II, Chapter 3: "In accordance with the administrative requirements for Government and nongovernmental entities, recipients are encouraged to use minority banks (banks which are owned at least 50 percent by minority group members). A list of minority-owned banks may be obtained from the Minority Business Development Agency, Department of Commerce, Washington, DC 20230.

5. **SUPPLANTING**

Federal funds must be used to supplement existing funds for program activities and must not replace those funds that have been appropriated for the same purpose.

- a. Supplanting will be the subject of application review, as well as pre-award review, post-award monitoring, and audit. If there is a potential presence of supplanting, the subgrant organization 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.
- b. As part of the application process, DFA/IGS requires a written certification stating that federal funds will not be used to supplant State or local funds.

6. **OTHER ACCOUNTING RESPONSIBILITIES**

- a. Reviewing Financial Operations: DFA/IGS may periodically monitor the financial operations, records, system, and procedures of a subgrant organization.
- b. Budgeting and Budget Review: DFA/IGS shall ensure that each subgrant organization prepares an adequate budget on which its award commitment is based.

Audit Requirements: Subgrant organizations must comply with the audit requirements contained in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. More information regarding the guidance is available at: <http://www.whitehouse.gov/omb/grants.docs>

- c. Reporting Irregularities: Subgrant organizations are responsible for promptly notifying DFA/IGS of any illegal acts or irregularities and of proposed and actual actions, if any. Illegal acts and irregularities include conflicts of interest, falsification of records or reports, and misappropriation of funds or other assets.



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- d. Debarred and Suspended Organizations: Subgrant organizations are not eligible for funding if debarred or suspended from participation in federal assistance programs.
- e. Bonding: DFA/IGS may require adequate fidelity bond coverage where a subgrant organization lacks sufficient coverage to protect the Federal Government interest (see OMB Circular A-110, Attachment, Subpart C, paragraph 21(c)).