

Accounting for Federal Grant Programs

Federal regulations call for detailed accounting of grant program revenues and expenditures. But how much detail is enough? What kind of records should a district maintain to meet the requirements?

Required Forms

Most federal programs require the same basic reports such as annual budgets and periodic expenditure and completion reports. Districts in the State of Illinois receive much of their federal funding through the Illinois State Board of Education (ISBE); consequently, the basic reports applicable to those programs are submitted to ISBE.

Budgets are generally prepared and submitted annually during the application or renewal process. Once these budgets are approved, they become the district's guidelines for expenditures under the programs. Depending on the grant program, completion and periodic (often quarterly) reports of expenditures must be submitted in order to receive reimbursement under the grants. Failure to properly report expenditures could jeopardize funding and result in loss of money to the district.

Bookkeeping

It's obviously important to pay careful attention to completion of the report(s), but it's also important to make sure that underlying documentation fully supports the amounts reported. Tracking information on a continuous basis makes more sense than trying to assemble it when the filing deadline is fast approaching.

Your district's general ledger is an essential part of your tracking and reporting process. Separate "sub" funds should be used to record activity for each grant program. Invoices for grant expenditures should be coded before they are submitted for payment to ensure checks are recorded in the proper sub fund.

Recording all information for a grant in one sub fund will greatly facilitate preparation of the expenditure or completion report for that grant. In addition, when the sub fund expenditures exactly match those listed in your report, you (and your auditors) are assured that the same expenditures have not been reported under more than one grant program.

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Exceptions

We acknowledge that certain benefits such as workers compensation insurance may be an exception to the sub fund accounting "rules" for some districts. Such benefits are often tracked by department, and a portion is allocated to a grant program based on the percent of individual salaries charged to that program. We recommend using an Excel spreadsheet to document the calculations. The goal is to show each applicable individual's total salary for the period and the portion allocated to each grant program, both in dollar amount and percentage. The percentage should be applied to the total workers comp (or other applicable benefit) premium for each individual to obtain the amount of the benefit to be charged to the program.

Benefit	School Lunch	Title I	Not charged to a program	Total
Workers Comp	\$28,000.00	\$15,000.00	\$18,000.00	\$61,000.00
Life Insurance	\$16,000.00	\$8,000.00	\$9,500.00	\$33,500.00
THIS contributions	\$1,100.00	\$700.00	\$820.00	\$2,620.00
Total	<u>\$45,100.00</u>	<u>\$23,700.00</u>	<u>\$28,320.00</u>	<u>\$97,120.00</u>

This is a simplified example of a workpaper that can provide you and your auditors (whether your independent CPA or state auditors) assurance that the same benefits have not been reported under more than one grant program. Make sure the amounts listed for each program agree with the expenditure/completion report and the totals for each benefit agree with your general ledger.

Other Points to Remember

- The reported expenditures must adhere to the limits of the approved program budget. Overspending in an expenditure category could result in a questioned cost.
- Proper documentation must be present for each and every reported expenditure. You shouldn't be scrambling for an invoice at audit time.
- Do not wait to check program records until a completion report is due. The individual in charge of a grant program should be continually monitoring compliance. It's much better to realize that an invoice is missing or approved funds haven't been spent when there's still time to fix the problem.
- Data entry errors or mispostings may be corrected through use of a journal entry. However, journal entries may **NOT** be used to reclassify expenditures from one program to another based solely on availability of funds rather than as a result of any coding error. Be sure to keep adequate supporting documentation for any journal entry you make.

This probably sounds like a lot of work, and it is. But the accounting requirements aren't new. In fact, many districts already do a great job of tracking and reporting grant program activity by using these procedures.

No district wants a finding or questioned cost on their grant programs. More importantly, no district wants to risk the potential loss of federal grant money due to inadequate accounting. We encourage you to take the necessary steps now to get your grant records in order before the end of your fiscal year.

Please let us know if you have any questions or need any additional information.

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