

### 3.1 FINANCIAL MANAGEMENT SYSTEM

**Policy:** Title X clinics must maintain a financial management system that meets federal standards and requirements of Title X that will support effective control and accountability of funds (*45 CFR parts 74.2 and 92.20*). Employees responsible for the accounting system should have sufficient understanding of the accounting and financial system to verify that recorded transactions actually took place and was made in accordance with the following procedures.

**Procedure:**

Title X clinics must have a local policy describing the clinic's financial management system. The local policy must meet the following standards. A sample policy with additional best practices can be found in the MT TX FP Administrative Manual, Policy 9.6 *Sample Financial Management System Policy*.

#### Financial Reporting

1. Accurate, current and complete disclosure of the financial assisted activities must be made in accordance with the financial reporting requirements of the grant, including the Financial Accountability Statements (FAS) submitted to WMHS (see MT TX FP Administrative Manual Policy 3.7, *Financial Accountability Statement*).

#### Accounting Records

1. Title X clinics must maintain records which identify the source and use of funds. All revenue must be recorded by source of funds, including in-kind contributions. Revenue categories must include the following, as applicable, and be reported on the WMHS FAS:
  - a. Title X
  - b. MCH
  - c. MCH county
  - d. Medicaid
  - e. Medicare
  - f. HMK
  - g. Public health insurance
  - h. Private health insurance
  - i. Fees
  - j. Donations
  - k. STI funds
  - l. WMHS travel reimbursement
  - m. Non-Title X funds
  - n. Montana Breast and Cervical Health Program (MBCHP)
  - o. State General Fund
  - p. Misc.
  - q. In-Kind
2. Non-Title X revenue must be documented if included in the Title X Budget (see MT TX FP Administrative Manual, Policy 3.6, *Title X Budget*). Non-Title X revenue includes payments and/or donations received for Non-Title X services. These are services that a Title X clinic provides which are outside the scope of the Title X program. These services are not charged on the Title X Schedule of Discounts or entered on the CVR.
3. In-kind services must be documented. The value of in-kind services are based on the estimated fair market value and are calculated according to the cost which is required to obtain similar services, supplies, equipment or facilities within the immediate area at the time of the donation.

4. Expenditures must be recorded by program and type of expenditure. Expenditure categories (or the ability to identify disbursements in these categories) must include:
  - a. Personnel (salaries)
  - b. Fringe benefits
  - c. Travel
  - d. Equipment
  - e. Supplies
  - f. Contraceptive supplies
  - g. Contractual
  - h. Other (e.g. facility rent/lease, maintenance, utilities, telephone, etc.)
  - i. In-kind
5. Charges of salaries/wages must reflect Title X activities. Title X clinics must document the actual hours worked by employees by pay source. Title X funds may not be used for non-Title X services or activities.

#### Title X Program Related Income

1. Program related income is the revenue earned by the recipient that is directly generated by a supported activity or earned as a result of the awards. For example, this may include revenue from insurance, client fees or donations (*see exclusions in CFR 74.24 (e) and (h)*). This does not include any funds awarded through the DPHHS Title X contract (e.g. Title X, Maternal Child Health or State General Funds).
2. All program related income or revenue earned during the project period shall be retained by the recipient and must be used to further the objectives of the Title X program. This includes the use of program income to finance the non-Federal share to the Title X program (*CFR 74.24 (b)*). The non-Federal income only includes Title X services not covered by the Federal grant. Examples include clinic supplies, materials, and project promotion for the Title X program.
3. Unexpended program related income may be carried over into subsequent budget periods. **Clinics must be able to demonstrate the availability of carryover for use in the Title X program.**

#### Internal Controls

1. Title X clinics must have a system to adequately safeguard revenue and other assets through separation of duties. Transactions must be properly authorized and consistent with Federal requirements (*45 CFR 74.21; 45 CFR 92.20; Accepted Internal Control Procedures*). No one person can have complete control over one key function or activity. The functions in the following categories should be separate:
  - a. Authorizing purchases
  - b. Receiving and disbursing income
  - c. Time keeping and payroll
  - d. Purchasing and receiving
  - e. Purchasing and payables

For example, one individual could have the following three duties: receiving, but not disbursing income (signing checks); keeping time sheets, but not preparing payroll; and purchasing, but not receiving purchased items. A person can perform only one function in each category in order to maintain the necessary separation. Programs must prevent unauthorized access to assets and accounting records.

These control principles should be applied to all departmental operations including: payroll, purchasing/receiving/disbursement approval, equipment and supplies inventories, cash receipts, petty cash and billing and accounts receivable.

The responsibility of physical security of assets is separated from record keeping/accounting for those assets (*45 CFR 74.21; 45 CFR 92.20; Accepted Internal Control Procedures*). Further, unauthorized access to assets and accounting records should be prevented.

#### Budget Control

1. Systems must be in place that allow for review and reconciliation of funds (*OMB A-133, 300; 45 CFR 74.21; CFR 92.20; Accepted Internal Control Procedures*). This must include the following:
  - a. Accounting records and documents must be examined by employees who have sufficient understanding of the financial management system to verify the recorded transactions actually took place and were made in accordance with policies and procedures.
  - b. Accounting records and documentation must be compared with accounting system reports and financial statements to verify their reasonableness, accuracy and completeness.
  - c. All Title X cash receipts/collections must be reconciled to the accounting system on a regular basis (e.g. daily or monthly).
  - d. Actual expenditures must be compared with budgeted amounts on a regular basis.

#### Cash Management

1. Title X clinics must have an adequate cash management system.

#### Purchasing

1. All purchases will be conducted in a manner to provide maximum open and free competition.
2. Title X clinics must maintain records that detail purchasing and procurement.
3. Title X clinics must have an inventory system to control the purchase, use and re-ordering of medications and supplies (*45 CFR 74.21; 45 CFR 92.20; Accepted Internal Control Procedures*).
4. Title X clinics will take all necessary steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible.
5. Prior approval from WMHS must be obtained for all purchases over \$5000 (approval of current budget constitutes prior approval for equipment itemized in the budget). For items not itemized in the current budget, see MT TX FP Administrative Manual, Policy 3.6 *Title X Budget*.

#### Source Documents

1. Accounting records must be supported by such source documentation such as cancelled checks, paid bills, payrolls, time and attendance reports, contract and sub-contract documents etc.