

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 (*2 CFR 200.302-Financial Management; 2 CFR 200.303- Internal Controls*). Employees responsible for the accounting system should have sufficient understanding of the accounting and financial system to verify that recorded transactions took place and were 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 8.6, *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 (FASs) submitted to FPP (see MT TX FP Administrative Manual Policy 3.7, *Financial Accountability Statements*).
2. Title X clinics must create and maintain written procedures (desk manuals) for their financial management systems to assure continuity in the event of a staff vacancy. These procedures should include at a minimum:
 - a. Financial reports required to complete FAS, who to contact to acquire the financial reports, and how to use the reports to accurately complete the FAS
 - b. Process for verifying expenses and revenue based on the financial reports
 - c. Staff roles and responsibilities (i.e., who completes it, who reviews it and who approves it)
 - d. Where and how to update the monthly 'other' report

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 FASs:
 - a. Title X
 - b. MCH County
 - c. Medicaid
 - d. Medicare
 - e. HMK
 - f. Public Health Insurance
 - g. Private Health Insurance
 - h. Fees
 - i. Donations
 - j. STD
 - k. State Funded LARC Reimbursement
 - l. Montana Breast and Cervical Health Program (MBCHP)
 - m. State General Fund
 - n. Misc.
 - o. In-Kind
2. In-kind services must be documented. The value of in-kind services is 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.

3. 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. Contraceptives
 - g. Contractual
 - h. Other (e.g. facility rent/lease, maintenance, utilities, telephone, etc.)
 - i. In-Kind
4. 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 award. For example, this may include revenue from insurance, client fees, or donations (see exclusions in *2 CFR 200.80- Program Income Definition; 2 CFR 200.307- Program Income*). This does not include any funds awarded through the DPHHS Title X contract (e.g. Title X 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 related income to finance the non-Federal share to the Title X program (*2 CFR 200.307 (e)- Use of program income*). 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. For those programs receiving income not generated by the provision of Title X services, the program must be able to document the separation of Title X and non-Title X funds unless those funds are intended to support Title X services.
4. 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 at the beginning of each fiscal year.**

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 (*2 CFR 200.302- Financial Management; 2 CFR 200.303- Internal Controls*). 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. 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 (*2 CFR 200.302-Financial Management; 2 CFR 200.E- Cost Principles*). 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 (*2 CFR 200.E- Cost Principles*).
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 FPP 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 source documentation such as cancelled checks, paid bills, payrolls, time and attendance reports, contract and sub-contract documents, etc.

Additional details may be found in [2 CFR 200.E- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](https://www.ecfr.gov/cgi-bin/text-idx?SID=126b6d3a7a81121dce19a14fc0572496&mc=true&node=pt2.1.200&rgn=div5) of the Code of Federal Regulations, (<https://www.ecfr.gov/cgi-bin/text-idx?SID=126b6d3a7a81121dce19a14fc0572496&mc=true&node=pt2.1.200&rgn=div5>).