

Business Management Assessment—Definitions and Additional Information

Question 7. Business Entity Type:

- **Governmental/Political Subdivision/Public School District**—May include county, city, ambulance districts, public school districts, public hospital districts, public water districts, ...
- **Institution of Higher Education**—Education institution **beyond** the secondary level, especially education at the college or university level.
- **For profit Corporation/Organization**—A business or other organization whose primary goal is making money (a profit), as opposed to a non-profit organization which focuses on a goal such as helping the community and is concerned with money only as much as necessary to keep the organization operating. Most companies considered to be businesses are for profit organizations.
- **Nonprofit Corporation/Organization**—Associations, charities, cooperatives, and other voluntary organizations formed to further cultural, educational, religious, professional, or public service objectives. Their startup funding is provided by their members, trustees, or others who do not expect repayment, and who do not share in the organization's profits or losses which are retained or absorbed. Approved, incorporated, or registered nonprofit organizations are usually granted tax exemptions, and contributions to them are often tax deductible. Most non-governmental organizations (NGOs) are nonprofit organizations.

Question 8. If your organization has been audited in the last three years, what type of audit was the most recent?

The term “financial audit” means a review of the individual/organization's accounts and/or internal controls, typically by a certified public accountant (CPA). An independent audit of your financial statements by a CPA is **not** the same as having financial statements prepared on a regular basis by a bookkeeping or accounting firm. **Please note**—a monitoring site visit or review by DHSS staff is **not** the type of audit report referenced in this question.

Single Audit (A-133) Definition and Requirement

A Single Audit or Program-Specific Audit is required if your organization expends \$750,000 or more in federal funds during your fiscal year. (2 CFR 200 Subpart F – Audit Requirements). A Program Specific Audit is allowed when federal funds are from only one federal fund source and when there are not specific program requirements for a financial statement audit of your financial management system (2 CFR 200.507). Check with your auditor if you are unsure of the type of audit completed in the last three fiscal years.

Question 9. Does your financial management system (accounting/bookkeeping/other process, including manual recordkeeping) ensure all transactions are recorded in a timely, accurate manner and can produce reports that identify the source and use of all funds?

A “Yes” answer to this question means all of the following items are in place for your business:

- a. A recordkeeping method to provide information about the funds that are spent. Your records may be tracked in a ledger book or a spreadsheet, accounting software, or any other method you determine is best for your business. However, for any method used, you must be able to provide timely and accurate reports of your receipts and expenditures.
- b. Accurate, timely, and complete disclosure of financial information. (.302(b)(2))
- c. Separately tracks and reports all funds received and expended. (.302(a))

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- d. Maintains budget control by comparing expenditures to budgets. (.302(b)(5))
- e. Records identify the source and use of funds, and include source documentation. (.302(b)(3))
- f. Accountability and safeguarding of all assets to ensure they are used for authorized purposes. (.302(b)(4))
- g. Prepares financial and performance reports according to the terms and conditions of the federal awarding agency or pass-through entity. (.302(b)(2)) and (.302(a))

To ensure reports and invoices are accurate, submitted timely, and contribute to accountability of funds, procedures could include:

- 1) methods used to prevent and detect errors or improper financial activities by employees;
- 2) steps for reconciling invoices to contract budgets;
- 3) reviewing payroll charges to ensure costs accurately reflect work being performed (for example, supervisory review of timesheets or time logs);
- 4) use of locked file cabinets, passwords, and other security measures for access to financial records; and,
- 5) management review of expenditure and progress reports.

These components are required under 2 CFR 200.302(b) and 200.303 for management of federal funds.

Question 10. Each contract issued by DHSS includes grant and/or other funding information. Does your accounting method question track the following information as required by 2 CFR 200.302(b)?

A "YES" response means that your records identify, as applicable:

- a. the Assistance Listing program title and number (formerly Catalog of Federal Domestic Assistance (CFDA) title and number)—a directory of the various Federal programs, projects, services and activities;
- b. Federal award identification number (FAIN) and year—used to identify new Federal grants and cooperative agreements that are subject to executive compensation and subaward reporting;
- c. Name of the original federal funding agency—the Federal agency (i.e., U.S. Department of Agriculture) that originally awards the funds to grantees or pass-through entities like the Missouri Department of Health and Senior Services
- d. Name of the pass-through entity—i.e., Missouri Department of Health and Senior Services.

This information is provided in contract funding letters or other correspondence from DHSS. For example, if your contract is funded by the Small Rural Hospital Improvement Grant Program, then the Assistance Listing number is 93.301, the FAIN may be 2H3HRH00010-15, the name of the federal funding agency is Department of Health and Human Services / Health Resources and Services Administration, and the name of the pass-through entity is the Missouri Department of Health and Senior Services. Also, the Assistance Listing used on payments can be found on the State of Missouri Vendor Services Portal under the Vendor Payment section at

<https://www.vendorservices.mo.gov/vendorservices/Portal/Default.aspx>.

An elaborate computer system is not required to track the information; however, you **must** have a method to pull reports of your expenditures and receipts for each Assistance Listing, federal award

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number, federal funding agency, and pass-through entity. For example, if you receive payments from both DHSS and the Missouri Department of Social Services (DSS), you must be able to report your expenditures and receipts for each contract by the separate categories noted.

Either paper or electronic files are acceptable. Examples of paper/manual systems include Excel spreadsheets, paper ledger books, or other methods not using accounting software. The tracking of the Assistance Listing, etc., can be accomplished by making a note of expenditures and receipt amounts and the corresponding funding categories.

Examples of electronic files include the use of accounting software, such as Quickbooks, Peachtree, Procare, etc. These categories noted are typically part of your software's chart of accounts.

Question 11. Do you have written policies and procedures for the following?

- a. Personnel – Recruiting and hiring; job descriptions; timekeeping; pay scales and compensation; fringe benefits; termination policy; etc.
- b. Accounting transactions—Timely recording of transactions and ensuring costs are reasonable and for the purpose of the contract in accordance with the provisions of the applicable Federal cost principles, agency regulations, and contract terms and conditions.
- c. Allowability of costs—how costs are evaluated to determine whether they can be charged to your contract (also called “allowability”), as defined in 2 CFR 200.403. This means:
 - 1) Costs are determined in accordance with generally accepted accounting principles (GAAP). (.403(e)) Costs are adequately documented. (.403(g))
 - 2) Costs are evaluated and determined as necessary and reasonable for the purposes of the contract. (.403(a))
 - 3) The same costs are not claimed against a federal grant and also on other programs. (.403(f))
 - 4) Costs conform to any limitations noted in the contract or in the cost principles, i.e. not specifically noted as unallowable. (.403(b))
 - 5) Costs are treated consistently. If a cost is considered overhead or indirect, it cannot be charged as a direct cost to federal funds. (.403(d))
 - 6) Policies and procedures for expending funds are applied consistently, regardless of funding source. (.403(c))
- d. Property and equipment—Equipment records; inventory and control requirements; maintenance procedures; and, disposition procedures.
 - 1) Which position title/role is responsible for maintaining records?
 - 2) When is physical inventory completed?
 - 3) How is the physical inventory documented? Is a specific position title/roll assigned to the task? What are the procedures used? For example, is there list prepared of all items and designated personnel locate the items and mark them off the list as they are located?
 - 4) What are the steps for reporting lost, missing or damaged equipment?
 - 5) Which position title/role is responsible for maintaining equipment?
- e. Records retention—maintaining supporting documentation, such as all books, records, and other documents for a period of three (3) years after final payment or the completion of an audit, whichever is later, or as otherwise designated by the federal funding agency and stated in your contract(s).
- f. Purchasing/Procurement—Establishes internal controls and includes codes of conduct, competition, purchasing procedures, cost and price analysis, and purchasing records.

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Question 12. Do written policy and procedures establish a financial segregation of duties?

One component of internal control standards is the separation of key steps in processing transactions to different individuals in an organization. For example, the person that writes the checks should not be the person assigned to reconcile the accounts.

Question 13. Do you have a written purchasing policy and code of conduct standards with all of the following components?

Written standards of conduct must be maintained for governing conflicts of interest and governing the actions of its employees engaged in purchasing and procurement for the Contractor's organization according to 2 CFR 200.318. Please note that the requirement is for *written* standards. Standards must include the following components:

- a. No employee, officer or agency may participate in the selection, award or administration of a contract supported by Federal funding if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of those individuals, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.
- b. The officers, employees and agents of the Contractor may neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to subcontracts.
- c. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees or agents of the Contractor's organization.

The components may be in separate policies, such as human resources, procurement, conflict of interest, etc.