Van Buren Triple
F. Monitoring Assessment Tool – Receipts and Program Income

Background:

Receipts are payments made into the accounting system. These can take many forms including potential program income. The county agencies receive funding primarily from ODJFS; however, they also receive some local monies. In some cases, a county agency may receive grant funding from other entities.

Program income is gross income received that is directly generated by the federally funded project during the grant period. Unless specified in the Federal awarding agency regulations or the terms and conditions of the award, program income shall be deducted from program outlays.

Program income is defined in 45 CFR 92.25 as to HHS programs and in 29 CFR 97.25 as to DOL programs, and generally does not include interest on grant monies. However, the Workforce Investment Act at WIA §195 (7) (B) (iii) and DOL WIA program regulations at 20 CFR §667.200(a) (7) require that programs under Title I of WIA treat interest income as program income.

The concept of applicable credits is discussed in 2 CFR 225 (OMB Circular A-87) in Appendix A, Section (C)(4)(a). This rule requires that revenue or discounts associated with expenditures should be credited against the costs to reduce the federal claim. For county purposes, this may take many forms included crediting the value of a voided check back to its point of origin in the accounting system to reverse any related federal claim, or offsetting costs covered by one federal grant against any claim the agency might be making. For example, where payroll is charged to a cost pool and allocated to federal programs any payroll costs covered by an outside entity with federal funds should be credited to the cost pool where the staff person's payroll is claimed to offset that portion of the cost.

Review Objectives:

- To identify receipts deposited in the agency's special revenue funds, or other funds or accounts;
- To determine the source of receipts and reasons for their deposit;
- To determine whether program income was received and identified as such;
- To determine whether program income was properly calculated; and
- To determine whether program income was properly used in accordance with program requirements and the Common Rule.
- To determine whether revenue is the result of a prior federal claim and should be recorded as such to offset that prior claim.

Procedures:

	Program Step	Date/ Initials	Work Paper Reference
1.	Obtain the analysis of the monthly financial statements performed as part of the planning process.		
2.	Scan the monthly financial statements for unusual amounts of receipts or unusual usage of receipt account codes.		
3.	Inquire of management how non-reimbursable receipt account codes are used for financial accounting and reporting.		
4.	Select one monthly financial statement to test non-reimbursable receipts from the most recently completed six-month period for each financial statement type (i.e., 02820, 02827, 02750).		
5.	Obtain an "all transactions" report from agency management outlining all transactions processed for the month selected in Step 4 above, electronic version if possible.		
6.	Scan the "all transactions" for unusual items including potential interfund cash movements. Any interfund cash movements should be isolated and reviewed for compliance with Sections 5705.14 through 5705.16, Revised Code. Auditor should consider the type of funding moving and the allowability of any related costs later charged to that funding stream within the new fund. Ensure any cash movements charged as expenditures are allowable expenditures for actual cost of goods or services (a reimbursable event).		
7.	Obtain from management a breakout of the individual deposits which comprise the monthly total of non-reimbursable receipts selected for testing.		
8.	Identify the source of the individual amounts recorded as non-reimbursable receipts for the month tested, and determine whether the receipt was properly recorded for in the accounting system. The auditor should watch for program income (or Net applicable Credits), returned or voided checks which should have been adjusted back to the original source of the funds expended, and revenues which should be charged against related expenditures (i.e., payroll in a cost pool for staff costs being reimbursed by another federal program outside the agency).		

	Program Step	Date/ Initials	Work Paper Reference
9.	Inquire of management as to whether program income or offsetting revenue was received. See 45 CFR 92.25 (b) for ***Definition of program income*** See 2 CFR 225 Appendix A, Section C 4 a for ***Definition of applicable credits***		
10.	If the agency has program income, select one such receipt. Determine the appropriate use of the monies received and whether the monies were so used. See 45 CFR 92.25 (g) for ***Use of program income***. If the agency has applicable credits, select one such receipt. Determine the appropriate use of the monies received and whether the monies were so used (offset occurred). See 2 CFR 225 (C) (4) (a) for ***Applicable Credits***.		
11.	**Conclusion:** Consider whether there are any instances of non compliance or a systemic problem due to a lack of adequate internal control exists with regards to your procedures. If so, make an appropriate notation as an Issue in Auto Audit. Prepare a segment summary to reflect work completed and results of your testing. (Note: An example index/segment summary can be obtained from the Auto Audit Library.)		