§ 74.20

with the standards set forth in part 87
(Equal Treatment for Faith-based Org-
izations) of this chapter.
[69 FR 42592, July 16, 2004]

Subpart C—Post-Award
Requirements

SOURCE: 59 FR 43760, Aug. 25, 1994, unless
otherwise noted.

FINANCIAL AND PROGRAM MANAGEMENT

§ 74.20 Purpose of financial and pro-
gram management.

Sections 74.21 through 74.28 prescribe
standards for financial management
systems, methods for making pay-
ments, and rules for satisfying cost
sharing and matching requirements,
accounting for program income, budget
revision approvals, making audits, de-
termining allowability of cost, and es-
tablishing fund availability.

§ 74.21 Standards for financial man-
agement systems.

(a) Recipients shall relate financial
data to performance data and develop
unit cost information whenever prac-
tical. For awards that support re-
search, unit cost information is usually
not appropriate.

(b) Recipients’ financial management
systems shall provide for the following:

(1) Accurate, current and complete
disclosure of the financial results of
each HHS-sponsored project or pro-
gram in accordance with the reporting
requirements set forth in § 74.52. If the
HHS awarding agency requires report-
ing on an accrual basis from a recipient
that maintains its records on other
than an accrual basis, the recipient
shall not be required to establish an ac-
crual accounting system. These recipi-
ents may develop such accrual data for
their reports on the basis of an anal-
ysis of the documentation on hand.

(2) Records that identify adequately
the source and application of funds for
HHS-sponsored activities. These
records shall contain information per-
taining to Federal awards, authoriza-
tions, obligations, unobligated bal-
ances, assets, outlays, income and in-
terest.

(3) Effective control over and ac-
countability for all funds, property and
other assets. Recipients shall ade-
quately safeguard all such assets and
assure they are used solely for author-
ized purposes.

(4) Comparison of outlays with budg-
et amounts for each award. Whenever
appropriate, financial information
should be related to performance and
unit cost data. (Unit cost data are usu-
ally not appropriate for awards that
support research.)

(5) Written procedures to minimize
the time elapsing between the transfer
of funds to the recipient from the U.S.
Treasury and the issuance or redemp-
tion of checks, warrants or payments
by other means for program purposes
by the recipient. To the extent that the
provisions of the Cash Management Im-
provement Act (CMIA) (Pub. L. 101–453)
and its implementing regulations,
“Rules and Procedures for Funds
Transfers,” (31 CFR part 205) apply,
payment methods of State agencies, in-
strumentalities, and fiscal agents shall
be consistent with CMIA Treasury-
State Agreements, or the CMIA default
procedures codified at 31 CFR 205.9(f).

(6) Written procedures for deter-
mining the reasonableness, allocability
and allowability of costs in accordance
with the provisions of the applicable
Federal cost principles and the terms
and conditions of the award.

(7) Accounting records, including
cost accounting records, that are sup-
ported by source documentation.

(c) Where the Federal Government
guarantees or insures the repayment of
money borrowed by the recipient, the
HHS awarding agency, at its discre-
ion, may require adequate bonding
and insurance if the bonding and insur-
ance requirements of the recipient are
not deemed adequate to protect the in-
terest of the Federal Government.

(d) The HHS awarding agency may
require adequate fidelity bond coverage
where the recipient lacks sufficient
coverage to protect the Federal Gov-
ernment’s interest.

(e) Where bonds are required in the
situations described in § 74.21 (c) and
(d), the bonds shall be obtained from
companies holding certificates of au-
thority as acceptable sureties, as pre-
scribed in 31 CFR part 223, “Surety
Companies Doing Business with the
United States.”