which the property or its use is do-
nated. This requirement must also be
imposed by the recipient on subgrants.

Subpart H—Standards for
Financial Management Systems

§ 3015.60 Scope.

This subpart contains standards for
financial management systems of re-
cipients. No additional financial man-
agement standards or requirements
shall be imposed by awarding agencies.
Awarding agencies will, however, pro-
vide recipients with suggestions and
assistance on establishing or improving
financial management systems when
such assistance is needed or requested.

§ 3015.61 Financial management stand-
ards.

The following standards shall be met
by recipients and subrecipients in man-
aging their financial management sys-
tem.

(a) Financial reporting. Complete, ac-
curate, and current disclosure of the fi-
nancial results of each USDA spon-
sored project or program shall be made
in accordance with the financial re-
porting requirements set forth in the
grant or subgrant. When a USDA
awarding agency requires reporting on
an accrual basis, the recipient shall not
be required to establish an accrual ac-
counting system, but shall develop
such accrual data for its reports on the
basis of an analysis of the documenta-
tion on hand.

(b) Accounting records. The source and
application of funds shall be readily
identified by the continuous mainte-
nance of updated records. Records, as
such, shall contain information per-
taining to grant or subgrant awards,
authorizations, obligations, unobli-
gated balances, assets, outlays, and in-
come. When the recipient is a govern-
mental entity, the records shall also
contain liabilities.

(c) Internal control. Effective control
over and accountability for all USDA
grant or subgrant funds, real and per-
sonal property assets shall be main-
tained. Recipients shall adequately
safeguard all such property and shall
ensure that it is used solely for author-
ized purposes. In cases where projects
are not 100 percent Federally funded,
recipients must have effective internal
controls to assure that expenditures fi-
nanced with Federal funds are properly
chargeable to the grant supported
project.

(d) Budgetary control. The actual and
budgeted amounts for each grant or
subgrant shall be compared. If appro-
priate, or required by the awarding
agency, financial information shall be
related to performance and unit cost
data. When unit cost data is required,
estimates based on available docu-
mentation may be accepted whenever
possible.

(e) Advance payments. There shall be
specific procedures established to mini-
mize the time elapsing between the ad-
vance of Federal grant or subgrant
funds and their subsequent disburse-
ment by the recipient. When advances
are made by a letter of credit method,
the recipients shall make drawdowns
as close as possible to the time of mak-
ing the disbursements. This same pro-
cedure shall be followed by recipients
who advance cash to subrecipients to
ensure that timely fiscal transactions
and reporting requirements are con-
ducted.

(f) Allowable costs. Established proce-
dures shall be used for determining the
reasonableness, allowability, and
allocability of costs in accordance with
the cost principles prescribed by Sub-
part T of this part and the provisions
of the grant award.

(g) Source documentation. Accounting
records shall be supported by source
documentation. These documentations
include, but are not limited to, can-
celled checks, paid bills, payrolls, con-
tact and subgrant award documents.

(h) Audit resolution. A systematic
method shall be employed by each re-
cipient to assure timely and appro-
priate resolution of audit findings and
recommendations.

Subpart I [Reserved]

Subpart J—Financial Reporting
Requirements

§ 3015.80 Scope and applicability.

(a) This subpart prescribes require-
ments and forms for recipients to re-
port financial information to USDA