

**STATE OF SOUTH CAROLINA  
ACCOUNTING GUIDANCE FOR FEDERALLY  
DECLARED DISASTERS**

**ADDITIONAL STEPS FOR AGENCIES WITH  
REIMBURSEMENT RETENTION LEGISLATION**



# Examples of Legislation Allowing for Retention

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1. **Proviso 62.14.** (SLED: Retention of Funds Reimbursed by State or Federal Agencies) The State Law Enforcement Division is authorized to collect, expend, retain, and carry forward all funds received from other state or federal agencies in the current fiscal year as reimbursement of expenditures incurred in the current or prior fiscal year.
2. **Code of Law § 23-6-193 (DPS).** Reimbursement for expenditures incurred during emergency; retention and expenditure of funds.

The department may collect, expend, retain, and carry forward all funds received from other state or federal agencies as reimbursement for expenditures incurred when personnel and equipment are mobilized and expenses incurred due to an emergency.



# Background – Past Accounting Practices

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Agencies with retention legislation have at times been accounting for reimbursements received in the current fiscal year for disaster expenses incurred in a prior fiscal year as CREDITS to *current year expense* in order to increase/get back their budget authority as allowed under their agency specific legislation.

## Example of past accounting:

1) Agency receives federal reimbursement for disaster:

DEBIT Cash

CREDIT Revenue / Disaster Grant / Fund 5511XXXX

2) Agency moves prior expenses to the disaster grant / federal fund:

DEBIT Expense / Disaster Grant / Fund 5511XXXX

CREDIT Expense / Grant NOT RELEVANT / Fund where disaster expenses were initially incurred in a **prior fiscal year**



# Background – Past Accounting Practices

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It was thought that, aside from going before the **Other Funds Committee** to seek additional budget authority, this was the only mechanism to retain not only the cash for a disaster reimbursement but the budget authority as well. This accounting treatment, however, is not permitted under current accounting guidelines and leaves agencies – and the State, at risk for an audit finding. This method circumvents the budget approval process as well.

It has recently been determined that having retention legislation precludes those specific agencies from having to go in front of the **Other Funds Committee** in order to increase their budget in the current year for a disaster reimbursement.

The Executive Budget Office has indicated that agencies legally authorized to retain disaster reimbursements should complete and submit *Requests for Other Funds Authorization* forms in order to increase budget authority related to disaster reimbursements received in a subsequent fiscal year from when the disaster expenditures were initially incurred. This applies to Federal as well as State reimbursements for disasters.



# Going Forward – Accounting Guidance

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Disaster accounting guidance is for ALL agencies to credit a revenue 452XXXXXXX Refund Of Prior Year Expenditure G/L when receiving a Federal or State reimbursement and subsequently transferring the expenses to the disaster grant while simultaneously ‘paying back’ the fund(s) that originally incurred the expense.

For agencies legally allowed to retain these reimbursements, a new G/L account has been created in order to segregate those amounts for which the agency will be seeking additional budget authorization:

**G/L 4520010036 - REIMB/REFUND PR YR EXP-RETENTION OF STATE FUNDS** – To be used only by those agencies with a proviso or other legislation allowing for the retention of all refunds or reimbursements including amounts received in a subsequent fiscal year from when the expense was initially incurred. This G/L is specifically intended to be used for those refunds or reimbursements relating to expenses initially incurred in the General Fund (1XXXXXXX) in a prior fiscal year that would normally be remitted back to the State in a 2XXXXXXX fund. Refunds/reimbursements falling under this legislation and retained by an agency cannot be received back to current year appropriations in a 1XXXXXXX fund or in a 2XXXXXXX fund (which would send that money back to the State) but must instead be recorded to an earmarked 3XXXXXXX fund. A copy of the agency specific proviso or legislation must be included or referenced when using this G/L account.

# Going Forward – Accounting Guidance

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## Example

1) Agency receives Federal reimbursement for disaster:

DEBIT Cash

CREDIT Revenue / Disaster Grant / Fund 5511XXXX

2) Agency moves prior year expenses to the disaster grant / Federal fund:

DEBIT Expense / Disaster Grant / Fund 5511XXXX

CREDIT 4520010036 – REIMB/REFUND PR YR EXP-RETENTION OF STATE FUNDS  
/ Grant NOT RELEVANT / Fund where disaster expenses were  
initially incurred in a prior fiscal year \*

*\* If the expenses were initially incurred in the General Fund (1XXXXXXX), fund 30350017, will be used here as explained in the next slide.*



# Going Forward – Accounting Guidance

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If the disaster expenses were initially incurred in the General Fund (1XXXXXXX), agencies legally allowed to retain their disaster reimbursements will follow the same steps as in the previous slide but will use a fund created for this scenario:

## **Fund 30350017 – DISASTER REIMB - RETENTION OF STATE FUNDS\***

Normally a refund of prior year expenditure originally spent out of the General Fund would be credited back to fund 28370000. In doing this, the agency is sending that cash back to the State. In this case, however, since the agency can retain the disaster reimbursement – budget AND cash, this new earmarked fund was created. The agency will request the additional budget authority in fund 30350017 so that the budget and cash will both be in the same fund.

*\* An earmarked 3XXXXXXX fund was created since additional budget authority cannot be given in a 1XXXXXXX fund.*

# Recap – Accounting Guidance

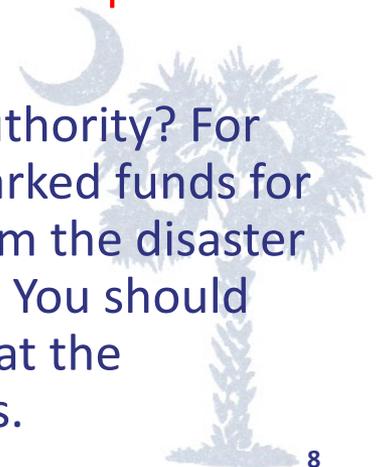
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In summary, the total amount recorded to G/L 4520010036 - REIMB/REFUND PR YR EXP-RETENTION OF STATE FUNDS should equal the TOTAL amount of additional budget authority that will be requested from the Executive Budget Office.

Further, the total amount recorded to fund 30350017 – DISASTER REIMB-RETENTION OF STATE FUNDS, should equal the total amount initially spent out of the General Fund in a previous fiscal year.

**Keep in mind: this guidance pertains ONLY to those reimbursements that relate to disaster expenses incurred in a prior fiscal year. If the reimbursement is received in the same fiscal year as the disaster expenses are incurred, then agencies can credit current year expense.**

Last note: Is your agency *required* to seek additional budget authority? For example, you determine that your agency has adequate earmarked funds for the remainder of the fiscal year to spend the cash received from the disaster reimbursement so you do not want to go through this process. You should discuss this with your Budget Analyst while keeping in mind that the retention legislation allows for the *carryforward* of those funds.



# Additional Information

The *Request for Other Funds Authorization* form can be found on the Executive Budget Office's website:

<https://www.admin.sc.gov/services/budget/managing-budget/request-interim-authorization-increase>



## Request for Interim Authorization Increase

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The authorization to expend Other Funds (agency-generated revenue from fees for services) and Federal Funds is included in each agency's budget during the appropriations process. During a fiscal year, an agency may determine it needs an increase in Other Funds or Federal Funds authorization over and above what was included in the Appropriations Act that cannot be addressed by transferring existing authority from another program in their budget.

After consulting with its budget analyst, an agency may complete a [Request for Interim Authorization Increase](#) and the required budget entry in SCEIS.

Contact Admin



# Additional Information

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The following state agencies currently have a special retention proviso:

1. SLED – Proviso 62.14
2. Department of Corrections – Proviso 65.10
3. Forestry Commission – Proviso 43.2
4. Office of Attorney General – Proviso 59.3
5. Department of Juvenile Justice – Proviso 67.5
6. Department of Public Health – Proviso 31.39
7. Department of Environmental Services – Proviso 55.8

If your agency is not listed here but you are aware of new retention legislation, please contact Kathy Johnson:

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