STATE OF SOUTH CAROLINA ACCOUNTING FOR FEDERALLY DECLARED DISASTERS

Grant Accounting Rules Assumed Herein

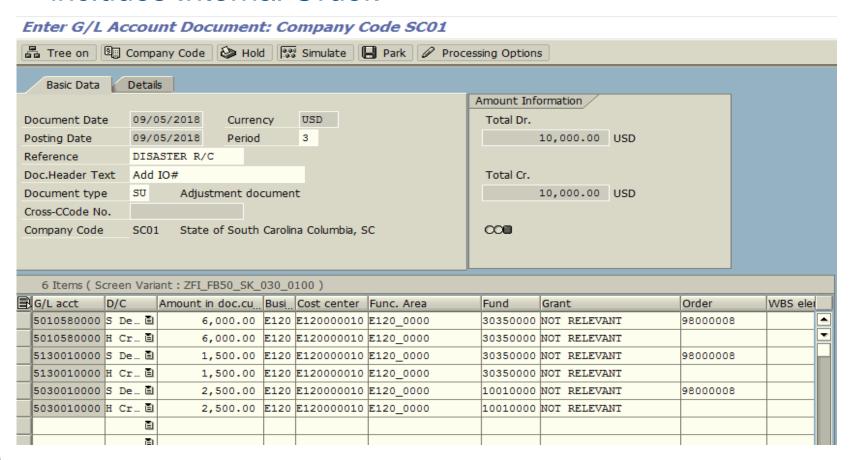
- Funds received from a federal agency, whether direct or indirect should be recorded in a Grant as Revenue.
 - Exceptions: an agency has a contract to perform a service for a federal agency.
- All federal revenues in a Grant must be offset by federal expenditures in that Grant.
- If the federal participation is less than 100%, the State's matching expenditures should also be recorded in the grant.

Agency Incurs Disaster Costs

- Agency responds and provides support using available funding.
- A disaster Internal Order number (98XXXXXX) is requested by SC Emergency Management Division (EMD) and created in SCEIS.
- This Internal Order will be used as a <u>cost collector</u> for all expenses incurred as direct support for the event including payroll and operating expenditures.
 - Agencies must record a journal entry to move over any disaster costs to the Internal Order that may have been incurred prior to the Internal Order being created or that were not identified as disaster related at the time of occurrence.

Journal Entry To Move Costs to Internal Order

 Initial account assignment stays the same, debit line includes Internal Order.



Maintaining Correct Internal Order Balances

- On the previous slide we identified all the disaster related expenditures to the Internal Order.
- Going forward through the accounting for disaster process, there will be no other entries recorded with the Order field populated with the disaster Internal Order.
- This will ensure that reports prepared on the disaster and its expenditures are recorded once and only once.

FEDERAL SUPPORT

Presidential Declaration is Issued for Disaster

- Presidential Disaster is declared
- Agency prepares PWs (Project Worksheets) for submission to FEMA for processing
- FEMA approves appropriate federal percentage for each
 PW based on category of work and performance period
- EMD transfers federal funds to state agencies via IDT (inter departmental transfer) per approved PWs to G/L 4280020000 – Federal Operating Grants - Restricted in the federal fund and grant

Federal Revenue Transfer From EMD to Agency

- EMD will contact an agency when an approved PW is received and will inform the agency to initiate an IDT for reimburse.
- In our example, E120 expended \$10,000, the federal award is for \$7,500. Depicted below are the two sides of the IDT:

EMD

G/L acct	D/C	Amount in doc.cur	Busi	Cost center	Func. Area	Fund	Grant
5170700300	Debit 🖺	7500.00		E240CE0010	E240_0009	55110000	E2401F001115

E120

G/L acct	D/C	Amount in doc.cur	Busi	Cost center	Func. Area	Fund	Grant
4280020000	Credit 🖺	7500.00		E120000010	E120_0000	5511XXXX	E1201PAFL015

Transfer of Expenditures to Grant Timing of Reimbursement

- Due to the nature of disaster grants, reimbursements are rarely received in the same fiscal year as when the disaster occurred.
- When recording the disaster expenditures and/or match expenditures, agencies must <u>NOT</u> credit expense in the current fiscal year for expenditures incurred in prior fiscal years <u>if the JE crosses funds</u>.
 - The JE to post prior year expenditures to the grant's federal fund will almost always cross funds. For reimbursement received in a subsequent year, credit GL 4520010000, Refund of Prior Year Expenditure, on the match line.

• In this example, E120 incurred \$10,000 disaster related expenditures:

\$7,500 in Fund 30350000,

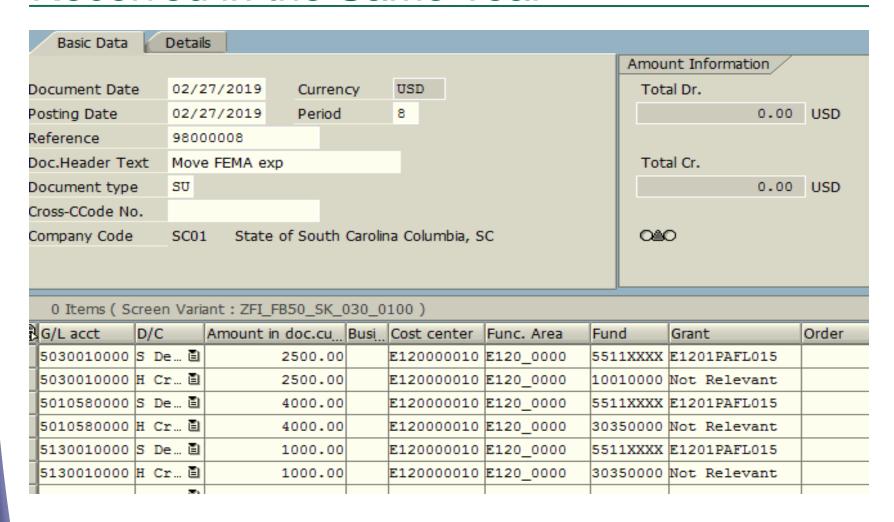
5010580000 \$6,000 5130010000 \$1,500

\$2,500 in Fund 10010000, 5030010000

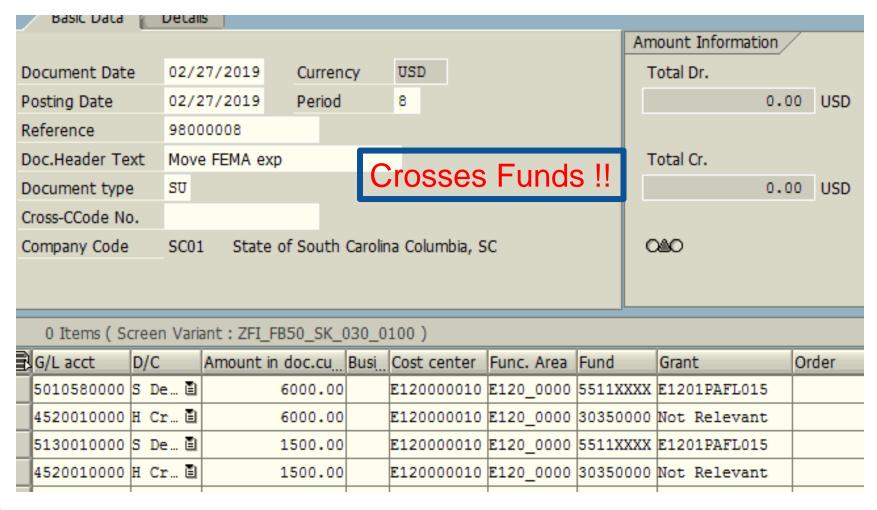
\$2,500

- Federal reimbursement is 75%. EMD has transferred \$7,500.00 to the E120 disaster grant in Fund 5511XXXX (as established by CG), GL 4280020000.
- At this point, the grant ledger only shows Federal revenue.
 Expenditures must be moved onto the grant to offset the Federal revenue.

Transfer of Expenditures for Revenue Received in the Same Year



Transfer of Expenditures for Revenue Received in the Subsequent Year



• After the transfer of expenditures to the grant, our grant now has Federal revenues and expenditures of \$7,500.

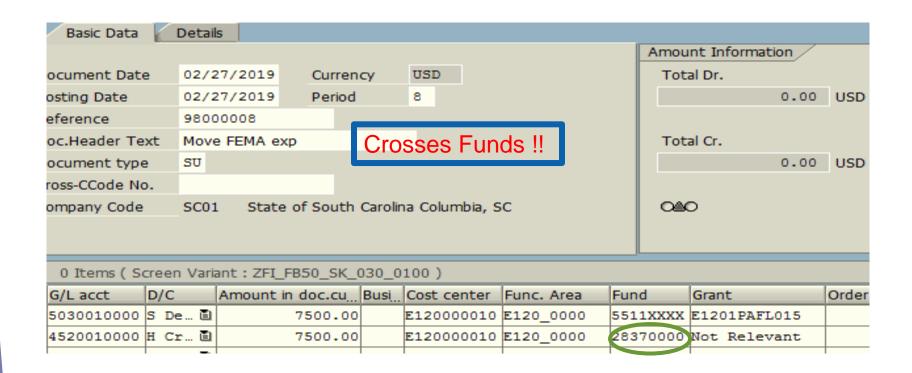
• In our next example, E120 incurred \$10,000 disaster related expenditures:

\$10,000 in Fund 10010000 5030010000

\$10,000

- Federal reimbursement is 75%. EMD has transferred \$7,500.00 to the E120 disaster grant in Fund 5511XXXX, GL 4280020000.
- At this point, the grant ledger only shows Federal revenue.
 Expenditures must be moved onto the grant to offset the Federal revenue.

Transfer of Expenditures for Revenue Received in the Subsequent Year



Because the original expenditure occurred in Fund 10010000, the refund of the prior year expense must be posted to a revenue account in Fund 28370000.

• After the transfer of expenditures to the grant, the grant now has Federal revenues and expenditures of \$7,500.

STATE SUPPORT

South Carolina Legislature Approves State Support

- State legislature may approve state reimbursement for a disaster. The State reimbursement may be in full or in part.
- The entire approved amount will be appropriated to the SC Emergency Management Division (E240) and disbursed to qualifying agencies per approved PWs via IDT into an earmarked fund and a revenue G/L.
- In this example, EMD was appropriated the full State match; E120 receives \$2,500 from the appropriated State match.

EMD

G/L acct	D/C	Amount in doc.cur	Busi	Cost center	Func. Area	Fund	Grant
5180260000	Debit 🖺	2500.00		E240CE0010	E240_0009	10010000	E2401F001115

E120

G/L acct	D/C	Amount in doc.cur	Busi	Cost center	Func. Area	Fund	Grant
4300060000	Credit 🖺	2500.00		E120000010	E120_0000	30350000	E1201PAFL015

South Carolina Legislature Approves State Support

The same rules apply to the State funds that applied to the federal funds:

- The fiscal year in which the reimbursement is received will determine the accounting treatment;
 - same year the offset is expenditures,
 - subsequent year the offset is revenue, if it crosses funds.
- Prior expenditures must be reimbursed to the Fund from which they
 were expended. If there were expenditures previously reimbursed
 with Federal funds, only those funds which were not reimbursed can
 be reimbursed with State Share.
- If the expenditures were originally paid out of 10010000, the state share reimbursement will be recorded as revenue to fund 28370000 if the reimbursement is received in a subsequent fiscal year.

• In this example, E120 incurred \$10,000 disaster related expenditures:

\$7,500 in Fund 30350000,

5010580000 \$6,000

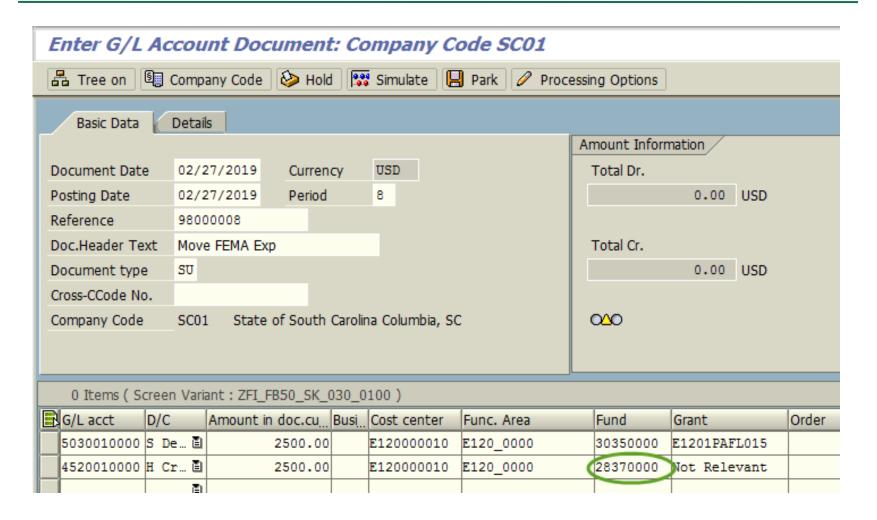
5130010000 \$1,500

\$2,500 in Fund 10010000,

5030010000 \$2,500

- In the subsequent year, Federal funds reimbursed the original expenditures in Fund 3035000 (see slide 12).
- The only original expenditures remaining to be reimbursed are the expenditures in 10010000.

South Carolina Legislature Approves State Support



Complete Grant Match

Our end result:

- The Internal Order report will show that the disaster expenditures were \$10,000.
- \$7,500 in Federal Revenue on the grant, Fund 5511XXXX,
- \$7,500 in Federal Expenditures on the grant, Fund 5511XXXX,
- \$2,500 in State Revenue on the grant, Fund 30350000,
- \$2,500 in State Expenditures on the grant, Fund 30350000,
- Cash on the grant is \$0.00, all is well!!

Any Questions?

