**Section 509.40 Accounting Requirements**

a) Each Agency shall establish and maintain a financial system in accordance with generally accepted accounting principles (GAAP) and applicable regulatory requirements including 2 CFR 200.302. Agencies shall either establish and maintain their own financial systems or enter a contractual relationship with a fiscal agent entity for that purpose.

b) Financial transactions shall be properly classified, adequately documented, supported, and recorded in appropriate books of original entry (journals), and posted to general ledgers on a monthly basis.

c) For programs funded by the Department, expenses shall be recorded by specific program. Expenses for all other programs may be booked on total. Expenses that cannot appropriately be charged directly to a specific program shall be reimbursable as indirect costs up to the limit of the State of Illinois approved Indirect Cost Rate agreement (see 44 Ill. Adm. Code 7000.420). Other shared expenses may be allocated on a reasonable basis to the various benefitting programs, both Department-funded programs and programs funded from other sources in accordance with the Agency's written cost allocation plan and methodology. It will be the Agency's responsibility to document its program expense allocation methodology and rationale.

d) All financial records and supporting documents shall be retained for at least five years after the end of the fiscal year to which they relate. If need for them still remains, because of unresolved audit issues, litigation or for similar reasons, related records must be retained until the matters are completely resolved. Failure to maintain adequate records to document the expenditure of DHS funds creates a presumption in favor of the Department for recovery of the funds.

e) All depreciation schedules shall be in accordance with 2 CFR 200.436(d)(2). The Agency shall clearly identify in its depreciation schedule any capital assets equal to or greater than the amount stated in 2 CFR 200.439 acquired with Department grant award funds.

f) The Department may establish additional accounting requirements for specific grants or programs. Agencies receiving such grants or receiving funds for such programs shall comply with those special requirements.

(Source: Amended at 48 Ill. Reg. 14689, effective September 27, 2024)