**Section 1220.310 Records**

a) Procedure

Every MEG Unit must maintain the following:

1) Records that fully disclose the total receipts and expenditures of the MEG Unit.

2) Records that fully disclose the disposition of all Department funds for the MEG Unit.

3) Records that fully disclose the amount of money and/or in-kind match provided for the MEG Unit by sources other than the Department.

4) Any other records requested by the Department to facilitate an effective audit.

b) Accounts

1) MEG Units accounts shall be maintained in conformity with the category and subcategory detail shown in the detailed budget submitted. The MEG Unit may make allotments and account expenditures in further subcategory detail if so desired, and an account will be maintained for each such allotment.

2) Expenditures shall be recorded in a formal account. The record of expenditures may be maintained in the agency's regular accounts if the expenditures are clearly identified in those accounts and memorandum records are maintained that separately identify the expenditures.

c) Recording of Receipts and Expenditures

Accounting procedures must provide for an accurate and timely recording of receipt of funds by source, of expenditures made from the funds, and of unexpended balances. Controls must be set up to ensure that expenditures charged to MEG activities are for allowable purposes and that documentation is readily available to verify that those charges are accurate.

d) Intermediate Records

Intermediate or secondary records, such as ledger cards, weekly or monthly cost summaries, cost analysis reports, letters of justification, or technical cost appraisals, are not supporting records and cannot be used in place of the supporting records. For purposes of audit, expenditures shall be supported by both the supporting records and intermediate records.

e) Supporting Records (Documentation)

Supporting records are the original or source records and documents that evidence expenditures made and that underlie the accounting transactions. Daily time records and payroll records evidencing labor costs, invoices for purchases of capital equipment and supplies or services, computations that show the method used in allocating indirect costs, authorizations to perform or discontinue work, change orders to the scope of the work, and similar documents and records serve as supporting records.

f) Responsibility

Each MEG Unit is required to maintain, or cause to be maintained, all records (including source documentation) relating to programs undertaken as evidence of costs incurred. It is the responsibility of the MEG Unit to assure that an accounting system is in effect that conforms to generally accepted accounting principles and that fully discloses the amount and disposition of the State funds, the amount and disposition of the matching contributions, and such other records as will facilitate an effective audit. It is also the responsibility of the MEG Unit to assure that procedures are established and supporting documentation is developed to substantiate allowable costs.

g) Maintenance of Records

MEG Units are expected to insure that records of each fiscal year are separately maintained and that the information required can be readily located. The MEG Units are also obliged to protect records adequately against fire or other damage. When records are stored away from the principal office, a written index of the location of records stored should be on hand and readily accessible. The records should be maintained in an orderly manner and must be available for audit purposes.

h) Retention of Records

1) Financial records of the MEG Unit, including books of original entry, source documents, the general ledger, subsidiary ledgers, personnel and payroll records, cancelled checks, and related documents and records must be retained for a period of 5 years or the period of time required by the Secretary of State's Local Records Commission (see 44 Ill. Adm. Code 4400), whichever is greater. The retention period starts from the date of the submission of the final expenditure report or ending date of the fiscal year, whichever is later. The 5-year retention period is qualified as follows:

A) Records for non-expendable property acquired with project funds shall be retained for 5 years after final disposition of that property.

B) Records must be retained beyond the 5-year period if an audit is in progress and/or the findings of a completed audit have not been resolved satisfactorily. If an audit is completed and the findings are resolved prior to the 5-year period, records will still be retained until the end of the 5-year period.

C) The Department may request transfer of certain records to its custody from local governments when it determines that the records possess long term retention value.

2) Program records of the MEG Unit must be retained for a period of 5years. Program records are all records other than financial.

A) The retention period starts from the date of the submission of the final expenditure report or ending date of the fiscal year, whichever is later.

B) However, records must be retained beyond the 5-year period if an audit is in progress and/or the findings of a completed audit have been resolved satisfactorily. If an audit is completed and the findings are resolved prior to the 5-year period, records will still be retained until the end of that 5-year period.

3) No record of the MEG Unit may be destroyed or otherwise disposed of unless the State Archivist or the Secretary of State's Local Records Commission has been notified and has given the MEG Unit written approval, as required by the Local Records Act [50 ILCS 205]).

i) Department's Fiscal Report

A Fiscal Report will be submitted to the Department by the 30th day following the end of each fiscal quarter, reporting State and local expenditures. Obligations will be reported that are unliquidated at the end of the quarter. All obligations not liquidated by the end of the lapse period will become the responsibility of the local participants. The MEG Unit fiscal year shall commence July 1 and close June 30.

(Source: Amended at 42 Ill. Reg. 19207, effective October 10, 2018)