
MANAGEMENT DIRECTIVE

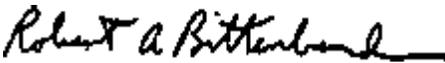
305.12 Amended
Number

COMMONWEALTH OF PENNSYLVANIA GOVERNOR'S OFFICE

Subject:

Accounting, Reporting, and Cash Management of Federal Grants and Contracts

By Direction Of:


Robert A. Bittenbender, Secretary of the Budget

Date:

January 25, 1999

This directive contains responsibilities for accounting, reporting, and cash management functions relating to federal grants and contracts. This amendment adds two steps to Procedure 1, duties to be performed by agencies, on the program implementation and operation function.

1. SCOPE. Applies to all departments, boards, and commissions under the Governor's jurisdiction (hereinafter referred to as agencies). It is recommended that other agencies adopt similar procedures.

2. OBJECTIVE. To provide for the allocation of functions between comptrollers and agencies to ensure consistency of application and maximization of the efficiency, economy, and effectiveness of operations.

3. POLICY. Pursuant to *Management Directives 305.3, Responsibilities of the Deputy Secretary for Comptroller Operations, Director of Financial Management, Director of Audits, and Comptrollers*, and *305.5, Cash Management*, the criteria for allocating between agencies and comptrollers the accounting, reporting, and cash management functions relating to federal grants, contracts, and agreements, are established as shown herein.

4. RESPONSIBILITIES.

a. Agencies are responsible for carrying out the programmatic duties relating to the administration of federal grants, contracts, and agreements and for the performance of duties shown in Procedure 1 and, jointly with comptrollers, Procedure 3.

b. Comptrollers are responsible for carrying out the financial management duties relating to the administration of federal grants, contracts, and agreements and for the performance of duties shown in Procedure 2 and, jointly with agencies, Procedure 3.

c. Agency heads and comptrollers are jointly responsible for developing plans for the performance of accounting, reporting, and cash management functions relating to federal grants, contracts, and agreements.

d. Exceptions to these responsibilities must be approved by the Secretary of the Budget.

5. PROCEDURES.

Procedure 1: Duties to be performed by agencies.

a. Application and approval function.

(1) Negotiate with federal agency prior to grant application.

(2) Prepare or review application for federal assistance.

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(3) Forward to comptroller a copy of application for federal assistance, if applicable.

(4) Forward to federal grantor agency three copies of application, requesting that one approved copy be returned directly to comptroller office via mail or FAX, if applicable.

(5) Forward copy of approved grant to comptroller, if applicable.

(6) Maintain file of grant award, grant agreement, or grant contract provided by grantor agency.

NOTE: Agencies shall ensure their comptroller is kept abreast of the status of grant negotiation, application, and award approval. This shall be accomplished by promptly providing the comptroller with all related documentation and by communicating to the comptroller any conversations held with the federal agency.

b. Program implementation and operation function.

(1) Review governing federal legislation and fiscal requirements. Maintain file of pertinent federal legislation and fiscal requirements.

(2) Submit to the Office of the Budget requests for appropriation of federal funds.

(3) Allocate and allot amounts appropriated by the General Assembly.

(4) Establish limits for the commitment and expenditure of grant funds.

(5) Notify comptroller of bona fide adjustments required for redistribution of costs between grants, budget categories, program measures, or nonaccounting (matching) costs.

(6) Notify comptroller, in writing, before the end of the grant period of final reports that will be due, the dates by which they must be received by the federal agency, and where they must be submitted. Copies of any required forms and instructions for their completion shall be included in this notification. This information is obtained from the federal grantor agency.

(7) Maintain file of federal agency deferrals of requests for reimbursement of program payments and disallowances of program expenditures claimed. •

(8) Report to comptroller each month on the status of deferrals and disallowances, including statutes of administrative appeals and litigation. •

c. Program function reporting and monitoring.

(1) Reporting subfunction.

(a) Complete reports on program results, such as narrative statements, number of clients served, number of program participants, and equipment purchased.

(b) Ensure the completion and submission of indirect cost plans to federal cognizant agency, whenever applicable.

(2) Monitoring subfunction. Monitor subrecipients' incurrence of costs.

d. Audit of subcontractor/subgrantee/subrecipient. Issue determinations on questioned or disallowed costs.

Procedure 2: Duties to be performed by comptrollers.

a. Application and approval function. Maintain file of grant application, grant award, grant agreement, or grant contract provided by grantor agency.

b. Program implementation and operation function.

(1) Review governing federal legislation and fiscal requirements. Maintain file of pertinent federal legislation and fiscal requirements.

(2) Establish Grant Master Record, Funding Source Master Record, Budget Category, and Program Measure Master file within the ICS Grant Accounting Subsystem or similar data within other accounting systems.

(3) Establish revenue codes.

(4) Establish letter of credit, requisition of cash, or other invoicing system.

(5) Input amounts of nonaccounting (matching) costs generated from nonstate entities.

(6) Update the drawdown system (CDS or other) with grant award dates, amounts, and other pertinent data.

(7) Make payments to vendors and Commonwealth agencies to support the administration of grants and to subrecipients to support their program costs.

(8) Input amounts of bona fide adjustments required for redistribution of costs between grants, budget categories, program measures, or nonaccounting (matching) costs.

c. Federal accounting function.

(1) Reporting subfunction.

(a) Prepare or review indirect cost plans, whenever applicable.

(b) Determine financial status as required by federal grantor agency and state program managers.

(c) Prepare and submit financial status reports to the federal grantor agency and state program managers.

NOTE: Detailed expenditure reports should not be requested from Commonwealth agencies unless specifically required by federal regulations.

NOTE: Reporting should not be required more frequently than quarterly, unless required by federal regulations.

(2) Cash management subfunction.

(a) Prepare drawdown, requisitions, and invoices for receipt of funds.

NOTE: Drawdowns must be made in compliance with the *Cash Management Improvement Act of 1990 (CMIA 90)*.

(b) Process drawdowns daily for federal programs covered by *CMIA 90*.

(c) Monitor cash on hand at Commonwealth level for compliance with state and federal policy.

(d) Monitor cash on hand at subrecipient level for compliance with state and federal policy.

(3) Monitoring subfunction.

(a) Monitor project or program expenditures for comparison with state appropriations of federal funds, grant budget, budget categories, and/or program activities.

(b) Notify agency program managers of transactions that would overcommit or overexpend.

(c) Monitor subrecipient's incurrence of costs at a summary level for compliance with financial requirements.

(d) Conduct financial management reviews at subrecipient sites.

d. Grant termination function.

(1) Grant closeout.

(a) Finalize actual amount of expenditures.

(b) Equate actual cash received with final amount of expenditures. **(Return unused cash on hand or prepare final drawdown.)**

(c) Record financial settlement of audits of subrecipients.

(d) Terminate grant accounting data from ICS Grant Accounting Subsystem or other accounting system.

(2) Responding to federal auditors.

Respond to fiscal related inquiries from federal auditors or organizations auditing on behalf of the grantor agency.

(a) For federal programs covered by the *Cash Management Improvement Act (CMIA)*.

1 Comptrollers using the CMIA Drawdown System (CDS) will maintain the following documentation to support drawdowns of federal funds:

a Report CDS001, Daily Report of Drawdowns Processed by Funding Source.

b Form STD-420, Transmittal of Revenue.

2 Comptrollers will maintain similar documentation to support drawdowns for CMIA programs not on CDS and for CMIA programs with special funding arrangements as described in the current state/federal CMIA agreement, copies of which may be obtained from the Bureau of Financial Management, Office of the Budget.

Procedure 3: Duties to be performed jointly by agencies and comptrollers.

a. Application and approval function. Prepare project/program budget.

b. Program implementation and operation function.

(1) Obtain governing federal legislation and fiscal requirements.

(2) Coordinate with other state agencies.

(3) Develop subrecipient reporting system.

(4) Develop account code structure (or similar coding structure) for recording of receipt and expenditure of funds.

(5) Develop payment methods to compensate subrecipient.

(6) Develop agreements with subrecipients.

c. Federal accounting function.

(1) **Reporting subfunction.** Prepare expenditure analyses and projections.

(2) **Cash management subfunction.** Monitor program income and sale of property.

d. Grant termination function.

(1) **Grant closeout.** Prepare required closeout documents.

(2) **Retention of records.** Analyze retention requirements and retain records accordingly.

(3) **Responding to federal auditors.** Respond to audit findings or recommendations.

This directive supersedes Management Directive 305.12 dated August 31, 1994, and Revision No. 1 dated November 3, 1994.