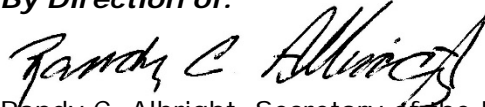


MANAGEMENT DIRECTIVE

Commonwealth of Pennsylvania Governor's Office

Subject: Federal Award Payments to Local Governments and Other Subrecipients	Number: 305.21 Amended
Date: March 2, 2018	By Direction of:  Randy C. Albright, Secretary of the Budget
Contact Agency: Office of the Budget, Office of Comptroller Operations, Bureau of Accounting and Financial Management, 717.787.6496	

This directive establishes policy, responsibilities, and procedures to ensure the commonwealth and its subrecipients comply with subrecipient monitoring and management provisions of the U.S. Office of Management and Budget *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, pursuant to Title 2 of the Code of Federal Regulations (C.F.R.) §§ 200.0 – 200.520 (hereinafter referred to as “Uniform Guidance”). Marginal dots are excluded due to major changes.

- 1. PURPOSE.** To establish policy, responsibilities, and procedures to ensure the commonwealth and its subrecipients comply with subrecipient monitoring and management provisions of the Uniform Guidance.
- 2. SCOPE.** This directive applies to all departments, offices, boards, commissions, and councils (hereinafter referred to as “agencies”) under the Governor’s jurisdiction. Agencies not under the Governor’s jurisdiction should follow this directive or establish similar policies and procedures.
- 3. OBJECTIVE.** To ensure the commonwealth maximizes its federal awards and mitigates the potential loss of funds resulting from noncompliance with federal requirements.

4. DEFINITIONS.

- a. **Catalog of Federal Domestic Assistance (CFDA).** The listing of all federal programs available to state and local governments; federally-recognized Indian tribal governments; territories (and possessions) of the United States; domestic public, quasi-public, and private profit and nonprofit organizations and institutions; specialized groups; and individuals.
- b. **CFDA Number.** The identification number assigned to a federal program in the CFDA.
- c. **Expenditure Transaction.** Any payment, nonmonetary federal financial assistance, refund, or other adjustment affecting the net payment amount to a subrecipient.
- d. **Federal Award.** A federal award includes federal financial assistance and federal cost-reimbursement contracts under the Federal Acquisition Regulations received by a non-federal entity, either directly from a federal awarding agency or indirectly from a pass-through entity. The term may also refer to the instrument that sets forth terms and conditions, such as a grant agreement or cooperative agreement. The term does not include other contracts that a federal agency uses to buy goods or services needed to carry out a project or program under a federal award.
- e. **Federal Financial Assistance.** Assistance that non-federal entities receive or administer in the form of grants, cooperative agreements, non-cash contributions or donations of property, direct appropriations, food commodities, and other financial assistance. For *2 C.F.R. Subpart F – Audit Requirements*, federal financial assistance also includes loans, loan guarantees, interest subsidies, and insurance. See § 200.502.

NOTE: Although the definition includes direct payments from federal agencies, the commonwealth is not responsible for identifying direct payments.
- f. **Local Government.** Any unit of government within a state. See *2 C.F.R. § 200.64*.
- g. **Non-Federal Entity.** A state, local government, Indian tribe, institution of higher education, or nonprofit organization that carries out a federal award as a recipient or subrecipient.
- h. **Pass-Through Entity.** A non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program.

- i. Subaward.** An award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a federal award received by the pass-through entity. A subaward does not include payments to a contractor or to an individual that is the beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.
- j. Subrecipient.** A non-federal entity that receives a subaward to carry out part of a federal program, excluding individuals that are beneficiaries of such programs.
- k. Taxpayer Identification Number (TIN).** The nine-digit identification number assigned by the federal government to a business or individual. The TIN may be a Social Security number, in the case of an individual, or it may be an employer identification number for a business, trust, estate, partnership, corporation or similar entity.
- l. Vendor Number.** A unique number assigned to each individual or entity for identification in the commonwealth SAP enterprise resource planning system (hereinafter referred to as the "SAP system").

5. POLICY.

- a.** Agencies must comply with the requirements contained in the Uniform Guidance.
- b.** Payments to subrecipients must show the breakdown of state and federal dollars spent and include the identifying information required by [2 C.F.R. § 200.331\(a\)](#). When the breakdown is unknown at the time of contract or grant agreement execution, the pass-through entity should consider historical data or other relevant information to describe the breakdown and adjust accounting records upon receipt of the actual breakdown.
- c.** Subrecipients must provide an IRS Form W-9, "Request for Taxpayer Identification Number and Certification," that includes a valid TIN before the commonwealth will make payment of state or federal financial assistance.
- d.** Interface files containing subrecipient payment information recorded in systems other than the SAP system must be submitted to the Office of Comptroller Operations within 30 days of the end of each calendar quarter.

- e. Subrecipient monitoring is required to ensure subawards are used for their authorized purposes and that performance goals are achieved. Monitoring must include, but is not limited to:
 - (1) Reviewing financial and performance reports;
 - (2) Ensuring the subrecipient takes corrective actions on all deficiencies pertaining to the federal award as identified through audits, onsite reviews, and other monitoring; and
 - (3) Issuing a management decision for audit findings pertaining to the federal award.

- f. An agency may, based on its assessment of a subrecipient's risk of noncompliance, perform one or more of the following additional measures to ensure accountability, compliance, and achievement of performance goals (See 2 C.F.R. § 200.331(e)):
 - (1) Provide subrecipients with training and technical assistance on program-related matters;
 - (2) Provide onsite reviews of program operations;
 - (3) Arrange for agreed-upon-procedures engagements; or
 - (4) Require additional measures necessitated by specific conditions identified in 2 C.F.R. § 200.207.

- g. Payments to subrecipients must be audited in accordance with the [Uniform Guidance, Subpart F – Audit Requirements](#) and [Management Directive 325.9, Processing Audits of Federal Pass-Through Funds](#).

6. RESPONSIBILITIES.

a. Agencies.

- (1) Monitor and manage subrecipients in accordance with the "Requirements for pass-through entities" ([2 C.F.R. § 200.331](#)) contained in the Uniform Guidance.
- (2) Act, as appropriate in the circumstances, against noncompliant subrecipients, in accordance with the "Remedies for noncompliance" ([2 C.F.R. §§ 200.338 -200.342](#)) contained in the Uniform Guidance and [Management Directive 325.8, Remedies for Noncompliance with Audit Requirements](#).

- (3) Provide subrecipients and the Office of Comptroller Operations with the federal award identification details required by [2 C.F.R. § 200.331\(a\)](#).
- (4) Notify subrecipients and the Office of Comptroller Operations within 30 days of any change to the federal award identification details required by [2 C.F.R. § 200.331\(a\)](#).
- (5) Record federal award transactions in accordance with the accounting procedures established by the Office of Comptroller Operations.

b. Office of the Budget, Office of Comptroller Operations.

- (1) Review contracts, grant agreements, and payments to subrecipients to verify compliance with [2 C.F.R. § 200.331\(a\)](#).
- (2) Administer the accounting for federal awards to subrecipients, including:
 - (a) Recording encumbrances/commitments for federal awards to subrecipients.
 - (b) Ensuring subrecipient grant agreements, payments, and adjustments are coded to the correct federal programs, vendor numbers, and general ledger accounts.
 - (c) Coordinating with agencies on accounting adjustments resulting from audits, onsite reviews, or other matters of subrecipient noncompliance.
 - (d) Providing to the Office of Administration, General Government Information Technology Delivery Center, Integrated Enterprise System (IES) Division interface files summarizing payments to subrecipients not processed through the SAP system.
 - (e) Coordinating with agencies to resolve accounting code issues in interface files.

c. Office of Administration, General Government Information Technology Delivery Center, IES Division.

- (1) Establish procedures for receiving and posting interface files summarizing payments to subrecipients not processed through the SAP system.
- (2) Ensure the availability of data in the SAP system for reporting payments to subrecipients in accordance with the Uniform Guidance.

7. PROCEDURES.

- a.** All contracts and grant agreements with subrecipients, including programs that are 100 percent state funded, must include the breakdown of federal and state dollars provided and the related federal and state financial assistance program names and numbers. This breakdown must be:
 - (1)** a percentage breakdown of federal and state funds; or
 - (2)** a dollar amount breakdown of federal and state funds; or
 - (3)** a functional or categorical breakdown of federal and state funds.

- b.** If expenditures to subrecipients covered by the Uniform Guidance are made without a contract or grant agreement, information regarding the payment (whether by check or electronic funds transfer) may be provided by one of the following methods to identify the breakdown of federal and state funds by:
 - (1)** Transmitting a copy of the expenditure invoice with each payment and specifying the federal and state dollars being provided and the applicable program name and number.
 - (2)** Providing information to the subrecipient with each payment identifying the federal and state dollars being provided and the applicable program name and number.
 - (a)** Federal financial assistance programs must be identified by program name, number, and federal grantor agency as defined in the CFDA.
 - (b)** State financial assistance programs must be identified by the applicable state program name and number.

- c.** Before any payment is made, subrecipients must provide an IRS Form W-9 that includes a valid TIN.
 - (1)** When subrecipient name, address, and other vendor data exist in the SAP vendor database, the subrecipient must provide the W-9 to the Office of Comptroller Operations.
 - (2)** When subrecipient name, address, and other vendor data exist in an agency's proprietary system, the subrecipient must provide the W-9 to the appropriate pass-through entity.

- d.** The Office of Comptroller Operations will review contracts, grants, payments, and accounting adjustments to verify that each is recorded to the appropriate accounting code in the SAP system.

- e. Within 30 days of the end of each calendar quarter, agencies will submit to the Office of Comptroller Operations interface files containing subrecipient payment information recorded in systems other than the SAP system.
- f. The Office of Comptroller Operations will review the interface files and, within 15 days of receipt, provide the files to IES.
- g. IES will update the SAP system with data from the interface files and ensure the data is available for reporting purposes in accordance with the Uniform Guidance.

This directive replaces, in its entirety, *Management Directive 305.21 Amended, Payments to Local Governments and Other Subrecipients*, dated September 23, 2005.