

CHAPTER 7

FEDERAL FINANCIAL ASSISTANCE

SCOPE

Federal financial assistance is defined as assistance provided by a federal agency in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Federal assistance can come directly to a State agency from an agency of the federal government or as a subprogram through another State agency or as a pass through grant from outside the State entity.

This chapter includes some of the general requirements relating to federal financial assistance programs. Because of the many different types and varied purposes of federal programs, it is not possible to provide all-inclusive instructions for in this manual. Detailed requirements and regulations for federal assistance are included in various publications and websites.

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7.1 FEDERAL STATUTORY AUTHORITY

United States Office of Management and Budget Guidance for Grants and Agreements - 2 CFR Part 200 ([Code of Federal Regulations](#))

- Subpart A – Acronyms and Definitions
- Subpart B – General Provisions
- Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards
- Subpart D – Post Federal Award Requirements
- Subpart E – Cost Principles
- Subpart F – Audit Requirements

The Uniform Guidance combines and replaces the OMB Circulars as listed below. Also see the chart in the appendices of this chapter at 7.5.3:

- Administrative Requirements (Common Rule), Circulars A-102, A-110, and A-89
- Audit Requirements, Circulars A-133 and A-50
- Cost Principles, Circulars A-21, A-87, and A-122

Note: 2 CFR Part 200, also known as the Uniform Guidance, applies to grant awards made prior to 12/26/2014. The replaced circulars are still applicable to grant awards made prior to 12/26/2014. These and other useful OMB publications can be found at www.whitehouse.gov/omb/circulars.

The Catalog of Federal Domestic Assistance (CFDA), which includes a complete listing of federal programs, is available at www.cfda.gov.

Specific regulations for individual programs are updated regularly in the Federal Register and the [Code of Federal Regulations](#).

The Cash Management Improvement Act of 1990 (CMIA), which defines the rules and procedures for efficient federal-state funds transfers, is detailed in [31 CFR Part 205](#).

7.2 INTERNAL CONTROLS

7.2.1 Compliance Controls

As a recipient of federal financial assistance, the agency is required to maintain internal control over federal programs to provide reasonable assurance that each federal program is managed in compliance with laws, regulations, and the provisions of contracts or program agreements that could have a material effect on the federal programs.

7.2.2 Cash Management Controls

Controls should be sufficient to minimize the time between disbursing federal program funds and requesting reimbursement from the federal government. If the program is listed as regulated by the Cash Management Improvement Act (CMIA), other regulations apply to prevent states from drawing federal funds prematurely.

Per AOS policy, Federal Funds should be drawn down no less than quarterly. Agencies with programs included in the Cash Management Improvement Act agreement should draw down funds in accordance with the approved funding technique. Agencies with non-CMIA programs should draw down the federal funds as close as possible to when the underlying disbursement is made or at the earliest date allowed by the federal program or regulations. A delay in drawing down funds in a timely manner could cost the state a loss in interest, especially those agencies having large transaction volumes within their federal funds.

7.2.3 General Internal Controls

Controls over the receipting, accounting, and expending federal funds in accordance with Federal Laws and Regulations should be assessed regularly, and control activities established in a similar manner as non-federal funds. This topic is addressed most extensively in Chapter 2, Internal Control, of this publication.

7.3 ACCOUNTING ISSUES

7.3.1 Cash vs. Accrual Accounting

As more agencies are utilizing the Accounts Receivable module of PeopleSoft to create a receivable as federal funds are expended, the movement to the accrual basis of accounting for federal revenues is becoming a reality. The goal is for all to utilize this process in the near future.

7.3.2 Other Accounting Issues

See Chapter 1, Accounting Systems and Processes, for other accounting issues relating to federal programs.

7.3.3 Identification of Federal Funds

Agencies receiving federal financial assistance are required to identify by program within the State's financial accounting system all federal awards received and expended. Each program should be identified by the CFDA number and title, the award number and year, the name of the federal agency awarding the program, and the name of any pass-through entity, whether state or non-state, as applicable. If programs are awarded to sub-recipients outside the state entity, this information must be included in the sub-program contract and the appropriate chart field utilized in PeopleSoft to identify such pass through funds. Also, a minimum of federal award number and year and CFDA# should be included in each remittance advice to sub-recipients.

If a federal program is shared by two or more state agencies (Business Units), the last 12 digits of the project number shall be identical, the first three digits being the assigned BU number.

If a state agency receives federal funds from a pass through entity rather than directly from the federal government, "Pass through from _____" should be entered in the description field in the PeopleSoft project.

7.3.4 Accounting Requirements

In order to more easily facilitate accounting for federal funds and the retrieval of required reports and information, all federal financial assistance received and expended by State agencies will be accounted for in the PeopleSoft financial system in the manner described later in this section.

7.3.4.1 Federal requirements

For each federal program, the accounting records must include:

- *Expenditures charged to the program:*
 - *Must be allowable for the program, benefit the program, be reasonable in nature and cost, be within the allowable period, and have complete back-up documentation.*
 - *If an employee's time is charged to a program, the employee must have worked the time charged. Adequate records showing the time spent on each program is to be kept if the employee is not working on the program 100% of the time.*
 - *When accounts payable is included as an expenditure, the agency must have documentation that shows that a product or service has been received but not yet paid for. Encumbrances are not considered as accounts payable.*

- *Federal funds received:*

Account for the amount of the program award and the amount received to ensure that the program award is not overdrawn.

- *Source and amount of matching and other non-federal funds used for the program:*
 - *Matching shares must be properly calculated. The source of the matching funds must be shown. Matching funds are usually State funds, donations, or in-kind contributions.*
 - *In-kind contributions must have proper documentation to support the value used as matching and show how the program benefited.*
 - *In-kind contributions include services donated and other State operations with the same goal as the program. The federal agency should be contacted for approval of the type of in-kind contributions you plan to use as matching.*

7.3.5 PeopleSoft Financial Accounting System

The statewide accounting system has been designed to account for federal assistance in a manner that will apply percentages of federal, state, and local funds to each disbursement as entered in the system. Reports, including federal quarterly reports and most information for the Schedule of Expenditures of Federal Awards (SEFA), can be produced with minimum time and effort. All required fields in projects must be completed in order to produce reliable reports.

7.3.5.1 One Federal Agency = One Fund

Each State agency will maintain one fund for each federal US agency from which it receives funds, with the exception of Medicaid, which will be kept in a separate fund. State matching funds will be transferred from their State appropriated funds to the appropriate federal fund by financial staff of the SBA; it is the responsibility of the Project Administrators

of each agency to accurately maintain the federal/state percentages to be applied to each expenditure in the funds distribution element of Project Costing.

7.3.5.2 Projects

In the PeopleSoft financial system, federal funds are accounted for as a Project, as described in this section:

- One standard project module approach for the entire State.
- All chart fields will be used consistently by the entire State.
- Project reporting in PeopleSoft Financials will support the:
 - Generation of schedules to support State financial and ACFR reporting requirements;
 - Accumulation of capital asset and infrastructure costs to support State financial and ACFR reporting requirements;
 - Generation of the Schedule of Federal Awards Expended and schedules to support 2 CFR part 200 reporting requirements;
 - Generation of federal financial reporting schedules and supporting documentation; and
 - Generation of federal cash drawdown calculations and supporting documentation
- Commitment Control will be required to be assigned at the fund, project and funding source levels.

A “project” is required for any federal funds received by a State agency, regardless of whether the funds are expended by the State or passed on to a sub-recipient outside of State government. Consistently across the State, there will be a separate project for each individual grant award year. Within projects, the following are a few of the levels which may be used. For detailed information on use of projects, see the [Project Costing Training Documents](#).

- Funding Source – used to enforce commitment control on a distinct funding stream; a funding Source may be allocated to various projects and, if a program shares expenditures with another State agency, the funding source should also be shared;
 - Funds Distribution – will distribute project costs among multiple funding sources based on pre-established rules; the agency Project Administrator is responsible for maintaining current rates in the system;
 - Functional Activity -- assigned at the time the transaction is created to classify transactions for budgetary and/or reporting purposes. Examples – ADMIN, RECIPNT;
 - Distributional Activity -- assigned in the Activity chartfield on the new transactional lines generated in the Project module when the original transaction undergoes Funds Distribution (See Funds Distribution above).
- Source Type -- provides State agencies with a chartfield to be utilized to meet their external and internal reporting needs not satisfied by the Activity chartfield.

- *Functional Source Category -- assigned at the time the transaction is created. The Functional Source category chartfield provides State agencies with a chartfield to be utilized to assist in properly recording time and labor in the Project module.*
 - *Functional Source SubCategory -- assigned at the time the transaction is created; provides State agencies with an additional chartfield to be utilized to assist in properly recording time and labor in the Project module in a lower level of detail than captured in the Functional Source Category.*
- *Distributional Source Category -- assigned in the Source Category chartfield on the new transactional lines generated in the Project module when the original transaction undergoes Funds Distribution. The Distributional Source Category corresponds to the Funding Source ID in Commitment Control*
 - *Distributional Source SubCategory - assigned in the Source SubCategory chartfield on the new transactional lines generated in the Project module when the original transaction undergoes Funds Distribution. The Distributional Source SubCategory will allow agencies to capture a lower level of detail related to a funding source than the level captured in Source Category.*
- *Analysis Type -- assigned to transactions within the Project module to communicate information related to the transaction such as the source of the transaction,--how the transaction should be treated within the Project module and the stage of the transaction within the Project module. Examples – REV, ACT, GLE, ODL, TPM, MOE, etc.*

7.4 **GENERAL FEDERAL REGULATIONS**

7.4.1 Direct Costs

Direct costs are those that can be identified specifically with a particular program or contract. Typical direct costs include:

- *Compensation of employees for time and effort*
- *Cost of materials*
- *Equipment*
- *Services*

Any cost that is a direct cost but not 100% for a particular program must be allocated between each program for which the cost is related and to State funds for portions not relating to federal programs. The allocation must be made on a logical basis and on a basis that represents the direct benefit to the program. Some federal grants require approval of an allocation plan by the federal grantor agency.

7.4.2 Indirect Costs

Indirect costs benefit more than one program, but the effort to allocate to each specific program is disproportionate to the results achieved. Indirect costs may originate within an agency

(i.e., accounting personnel's time attributable to several different programs), or outside an agency (i.e., cost of processing documents and payments by the Auditor of State).

Two different methods are used for charging indirect costs to a federal program, a Public Assistance Cost Allocation Plan (PACAP), or the Indirect Cost Rate Agreement (ICRA). Both must be approved by the federal agency with oversight over the state agency. This rate calculation includes both the state-wide (SWCAP) and agency indirect costs. When indirect costs are charged to a federal program/project, the federal share, which will be automatically calculated through funds distribution in the federal projects, is reimbursed through normal drawdown procedures.

See flowchart in Appendix 7.5.2 in this chapter.

7.4.2.1 State-Wide Cost Allocation Plan (SWCAP)

The State Budget Agency annually prepares the "State-Wide Cost Allocation Plan" which accumulates the state-wide indirect costs, allocating them across all State agencies. The federal share of the state-wide indirect cost is to be paid to the State Budget Agency to reimburse the State's General Fund for costs incurred by the State in relation to the federal programs. The steps for reimbursement are as follows:

- If an agency receives no federal funds, it is exempt from cost recovery.
- If an agency receives federal funds, either directly from the federal government or an outside source, or from another State agency, use the Proposed Costs from Schedule A of that fiscal year's SWCAP as indirect cost recovery owed the State when calculating the Indirect Cost Rate. If this number is negative, it may be used to offset future costs. Approval to use this offset must be obtained from the Budget Agency Controller.
- If the agency is 100% federally funded, divide Proposed Costs by four and process quarterly journal entries as described below.

For Federal or Dedicated funds, debit (+) funds to be charged using account 759910 and credit (-) Fund 10520, Account 749910, Program 10000, Department 051000.

In the Long Description of the Journal Header, indicate that the reason for the journal entry is SWCAP.

- Indicate the program period to be charged.
- As part of GL workflow, the journal entry will be routed to the State Budget Agency's accounting department for approval.
- An agency may request an exemption from Indirect Cost recovery on a program specific basis if:
 - Recovery of administrative indirect costs is prohibited by federal law/regulation (please cite authority).
 - Federal funds pass-through the agency and the agency incurs no administrative costs.
 - The indirect cost recovery contributes towards the program's mandatory State match requirement for which other funds are not available.

- *The recovery of indirect costs will decrease program effectiveness.*
- *Submit written exemption requests to the Budget Agency. All exemption approvals will be in writing.*

7.4.2.2 Indirect Cost Rate Agreement (ICRA)

Departments other than those included in 7.4.2.3 negotiate an Indirect Cost Rate with their federal oversight agency. This rate, which is applied two state fiscal years after the actual calculation, is a percentage derived from the Allowable Indirect Cost divided by the Direct Cost Base. The signed agreement will denote a rate to be applied for one or for multiple years.

Indirect costs may be accumulated throughout the fiscal year by means of Cost Pools, one of which would be the SWCAP share as communicated from the State Budget Agency (SBA). Other cost pools may be Equipment Use, Administrative costs, including salaries not possible to identify as direct cost, and Training. A separate fund may be used to accumulate these costs.

The Indirect Cost Rate percentage is applied to the total direct costs of all federal programs/projects and dedicated funds to determine the maximum indirect cost that can be charged to the various programs/projects/funds. Eligible SWCAP assessments should be first applied to this maximum, and that amount charged to the programs/projects/funds as described above in 7.4.2.1. The remainder should be charged to the program/projects/funds using account 583120 and credited to the agency indirect cost pools.

When federal revenue is drawn to reimburse the federal share of these costs, credit account 445000 – Fed Indirect Cost Revenue Agy, and account 446000 – Fed SWCAP Revenue. A flowchart illustrating these procedures is in the Appendices to this chapter.

7.4.2.3 Public Assistance Cost Allocation Plan (PACAP)

State departments (agencies) with programs listed at 45 CFR 95.503 maintain an approved PACAP with their federal oversight agency. The plan includes detailed procedures to be used to apply indirect costs to federal programs throughout the year.

Accounting treatment – The eligible SWCAP assessment should first be charged against the projects as described in 7.4.2.1. Indirect agency costs identified in the plan are then charged to the federal projects by debiting the related expense in the federal project and crediting the expense in the state fund from which the expenditure was initially made, thereby moving the expense from a general fund to the various federal projects. All such entries are made through the General Journal.

When federal revenue is drawn to reimburse the federal share of these costs, credit account 445000 – Fed Indirect Cost Revenue Agy, and account 446000 – Fed SWCAP Revenue. A flowchart illustrating these procedures is in the Appendices to this chapter.

7.4.3 Unallowable Costs

2 CFR Part 200 (Uniform Guidance) specifically notes the following partial list of costs that may not be charged against a federal program:

- *Bad Debts and Related Collection or Legal Costs*
- *Contingencies, with Some Exceptions*
- *Entertainment, Unless Programmatic Costs Specifically Authorized*
- *Governor's Office Salaries and Expenses*
- *Legislative and Judicial Salaries and Expenses*
- *Fines, Penalties, Damages and Other Settlements*
- *Personal Loans of any Kind*
- *Costs of another program*
- *Costs of Contributions and Donations to Other Entities*
- *Interest and Other Financial Costs*
- *Cost Incurred Outside of Program Period*
- *Lease for Empty Offices*
- *Costs Not Allowed by State Law or Regulations*

For general provisions for these and additional selected items of cost, see [2 CFR Part 200 Subpart E – Cost Principles](#).

7.4.4 Procurement

When procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal fund. See Procurement Standards starting at [2CFR200.317](#). Federal Regulation [2CFR200.403](#) requires that for a cost to be allowable it must "be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity".

7.4.5 Equipment

Many federal programs allow equipment to be purchased with grant funds. See [2CFR200.313](#).

Title of equipment purchased by a State agency with program funds vests with the State. The State agency is to use, manage and dispose of the equipment in accordance with State laws, rules and procedures. The equipment shall be used by the State agency in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by federal funds.

Property records must be kept in compliance with State rules. The records must include the location and any ultimate disposition data including the date of disposal and the sale price.

Agencies should supplement the PeopleSoft Asset Management system with any additional federal requirements. Records showing proper disposition (disposal) of the equipment should be maintained at least three years from date of disposition. When equipment with a current per unit fair market value in excess of \$5,000 is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value.

The federal awarding agency, the grant agreement, and the Code of Federal Regulations should be consulted to determine if there are additional requirements for the disposition of equipment. In most instances, follow State policies in disposition of equipment.

7.4.6 Audits

The Single Audit Act of 1984, as amended in 1996, directs the policy for audits of federal financial assistance provided to state and local governments. The Single Audit Act gives the federal Director of the Office of Management and Budget (OMB) the authority to develop government-wide guidelines and policy on performing audits to comply with the Act. The most recent OMB regulation issued for this purpose is [Title 2 U.S. Code of Federal Regulations \(CFR\) Part 200](#), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Based on these requirements, the Indiana State Board of Accounts conducts an annual state-wide single audit of the federal funds expended by the State of Indiana. Due to these requirements, specific testing of certain federal programs will be done in addition to an agency's periodic State compliance reviews.

Once the audit is completed, the Indiana State Board of Accounts issues a report, which includes any federal findings in the Schedule of Findings and Questioned Costs. Also in the Federal Findings report are required audit opinions, the Schedule of Expenditures of Federal Awards, financial statements based on state-wide financial activity, a Summary Schedule of Prior Audit Findings, and agencies' Corrective Action Plans.

The report is filed as an official public document in the State Board of Accounts' office and is available online at www.in.gov/sboa. Copies are submitted, along with the SF-SAC Data Collection Form, to the U.S. Bureau of Census. See the [Federal Audit Clearinghouse](#).

7.4.6.1 Corrective Action on Findings

Regulations of [2CFR200 Subpart F - Audit Requirements](#) require agencies to follow up and take corrective action on audit findings, as well as preparation of a Summary Schedule of Prior Audit Findings. This schedule shall report the status of all audit findings included in the prior audit's Schedule of Findings and Questioned Costs. When an audit finding is fully corrected, the summary schedule needs only to list the audit finding and state corrective action taken.

When audit findings are not corrected or are only partially corrected, the summary schedule shall describe the planned corrective action and any partial corrective action taken. This schedule is to be submitted to the State Board of Accounts timely when requested. This schedule will be incorporated into the statewide audit report.

The regulations also require agencies to prepare a corrective action plan for any current year audit findings. The corrective action plan shall include the corrective action planned, the anticipated completion date, and the name(s) of the contact person(s) responsible for corrective action. This corrective action plan will also be incorporated into the statewide audit report. The corrective action plan is to be submitted to the State Board of Accounts within ten calendar days after the exit conference with agency officials.

7.4.7 Sub-granting Federal Funds -- Pass-through Funds

7.4.7.1 Sub-grant Contract vs. Vendor Contract

If your agency sub-grants federal funds to another governmental unit or not-for-profit entity, [2CFR200.331](#) requires that you provide each subrecipient certain information. This information should be included in agency agreements with the sub-grantees (subrecipients). The following information should be included on the remittance advice of each disbursement in the PeopleSoft Financial System: (1) CFDA number and name, (2) federal award name, (3) award number and year, and (4) the name of the federal agency.

If you include State funds with the federal funds in a single payment, you must inform the subrecipient of the percentage, or amount, of the federal/state funds.

If federal funds are to be shared with another Business Unit within the state, the Granting State Agency must provide the project number and the funding source number in the PeopleSoft financial system to the Sub-State Agency. The Sub-State Agency is not considered a subrecipient of the State. The term subrecipient is defined by 2CFR200 as monies passed outside of the reporting entity only, in our case, the State of Indiana.

Occasionally the federal government contracts with a State agency to perform a service rather than awarding a grant from a federal program. An example would be if the Indiana Department of Health was asked by HHS to compile statistics of vaccinations given by the State of Indiana, and HHS would pay them upon completion of the service. In such a case, use the funding source "Federal non-reportable" in a non-federal project. This is considered a vendor relationship rather than a grant award. 2CFR200.330 gives guidance on determining whether a subrecipient or contract/vendor relationship exists.

7.4.7.2 Monitoring

All pass-through entities MUST:

- a) provide certain information to its subrecipients at the time the subaward is made,*
- b) evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and terms and conditions of the subaward, for purposes of determining the appropriate subrecipient monitoring,*
- c) consider imposing specific subaward conditions upon a subrecipient if appropriate,*
- d) monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, monitoring MUST, at a minimum, include reviewing financial and performance reports required by the pass-through, follow-up on any deficiencies identified through audits or monitoring, and issue a management decision for audit findings pertaining the Federal Award,*
- e) use monitoring tools to ensure proper accountability and compliance,*
- f) verify that every subrecipient is audited as required by 2CFR200Subpart F,*
- g) consider the results of all above that might indicate necessitate adjustments to the pass-through entity's own records,*
- h) consider taking action against subrecipient for noncompliance.*

Additional detail for subrecipient monitoring can be found at 2CFR200.331.

7.4.8 Program Requirements

2CFR200 Appendix XI - Compliance Supplement issued by OMB has identified twelve program requirements as seen in the Matrix of Compliance Requirements in Part 2 of the Compliance Supplement.

The compliance supplement also contains, for many programs, specific information that identifies which requirements are applicable. Agencies need to determine which program requirements are applicable to each of the federal programs they administer and ensure that these requirements have been properly implemented.

This document contains also specific requirements for individual programs, the compliance for which your auditors' will be testing.

7.4.9 Cash Management Improvement Act Of 1990

The purpose of the Cash Management Improvement Act of 1990 (CMIA) is to ensure efficiency, effectiveness, and equity in the transfer of funds between State and Federal governments. The requirements of the CMIA can be found in [31 CFR Part 205](#). The general concept is that, the transfer of funds between the Federal government and the State, and the payment of Federal funds by the State happen in a timely manner.

7.4.9.1 Interest on Funds Drawn Prematurely

State and federal agencies must minimize the time between the transfer of federal funds to the State and the presentment of the State's checks and warrants or the settlement of EFT payments for program purposes. [31CFR205.15](#) requires the State to pay interest on federal funds from the time the funds are deposited in a State bank account to the time of the actual cash outlay (the time the State warrant clears the bank). Interest can be avoided if approved funding techniques are used. These techniques are described in 7.4.9.5.

The interest calculation will be based on the annualized rate equal to the average equivalent yield of 13-week Treasury bill auctioned during the State's fiscal year. This interest rate will be provided each year to the State liaison by the federal government. Federal funds cannot be used to pay the interest; the CFR also provides for the federal government to pay interest when State funds are used in advance of receipt of federal funds if this occurs due to actions of the federal government.

7.4.9.2 State Liaison

A State liaison person is to be appointed to oversee the implementation of CMIA and be the State's contact person. Indiana's liaison is a State Budget Agency staff member. It is the liaison's responsibility to draft the Treasury-State Agreement. This agreement is to include:

- Federal programs included
- Funding technique for each program
- Clearance pattern methodology (if required)
- Interest calculation methodology

The liaison will require the cooperation of State agencies that have federal programs that are covered by CMIA to develop the above items.

7.4.9.3 Programs Exempt from CMIA

See the current CMIA agreement, available from the State Budget Agency, for up to date exemptions.

7.4.9.4 State Agencies' Responsibilities for CMIA

- Use the specified funding technique for each of the agency's covered programs
- Developing and maintaining the clearance patterns for federal funds by program using methodology specified in the current Treasury-State Agreement. Custom reports have been developed in PeopleSoft to produce the necessary information:
 - Project Costing>Reports>CMIA Clr Patt Rpt by Pmt Date
 - Project Costing>Reports>CMIA Clr Patt Rpt by Clr Date
- Tracking drawdown of federal funds by program

- Calculating interest owed and due
- Providing support documentation upon request
- Providing interest calculations and other information to the State liaison

7.4.9.5 Funding Techniques

For each program included in the CMIA Treasury-State Agreement, a funding technique is indicated for each program covered for the year indicated. A sample of funding techniques are included in 35CFR205.12, or the parties may agree to any other technique. Sample techniques include:

- **Actual Clearance, Zero Balance Accounting (ZBA) - Same Day Payment:** A Federal Program Agency transfers to actual amount of Federal funds to a State that are paid out by the State each day. The State shall request funds the same day it pays out funds, in accordance with the appropriate Federal agency cut-off time specified in the CMIA. A Federal agency will deposit funds in a State account the same day as requested. The amount of the request shall be for the amount of funds that clear the State's account that day. This funding technique is interest neutral.
- **Projected Clearance:** A Federal Program Agency transfers to a State the projected amount of funds that the State pays out each day. They projected amount paid out each day is determined by applying a clearance pattern to the total amount the State will disburse.
- **Average Clearance:** A Federal Program Agency, on the dollar-weighted average day of clearance of a disbursement, transfers to a State a lump sum equal to the actual amount of funds that the State is paying out. The dollar-weighted average day of clearance is the day when, on a cumulative basis, 50 percent of the funds have been paid out. The dollar-weighted average day of clearance is calculated from a clearance pattern, consistent with §205.20. The State shall request funds such that they are deposited by ACH on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified in the CMIA. The request shall be made in accordance with the appropriate Federal agency cut-off time specified and shall be for the exact amount of that disbursement. This funding technique is interest neutral.
- **Cash Advance:** (pre-issuance or post-issuance) a Federal Program Agency transfers the actual amount of Federal funds to a State that will be paid out by the State, in a lump sum, not more than three business days prior to the day the State issues checks or initiates EFT payments.
- **Reimbursable:** a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes.

Other funding techniques used by the State:

- **Modified Composite Clearance:** The State issues warrants and ACH payments for contractor fees, engineering fees, right-of-way acquisition fees, payroll, and other Highway program expenses; by statute, most payments are made via ACH. The State shall bill the Federal Highway Administration (FHWA) weekly for these

accrued expenses. The State shall time the billing process so that funds are requested from a 7 day cost collection period (Thursday thru Wednesday of the following week). The request shall be made in accordance with appropriate Federal agency cut-off time specified in the CMIA. This funding technique is interest neutral.

- **Programs not covered by the CMIA Treasury-State Agreement:** Per 31CFR205.34, a State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102.

7.4.9.6 CMIA Annual Report

The State is required to submit an annual report to the U.S. Department of the Treasury's Financial Management Service (FMS) by December 31 of each year. This report includes the Federal and State interest liabilities of the State's most recently completed fiscal year. The State CMIA liaison will contact State agencies as needed regarding the compilation of this report. After the report has been reviewed and approved by FMS, the exchange of interest liabilities should occur no later than March 31.

7.4.10 Program Income -- Rebates

To determine whether monies, other than matching funds, being receipted into a program are rebates or program income, first check the current federal regulations for the program. General rules from part 3 of the compliance supplement are:

"Program income is gross income received that is directly generated by the federally funded project during the grant period. If authorized by Federal regulations or the grant agreement, costs incident to the generation of program income may be deducted from gross income to determine program income. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement, and payments of principal and interest on loans made with grant funds. Except as otherwise provided in the Federal awarding agency regulations or terms and conditions of the award, program income does not include interest on grant funds (covered under "Cash Management"), rebates, credits, discounts, refunds, etc. (covered under "Allowable Costs/Cost Principles"), or interest earned on any of them (covered under "Cash Management"). Program income does not include the proceeds from the sale of equipment or real property (covered under "Equipment and Real Property Management)."

Rebates constitute, for the most part, payments made by third parties who assume responsibility for certain expenses and essentially reduce the amount paid out for those expenses

from program funds. Examples of this are drug rebates from pharmaceutical companies, and rebates from manufacturers from vouchers used by recipients of certain children's programs.

If in doubt, check the specific program requirement in either the compliance supplement (www.whitehouse.gov/omb/circulars), or the CFR that applies to your specific program (www.ecfr.gov).

7.4.10.1 Accounting for Program Income

If a federal program will receive program income, a request should be sent to the State Budget Agency to set up a Program Income funding source in order that those receipts can be included in that funding source and related expenses paid from that source. Check with individual program specific requirements on how and when such funds are to be spent. In most cases, program income is to be spent prior to other funds. Also, in most cases, these funds are to be used toward the total federal grant, rather than to supplement the grant with additional funds.

Per [2CFR200.307](#), non-federal entities are encouraged to earn income to defray program costs where appropriate. Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise.

Also per 2CFR200, the non-Federal entity must not use assets (i.e. equipment or supplies) acquired with the Federal award to provide services for a fee that is less than private companies charge for equivalent services, unless specifically authorized by Federal statute.

7.4.10.2 Rebates

Rebates should be receipted into a fund/project using the same expenditure account the rebate is intended to reimburse. Presently in PeopleSoft, after the deposit is posted, a Journal Entry is necessary to move the rebate amounts to the fund/project. Such an entry will reduce the expenditure amount, thus releasing the funding source(s) amount for future payments.

7.5 APPENDICES

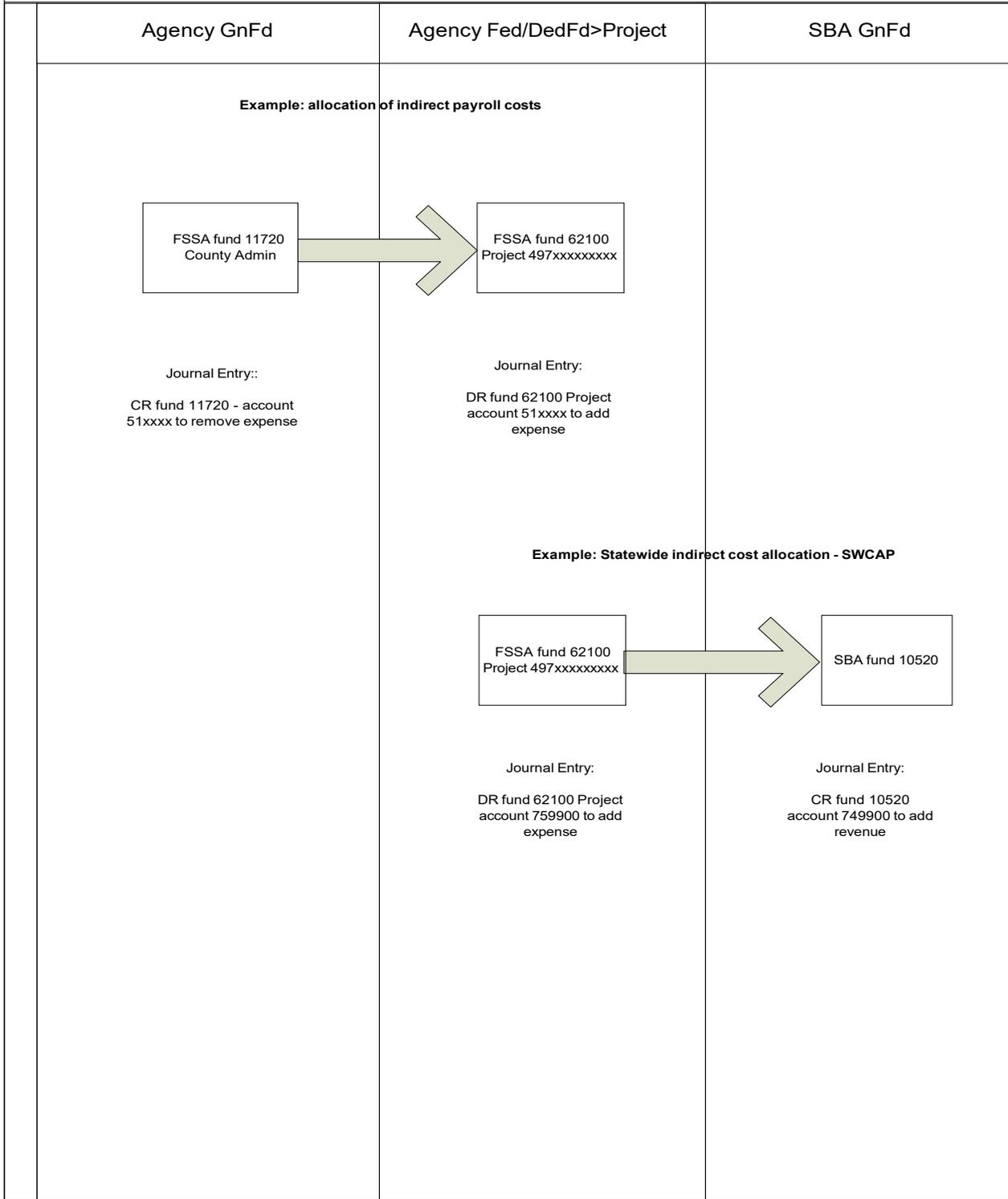
7.5.1 Project Costing Reports – PeopleSoft

Report Name	Purpose	Data Prerequisite	Navigation
Summary of Revenue by Project by Activity	Gives the summary of revenue by a project & activity ID	Cost Collection process run to move AR data from GL to PC; ROC entries posted to PC; Accounts beginning with 4	Project Costing > Reports > Summary of Rev by Proj & Act
Detailed Funding Source & Project KK Transactions and Remaining Balance	Shows funding sources allocated and remaining balances at the funding source level	Budget checked transactions have Project number and Funding Source	Project Costing > Reports > Funding source & Project Bal
Funding Source KK Transactions and Remaining Balance by Project	Shows funding sources and remaining balances by project.	Budget checked transactions with Project number and Funding Source	Project Costing > Reports > FS KK Trans and Rem Bal by Prj

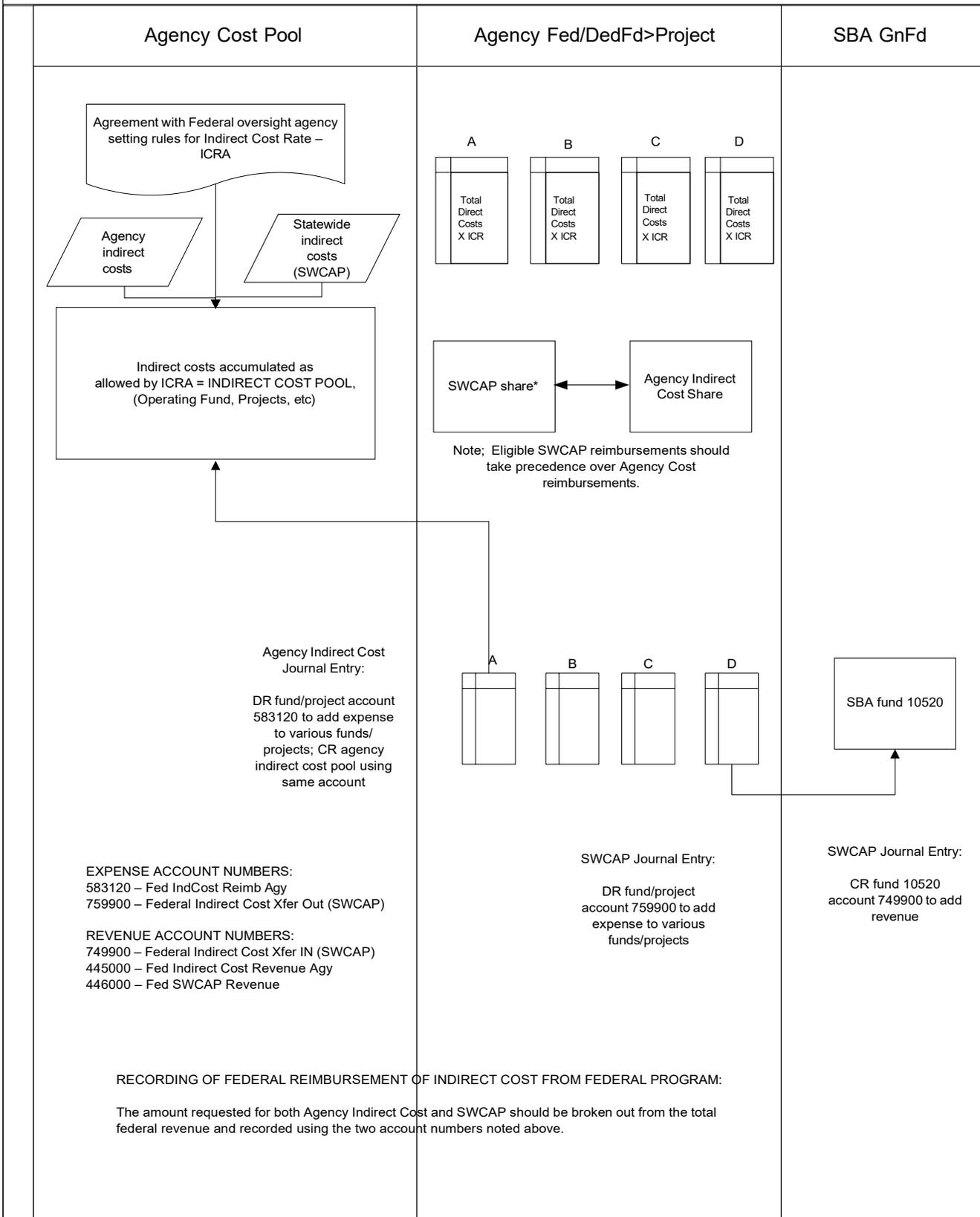
Report Name	Purpose	Data Prerequisite	Navigation
Funding Source & Category Reconciliation	Reconciliation between funding source and distributional category at the transaction level.	Funding Source allocated to project and FND rows in PC	Project Costing > Reports > Fund Source and Dist Category
Purchase Order Activity and Balance by Project	Includes all purchase orders associated with a project and remaining PO balances, if any.	Purchase Order for Project and any associated vouchers	Project Costing > Reports > PO Activity & Bal by Projct
Summary Account Settlement/Draw Worksheet Report	Provides a Summary Account Settlement/Draw Worksheet for Federal Project Reporting	Finalized Budget Plan; FEDERAL FND expense rows in PC; ROC entries posted to PC	Project Costing > Reports > Draw Worksheet Report
Summary of Cash Transactions by Project by Functional Activity by Distributional Category	Support for reporting and drawdown process; includes cash transactions only	ROC or FND Expense transactions in PC that impact cash	Project Costing > Reports > Summary of Cash Transactions
Federal Cash Transactions Report	To assist in preparing the Federal 272 Report	ROC entries posted to PC; Expenses posted to PC; Use of Activity id of PRGINCA or PRGINCS for program income.	Project Costing>Reports>Federal Cash Transactions Rpt
CMIA Detail Report by Clear Date	Gives details about the payment clearance pattern (Number of days from Payment Date to Cleared Days).	Vouchers posted and paid within AP with Project id's that have cleared the bank	Project Costing>Reports>CMIA Clr Patt Rpt by Clr Date
Project & Activity Budget Commitment Control Comparison Report (Expenditures in KK to Actual)	Comparison of budget to actual expenditures; can select either project or activity budget	Budget Checked transactions with Project id's and posted transactions with Project id's. For comparison at the Activity id level, select Activity Budget Provided on Run Control.	Project Costing > Reports > Project & Activity Comp Report
Detail Transactional Report by Project with all Project Chartfields and Account Roll-up Nodes	Provides detailed transactions; support for federal reporting (detailed version of RPT 075)	Original (ACT/GLE) rows posted in PC and FND rows generated during Funds Distribution process. Accounts properly place in the PROJACCTRPTTREE.	Project Costing>Reports>Detail Trans Rpt by Project
Transaction Balance Report by Project with all Project Chartfields and Account Roll-up Nodes	Provides balances by project; support for federal reporting (summary of 074)	Original (ACT/GLE) rows posted in PC and FND rows generated during Funds Distribution process. Accounts properly place in the PROJACCTRPTTREE.	Project costing > reports > Transaction Bal Rept by Proj
Federal Financial Status Report	To assist Agencies in preparation of Federal FSR Report	Expense FND rows with FEDERAL or STATE00 Target Activity id's in PC; Third Party/In-Kind direct entries to PC, if applicable; Use of Activity id of PRGINCA or PRGINCS for program income.	Project Costing>Reports>Federal Financial Status Rpt
Federal Financial Report Supporting Worksheet	Support worksheet for Federal Financial Report	Funding Source Allocated to Project; ROC's posted to PC. FND expense rows with Target Activity id's of FEDERAL or STATE00 generated by Funds Distribution in PC; Use of Activity id of PRGINCA or PRGINCS for program income.	Project Costing> Reports > Federal Finl Rpt Supporting WS

Report Name	Purpose	Data Prerequisite	Navigation
Federal 270 Report Supporting Worksheet	Support for preparation of Federal 270 Report	Expense FND rows with FEDERAL or STATE00 Target Activity id's in PC and paid; ROC entries posted to PC; Use of Activity id of PRGINCA or PRGINCS for program income.	Project Costing >Reports > Federal 270 Rpt Supporting WS
CMIA Clearance Pattern Rpt Detail by Payment Date	This CMIA Report gives details about the payment clearance pattern by Payment Date	Vouchers posted and paid within AP with Project id's that may or may not have cleared the bank	Project Costing >Reports > CMIA Clr Patt Rpt by Pmt Date
Project Budget Reconciliation Report	A comparison of the BUD Analysis Type rows in the Project Resource Table to the KK Project commitment control ledger by Project	Finalized Budget Plan	Project Costing>Reports>Project Budget Recon
Schedule of Expenditure of Federal Awards (OMB SEFA Schedule)	Provides most of the information needed for the annual SEFA report	Funding Source with CFDA , grant # and award amount populated; ROC entries posted to PC; Expense FND rows associated with Funding Source	Project Costing>Reports>Expenditure of Federal Awards
Project Detail by CFDA	Includes receipts, disbursements, grant detail and other available information by federal CFDA number	Funding Source with CFDA , grant # and award amount populated; ROC entries posted to PC; Expense FND rows associated with Funding Source	Project Costing > Reports > Project Detail by CFDA
Capital Asset Purchases by Project	Gives information from AM on assets by projects selected. Can select \$\$ threshold, such as \$5,000.	Assets posted to AM with Project ID's. Proper Asset Table data as confirmed during agency Asset Cleansing processes, Capitalized Assets.	Project Costing>Reports>Capital Assets by Project

PUBLIC ASSISTANCE COST ALLOCATION PLAN PROCESS (PACAP)



INDIRECT COST RECOVERY AGREEMENT (ICRA)



7.5.3

Change to Uniform Guidance 2 CFR Part 200

APPLIES TO FEDERAL AWARDS MADE PRIOR TO DECEMBER 26, 2014			After December 26, 2014
2 CFR Part 225 (OMB Circular A-87) State/Local	2 CFR Part 220 (OMB Circular A-21) Universities	2 CFR Part 230 (OMB Circular A-122) Non-Profit	2 CFR Part 200 (Uniform Guidance: Subpart E)
A. General Principles	A. Purpose and Scope	A. Basic Considerations	General Provisions
- Purpose and Scope	B. Definitions	B. Direct Costs	Basic Considerations
- Definitions	C. Basic Considerations	C. Indirect Costs	- Special Considerations
- Basic Guidelines	D. Direct Costs	D. Allocation of Indirect Costs and Determination of Indirect Cost Rates	Direct and Indirect (F&A) Costs
- Composition of Cost			- Appendix III Indirect (F&A) Costs Identification and Assignment, and Rate Determination for IHE's
- Direct Costs	E. Facilities and Administration Costs (F&A)	E. Negotiation and Approval of Indirect Cost Rates	- Appendix IV Indirect (F&A) Costs Identification and Assignment and Rate Determination for Non-profit Organizations
- Indirect Costs	F. Identification and Assignment of F&A Costs		- Appendix V State/Local Government wide Central Service Cost Allocation Plans
- Required Certifications	G. Determination and application of F&A cost rate or rates		- Appendix VI Public Assistance Cost Allocation Plans
B. Select Items of Cost	H. Simplified method for small institutions		- Appendix VII States and Local Government and Indian Tribe Indirect Cost Proposals
C. Cost Allocation Plans	I. Reserved		- Appendix IX Hospital Cost Principles
D. Public Assistance Cost Allocation Plans	J. Select Items of Cost		Special Considerations for IHE's
E. Indirect Cost Rate Proposals	K. Certification of Charges		General Provisions for Selected Items of Cost