

Pass-Through Federal Financial Assistance in Aspire

Policy

The agency initially receiving the federal grant award (the “prime agency”) and an agency receiving any of those award funds from the prime agency in a pass-through transaction will use the same Project ID, referred to as a “shared” project, to record financial transactions pertaining to the award. This action is to be taken on July 1 of the fiscal year following the date that all agencies are using the statewide accounting system.

Definitions

Award

The provision of funds by an awarding agency to an organizational entity or an individual to carry out an activity or project, often based on an approved application and budget. An award represents a grant in the statewide accounting system. An award number is assigned for every grant created in the system.

Business Unit

Generally, the Business Unit (BU) represents an Agency, Department, or Commission that is defined by statute. A BU provides a level of control when entities need to segregate their financial data or operational centers need to segregate operations for management purposes. More than one BU will be established, in limited instances, where security requirements specific to the agency, department, or commission necessitate further segregation of records.

Business Units are utilized in different ways between the modules in Aspire. For example:

- In the General Ledger (GL) module, business units comprise different entities for financial reporting. Referred to as the GL BU.
- In Accounts Payable (AP), business units define the rules for paying bills. Referred to as the AP BU.
- In Purchasing, business units define rules for pre-encumbrances and encumbrances related to procuring goods and services using requisitions, purchase orders, and contracts.

Draw

The withdrawal of money from a pre-established account at a bank, treasury or depository. The term draw is commonly used with letter of credits. Sometimes referred to as a draw-down or drawdown.

Integration Template

Integration templates are used to restrict access for posting transaction to only the general ledger business units specified in the template.

Pass-Through Financial Assistance

Financial assistance received initially by one entity but subsequently transferred to a second entity for the purpose of enabling the second entity to fulfill some or all of the terms and conditions under which the financial assistance was provided to the first entity.

Prime Agency

The agency initially receiving a federal or state grant award.

Project

A project is a mechanism in the statewide accounting system to accumulate revenues and expenditures for an endeavor which creates a unique product, service or result and has:

- a defined purpose;
- interrelated activities; and
- a start and end date (which may need to be estimated).

Project ID

The Project ID is a chartfield in the statewide accounting system used to identify all project and grant related transactions. The Project ID is a fifteen character alpha numeric field. The first four characters will represent the Business Unit and will be assigned by the system to enable each Business Unit to maintain its own unique project numbering structure. The last eleven characters are assigned by the agency.

Receiving Agency

1. Any department or agency of the federal government or a state government which receives an employee of another government under this part. 2. An agency that is receiving federal or state grant funds as a pass-through of financial assistance from another state agency. The agency receiving the federal funds is operating in a non-vendor capacity as outlined in the Federal Office of Management and Budget's Circular A-133.

Revenue Contract

An agreement between two parties wherein the State provides goods and/or services in exchange for payment. Also known as a Customer Contract in the statewide accounting system.

Schedule of Expenditures of Federal Awards

State of Florida annual reporting requirement that details expenditure of federal funds attached to federal programs and/or grants that are administered by State of Florida governmental entities. Also known as SEFA.

Vendor

1. A supplier of goods and/or services. 2. A vendor is anyone required to provide a Taxpayer Identification Number (TIN) to the State of Florida for W-9 purposes. 3. A vendor, in the context of federal grant awards, is generally a dealer, distributor, merchant or other seller providing goods or services that are required for conducting a federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the federal program. However, in some cases a state agency employed by the prime agency to perform tasks, provide services, carry out a program, etc. may be classified as a vendor by the federal government if certain criteria outlined by the Federal Office of Management and Budget are met (see Circular A-133 for more information). 4. Information as to vendor classification in the context of state financial assistance programs is outlined in the Florida Single Audit Act Checklist for Non-State Organizations-Recipient/Subrecipient Vs. Vendor Determination checklist. The checklist is available electronically from the Appendix of Forms section of the Financial Management Manual.

Background

A federal award may be passed from one state agency to another or distributed to a nonstate entity. This policy is concerned with those situations where, a portion or the full amount of, the federal award is passed from one state agency to another state agency, i.e., "passed-through".

A determination needs to be made as to whether the Agency receiving the pass-through federal financial assistance is classified as a vendor. Agencies that receive such assistance in a vendor capacity are not required to share a Project ID to track activity related to the use of the assistance dollars. The following information is provided to assist the user in determining whether an agency should be classified as a vendor, based on the Federal Office of Management and Budget's Circular A-133:

Some characteristics that indicate whether an agency receiving federal funds from the prime agency is actually functioning as a vendor in providing goods and/or services to the prime agency include situations where the agency receiving the funds from the prime agency:

- 1) Provides the goods and services within normal business operations;
- 2) Provides similar goods or services to many different purchasers;
- 3) Operates in a competitive environment;
- 4) Provides goods or services that are ancillary to the operation of the Federal program;
- 5) Is not subject to compliance requirements of the Federal program;
- 6) Does not have its performance measured against whether the objectives of the Federal program are met; and
- 7) Does not have responsibility for programmatic decision making.

The shared Project ID is the mechanism provided in the statewide accounting system for accumulating all the revenues and expenditures incurred by the State for a particular federal award. Expenditures can be entered directly into a shared Project ID by all agencies expending monies related to the federal award which will enable the data entry workload to be shared and potentially enable an easier calculation of the draw amount.

Procedures

The following procedures are provided for the recording of pass-through financial assistance transactions beginning July 1 of the fiscal year following the date that all agencies are using the Aspire system:

Existing Federal Grants

1. The prime agency will need to confirm that the business unit (BU) for the agency receiving the pass-through federal financial assistance is set up on the prime agency's Integration Template. The Integration Template identifies which business units are allowed to charge costs against a project. An integration template should not contain more than two business units (e.g., the prime and the receiving). Contact the Department of Financial Service's (DFS) **Help Desk** to request a new Integration Template if the prime agency's Integration Template does not contain a necessary BU.

Note: The prime agency should have established a Project ID for the agency receiving federal financial assistance and recorded the expenditures and revenues incurred/obtained by the agency receiving pass-through federal financial assistance

during the transition period. See the *Pass-Through Federal Financial Assistance During Transition* policy for additional information. Once the integration template has been updated, the Project ID that was used by the Prime Agency during the transition period can be “shared” with the agency receiving pass-through federal financial assistance.

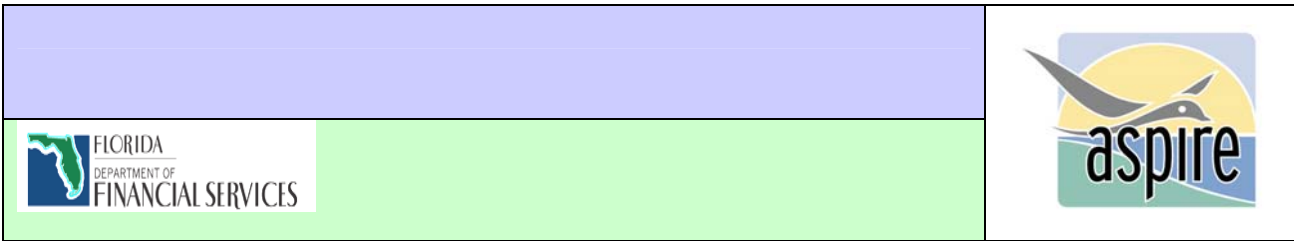
2. The prime agency must inform the agency receiving pass-through federal financial assistance that the Project ID is available for the receiving agency to post transactions too.
3. The agency that received pass-through federal financial assistance during the transition period must change all of their open projects with a Project Type of “FDPTP” (Federal Pass-Through Project) to a Project Status of “close”.
4. See Steps 5 through 8 in the procedures listed below for new federal grants.

New Federal Grants

1. The prime agency must establish one revenue contract, one award and at least one project in the statewide accounting system for each federal grant award. The prime agency will setup their revenue contract with the federal awarding agency being the customer. The prime agency will setup the revenue contract and award for the entire awarded amount. See the policy *Minimum Information Required for Grant Awards* for additional information.

Note: The agency receiving pass-through federal financial assistance in a non-vendor capacity will not setup a revenue contract and award because the contract and award that are established by the prime agency are to be used for billing and revenue recognition.

2. The prime agency will need to make a determination as to whether the agency receiving the federal financial assistance is operating in a vendor capacity. See the background section of this policy for additional information on vendor determination. The procedures included herein are not applicable, if the agency receiving the pass-through federal financial assistance is classified as a vendor.
3. The prime agency must confirm that the BU for the agency receiving the pass-through federal financial assistance is set up on the prime agency’s integration template if the agency is operating in a non-vendor capacity. The integration template identifies which BUs are allowed to charge costs against a project. An integration template should not contain more than two BUs (e.g., the prime and the receiving). Contact the DFS *Help Desk* to request a new integration template if the prime agency’s integration template does not contain a necessary BU.
4. The prime agency must establish a new project for use in transactions with an agency that is receiving funds from the award in a non-vendor capacity in addition to the initial project(s) set up for exclusive use by the prime agency. The prime agency and the agency receiving the pass-through federal financial assistance will share this new Project ID. A separate Project ID must be established for each prime/receiving



relationship if there is more than one agency that will receive federal funds from the prime agency for a single grant award.

For example, if the prime agency ABC will pass-through federal funds to agencies X, Y and Z, three Project IDs must be established. The X, Y and Z agencies will each use only the Project ID established for their agency's BU. For purposes of this example, assume that Project XXX (not the full format for a project ID – used for ease of example only) is used for agency X's BU and Project YYY is used for agency Y's BU and Project ZZZ is used for agency Z's BU. When agency ABC passes funds through to agency X's BU, Project XXX will be used to record the pass-through transaction and then agency X's BU will also use Project XXX to record expenditures related to the use of those funds. In a similar manner, if ABC passes funds through to agency Z, project ZZZ will be used to record the transaction and then agency Z's BU will also use Project ZZZ to record expenditures related to the use of those funds.

5. The agency receiving the pass-through federal financial assistance will record expenditures/expenses using the Project ID established by the prime agency.
 - a. The receiving agency should post all transactions related to the federal award (e.g., federal, state match, state MOE, local match, etc) to the shared Project ID to ensure that the Schedule of Expenditure of Federal Awards (SEFA) report prepared by the prime agency is accurate.
 - b. In a cost reimbursable federal award, the receiving agency may not know that the expenditures are eligible for federal reimbursement at the point of initial entry into the statewide accounting system. Once the receiving agency determines that the expenditures are federally reimbursable by the prime agency or are related to the federal pass-through relationship (e.g., State Match, State MOE, Local Match, etc.), all of the expenditures must be moved to the shared Project ID established by the prime agency to allow all expenditures and revenues for a specific federal award to be recorded on the shared Project ID. A general journal transaction or an AP voucher adjustment must be created to move the expenditures from the Project ID established by the agency receiving pass-through federal financial assistance to the shared Project ID established by the prime agency.
6. The agency receiving the pass-through federal financial assistance will send the prime agency an invoice, following standard DFS requirements to provide an invoice for contractual services payments. The invoice will need to be prepared externally to the statewide accounting system. The receiving agency will not have the ability to generate a bill in the system due to the prime agency controlling the revenue contract.
7. The prime agency will create a bill for the federal awarding agency for the amount to be reimbursed to the agency receiving pass-through federal financial assistance, using the Billing module. There is no DFS mandate to produce a physical invoice if the prime agency intends to obtain the reimbursement via a drawdown. However, the

- billing processes must still be run in the statewide accounting system in order to record a receivable due from the federal awarding agency. See the ***Invoice Billing for Grants*** policy for additional information.
8. The prime agency must ensure that drawdowns are recorded on a timely basis and that the State is in compliance with the provisions of the Cash Management Improvement Act (CMIA) for the federal award. See the policy for the ***Cash Management Improvement Act*** for further discussion of CMIA requirements.
 9. The prime agency will record the receipt of the reimbursement to the Project ID established in step 4 above, which may be received through various means (e.g., draw, wire transfer, etc) within the Accounts Receivable module.
 10. An interunit transaction will be used to transfer cash from the prime agency to the receiving agency. Each agency will use the same Project ID for the target and source sides of the transfer. However they will use their own General Ledger Business Unit (GL BU). See the Chapter entitled ***Transfers/Interunit Journal Transactions*** in the Financial Management Manual for further information.
 11. The prime agency must comply with any documentation requirements of the federal awarding agency and any additional requirements from DFS.
 12. The agency receiving the pass-through federal financial assistance must comply with the prime agency's contractual agreement and statutory requirements for reimbursements as well as any documentation requirements from the prime agency or DFS.

Policy Approval Dates

Department of Financial Services

Approved (insert date)

Authority and References

OMB Circular A-133,

Document Version Control

Version Number	Release Date	Version Number Description	Description of Changes
v1	6/24/05	Draft Temp Policy v1	Draft Distributed to Executive Committee
V2			Revisions by Developer
V3	3/21/06		Draft for Financial Policy Committee

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