

Pass-Through Federal Financial Assistance during Transition

Policy

The prime agency will be required to establish at least one project in Aspire for each prime/receiving relationship. The receiving agency will be required to establish at least one project in Aspire for each federal award for which they are receiving pass-through financial assistance. This action is to be taken during the transition period which is the time period starting with the first agency's transition to Aspire and ending on July 1 of the fiscal year following the date that all agencies are using the statewide accounting system.

Note: The receiving agency will be required to record pass-through information on a shared Project ID that has been established by the prime agency after the transition period as stated in the policy entitled *Pass-Through Federal Financial Assistance in Aspire*. Department of Financial Services (DFS) recommends that consideration and planning for the impact on business processes take place before the policy requiring shared Project IDs goes into effect.

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.

Cash Management Improvement Act

The Federal Cash Management Improvement Act of 1990, also known as the Cash Management Act. Provides general rules and procedures for efficient transfer of federal financial assistance between the federal government and the states. Also known as CMIA.

Catalog of Federal Domestic Assistance

A database 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 nonprofit organizations and institutions, specialized groups, and individuals. The Catalog of Federal Domestic Assistance number is typically identified in program announcements or federal award notices. Also referred to as CFDA.

Draw

The withdraw 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.

Financial Assistance

Transfer of money or property from one entity to another entity to accomplish a public purpose.

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 grant and project 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, generally is a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of 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 for federal awards distributed from one state agency to another,. Agencies that receive such assistance in a vendor capacity

are not required to establish a project 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 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.

Procedures

The notes section below provides general information to determine if the procedures accompanying this policy are not applicable; else, some or all of the procedures will be applicable, dependent upon the criteria outlined in the notes.

Notes:

- a) None of these procedures are applicable if neither the prime agency nor the agency receiving the pass-through federal financial assistance is using Aspire.
- b) None of these procedures are applicable if the agency receiving the pass-through federal financial assistance is classified as a vendor.
- c) Only those procedures specified for the prime agency and the transfer procedures are applicable if the prime agency is using Aspire, but the pass-through agency is not.
- d) Only those procedures specified for the agency receiving the pass-through federal financial assistance and the transfer procedures are applicable, if the agency receiving the pass-through federal financial assistance is using Aspire, but the prime agency is not using Aspire.

The following basic procedures should be followed until such time as all agencies are using Aspire:

1. The prime agency must establish one revenue contract, one award and at least one project in Aspire 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.
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 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. 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. See the ***Minimum Information Required for Projects*** policy for additional information on the procedural steps involved in establishing a project(s).
4. The agency receiving pass-through federal financial assistance in a non-vendor capacity must establish at least one Project ID in Aspire for each Catalog of Federal Domestic Assistance (CFDA) number. The Project Type selected must be “FDPTP” (Federal Pass-Through Project). See the policy ***Minimum Information Required for Projects*** for additional information on the procedural steps involved in establishing a project(s). Note: The receiving agency will not setup a revenue contract and award for pass-through federal financial assistance because the contract and award that are established by the prime will be used for billing and revenue recognition in the statewide accounting system.
5. The agency receiving pass-through federal financial assistance must notify DFS, ***Statewide Reporting Section*** of any new federally funded projects established for recording pass-through transactions so that the Project ID can be added to the “Enterprise Project CFDA” Tree.
6. The DFS, Statewide Reporting Section will be responsible for ensuring all projects with a Project Type of “FDPTP” (Federal Pass-Through Project) are added to the Enterprise Project CFDA Tree at least monthly. This tree will be used to track the pass-through federal financial assistance transactions by the CFDA number. This tree is critical for the Schedule of Expenditures of Federal Awards (SEFA) reporting during the transition period.
7. The agency receiving the pass-through federal financial assistance will record expenditures/expenses using the Project ID established in step 4.

8. 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. This invoice will need to be prepared externally to the Aspire system.
9. The prime agency will enter a financial transaction via a journal in the general ledger in order to record the expenditures/expenses incurred by the agency receiving the pass-through federal financial assistance.
 - a. The journal entries should include all the funds expended by the receiving agency in relation to the federal award (e.g., federal, state match, state MOE, local match, etc) to ensure that the Schedule of Expenditure of Federal Awards (SEFA) report is prepared accurately.
 - b. The debit and credit journal entries should include the Project ID established by the prime agency in step 3.
 - c. The debit journal entry should be posted to the Interagency Expense account and the credit journal entry should be posted to the Interagency Expense Offset accounts which will have a net effect of zero. The use of an offset account is needed so the expenditures will not be recorded twice in the statewide accounting system.
10. The prime agency will bill the federal awarding agency for the amount to be reimbursed, using the Billing module. The expenditures recorded by the prime agency in step 9 are automatically sent to the project/grant module and therefore available for inclusion in the bill. 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 Aspire in order to record a receivable due from the federal awarding agency. See the ***Invoice Billing for Grants*** policy for additional information.
11. 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 this federal award. See the policy for the ***Cash Management Improvement Act*** for additional information of CMIA requirements.
12. The prime agency will record the receipt of the reimbursement to the Project ID established in step 3 above, which may be received through various means (e.g., draw, wire transfer, etc) within the Accounts Receivable module.
13. The procedures to use for the transfer of cash are dependent upon whether both agencies are using Aspire or if only one agency is using Aspire.
 - a. If both agencies are using Aspire, an interunit transaction will be used to transfer the cash between the agencies. Each agency will record their side of the interunit transaction using their own Project ID. See the Chapter entitled ***Transfers/Interunit Transactions*** in the Financial Management Manual for additional information.
 - b. If only one of the agencies is using Aspire, the transfer of cash will be accomplished by using the procedures identified in the ***Transition Policy for***

Transfers Between FLAIR and Aspire. The agency using Aspire must record their Project ID on the cash transfer.

14. The agency receiving the pass-through federal financial assistance will comply with the prime agency's contractual agreement and statutory requirements for reimbursements.
15. The prime agency must comply with any documentation requirements of the federal awarding agency and any additional requirements from DFS.
16. The agency receiving pass-through federal financial assistance must comply with any documentation requirements from the prime agency or DFS.

Policy Approval Dates

Department of Financial Services

Approved (insert date)

Authority and References

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-v5			Revisions by Developer
V6	3/21/06		Draft to Financial Policy Committee