

Department of Finance and Administration – Policy 20
Accounting for Federal Grant Expenditures and Revenues
(Revised October, 2013)

Introduction

1. The objectives of this Policy Statement are to:
 - Align state grant-based transaction processing with federal grant requirements including the Cash Management Improvement Act (CMIA) and Single Audit Act.
 - Define principles to be applied by all agencies to help ensure accuracy and consistency in reporting of the financial activity of federal programs.

GLOSSARY OF TERMS	
Cash Management Improvement Act (CMIA)	CMIA is a federal law that provides the general rules and procedures for the efficient transfer of federal financial assistance between the federal government and the states.
Catalog of Federal Domestic Assistance (CFDA)	A listing of Federal programs available to State and local governments.
Schedule of Expenditures of Federal Awards (SEFA)	A federally mandated report of all federally funded grant expenditures by CFDA number for the state. It includes both monetary and non-monetary grant awards.
Indirect Cost Plan	A cost accounting process, in which administrative support costs are identified and distributed.
Grants	Generally, and for purposes of this policy only, grants are Federal awards and other forms of assistance received as a recipient or subrecipient to carry out a federal program. This would include only payments received from the federal government that are subject to the Single Audit Act.
Statewide Cost Allocation plan (SWCAP)	A federally approved plan for allocating central government costs such as Treasury, Budget and General Services to state agencies that receive such support services.

Applicability and Effective Date

2. All state departments, agencies, boards, and commissions which meet all of the following criteria are required to comply with this Policy Statement:
 - A. Receive a portion of their funding from the federal government as a grantee or subgrantee;
 - B. Are required by the grantor to report assistance on the SEFA;
 - C. Maintain financial records on the State of Tennessee accounting system (Edison).
3. This policy statement is effective when signed.

General Policy for Accounting for Federal Receipts and Expenditures

Use of Edison Grant Module

4. Agencies receiving federal grant funds as a grantee or subgrantee shall account for all their grants in the Edison system grants module in accordance with the Edison Grants Accounting Manual. The purpose of the manual is to provide guidance on using the system to identify, accumulate and report grant transactions.
5. Federal expenditures that are not required to be reported on the SEFA, are also not required to be accounted for in the Edison grants module.
6. Revenues and expenditures in the grants module shall be reconciled to the general ledger in Edison. All agencies shall document reconciling items and resolve items where appropriate.

Indirect Cost Plan

7. Where allowed under federal statute and grant regulations, agencies shall develop an indirect cost recovery plan. This plan shall include an indirect cost allocation for both departmental indirect costs and Section I SWCAP costs. Subject to federal funding availability, allowable indirect costs shall be recovered through the drawdown process on a timely basis, in accordance with the terms of each department's indirect cost plan or applicable federal regulations.

Federal Financial Reporting

8. Agencies shall submit annually a SEFA to the Division of Accounts within the timeframe and in accordance with instructions established by the Division of Accounts at the close of every fiscal year.

9. Any reports to the federal government and the SEFA shall be prepared using Edison data. All agencies shall document reconciling items between Edison and federal grant reports and resolve items where appropriate.

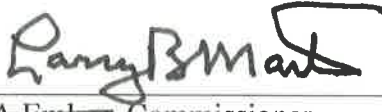
Exceptions

10. All requests for exceptions to this policy shall be submitted in writing annually to the Director of Statewide Accounting, Division of Accounts, Department of Finance and Administration, for approval. The letter of approval or denial from the Division of Accounts shall be maintained on file at the requesting entity.

Approval of the Commissioner of Finance and Administration

I, Larry B Martin, hereby approve Policy Statement 20 of the Department of Finance and Administration, and authorize actions necessary to implement its requirements.

Signed



Date

10/7/13

~~Mark A Emkes, Commissioner~~

Department of Finance & Administration

Larry B. Martin

Approval of the Comptroller of the Treasury

I, Justin P. Wilson, hereby approve Policy Statement 20 of the Department of Finance and Administration, and authorize actions necessary to implement its requirements.

Signed



Date

Oct 21, 2013

Justin P. Wilson, Comptroller

Office of the Comptroller of the Treasury