

Federal Assistance Management Requirements – (FMC 4.1 July 1, 2024)

Purpose: Each year, the State of Indiana receives billions of dollars in federal assistance to support programming for government services, including education, roads, workforce development, healthcare, parks, and public safety. Recognizing that the State must be intentional and disciplined in how it manages federal assistance, the Indiana General Assembly appropriated funds to establish a statewide grants management system. To complement this investment and bolster public confidence in the management of federal funding, the State Budget Agency has set forth requirements within this FMC to guide agencies through proper management of a federal grant award.

The purpose of this FMC is to set agency expectations for managing and accounting for federal assistance. It will provide the reader with references to various sources including the enterprise grants management system (Enterprise Grants Management), PeopleSoft Financials, State Board of Accounts manual, and federal regulations. This FMC applies to agency managers, program, and finance staff that are part of the management of a federal grant from application to closeout. As each federal grant has its own unique set of rules, agencies must become familiar with the provisions of their specific federal awards and add internal controls as necessary.

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Section 1. Definitions

“Enterprise Grants Management System” is the statewide system used by all executive branch agencies to submit and monitor grants. Also, referred to as eCivis. <https://www.in.gov/sba/grants/>

“Equipment” means tangible property, or capital asset, including information technology systems having a useful life of more than one year and a per unit acquisition cost which equals or exceeds \$500.

“Federal Assistance” means any federal financial assistance as defined under 2 CFR 200.40.

“Federal Draw” means requesting reimbursement for federal grant expenses through a federal government payment system. For example, Automated Standard Application for Payment (ASAP) system.

“Funding Source” is a budgeting tool in the PeopleSoft Financials Commitment Control Module that is used to distinguish separate funding streams, such as federal grants or state matching funds, to be allocated to federal projects.

“Granting State Agency” means the state agency that received federal assistance directly from a federal agency and recognized by the federal agency as having responsibility and oversight of the federal funds.

“Memorandum of Understanding (MOU)” is an agreement between state agencies to transfer federal dollars from the Granting State Agency to the Substate Agency. See FMC 3.4. MOUs are not used for institutions of higher education.

“Obligation” means orders placed for property and services, contracts and subawards made, and similar transactions that require payment. Each federal agency may have a definition of obligation by grant or by rule. If the grant does not provide a definition, please use the guidance in Section 5 of this FMC.

“PeopleSoft Financials” is the State’s accounting system and book of record.

“Speed Types” are codes in PeopleSoft Financials HCM which map to a combination of accounting chartfields such as Fund, Department, Program, Class, Project, Activity, etc. Agencies use Speed Types to track personnel expenses for allocation to federal grants.

“Single Audit” is an audit of both an entity’s financial statements and compliance with federal award requirements. A Single Audit is required of non-federal entities that expend \$750,000 (\$1,000,000 beginning October 1, 2024) or more of federal financial assistance in the non-federal entity’s fiscal year.

“Subaward (grant agreement)” is an award provided by a state agency to a subrecipient for the subrecipient to carry out part of a federal award received by the state agency. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward shall be documented by a fully executed grant agreement, if required by the federal grant award.

“Subrecipient” is a non-federal entity that receives a subaward from a pass-through entity to carry out a part of a federal program; but does not include an individual that is a beneficiary of such program.

“Subrecipient Management” is the functionality of the Enterprise Grants Management System used for subrecipient monitoring of non-state entities. Also, referred to as ‘Grantor’.

“Substate Agency” is a state agency that receives a transfer of federal funds from the Granting State Agency through a fully executed Memorandum of Understanding (See FMC 3.4). A Substate Agency is not considered a subrecipient.

“Substate Transfer” is the process of transferring funds from the Granting State Agency to the Substate Agency.

“Tracking Projects (formerly Default Project)” is a project that does not have a control budget assigned to it. A Tracking Project may pose an internal control risk because it is possible that funding does not exist for expenses charged to it.

Section 2. Enterprise Grants Management System [\(Return to Table of Contents\)](#): The State Budget Agency (SBA) has implemented a statewide grants management system known as [Enterprise Grants Management System](#). This system shall be used by all executive branch agencies to track federal and state grants throughout the lifecycle of a grant.

An agency may request a waiver from using the Subrecipient Management function of the statewide grants management system for subrecipient monitoring. Waivers will be considered annually on a grant-by-grant basis. Waivers must be approved by the State Budget Director or their designee.

Section 3. Applying for Federal Assistance and State Budget Agency Approval ([Return to Table of Contents](#)): State law requires state agencies to seek approval from SBA prior to applying for federal assistance, accepting federal assistance, or making expenditures in anticipation of federal assistance. Agencies submit requests for approval using the Enterprise Grants Management System a minimum of 10 days before an application or required deadline. These resources can be found on the SBA website: [Submitting a Request for Approval](#)

Indiana Code requires state agencies to send all applications and federal award notices to SBA within 60 days of submission and receipt. This includes any amendments to the grant award. All documents related to the federal award notice are to be sent to SBA through the Enterprise Grants Management System.

Section 4. Managing a Federal Award in PeopleSoft Financials ([Return to Table of Contents](#)): The following process should be used when managing a federal award in PeopleSoft Financials:

- a) **Federal Award Notice and Federal Guidelines** – Agency staff shall review and understand the grant guidelines provided by the federal agency, including terms, conditions, and reporting requirements of the federal award.
- b) **Request a Funding Source**
 - 1) The request for a funding source is processed through the Enterprise Grants Management System. Agencies must request a federal funding source for each federal award and each budget period per award. Agencies must provide SBA with the complete notice of award document including terms and conditions for a funding source to be created. [Funding Source Request Form Submission](#)
 - A) A unique federal funding source must be created for each federal assistance.
 - 2) As the federal agency increases or decreases the award amount, state agencies must review the federal award to make sure the actual grant award matches the funding source amount and submit necessary adjustments to SBA through the Enterprise Grants Management System.

Request an Estimated Funding Source –At the discretion of SBA, an agency may request an estimated funding source for a grant through the Enterprise Grants Management System under the following circumstances:

- A) The agency receives the federal award on an annual basis.
- B) The agency has a written internal control that provides for a timely notice to SBA of the actual grant award and documentation.
- C) The agency has no estimated funding sources from a prior year for the same grant program.

Agencies may request in writing a waiver to this requirement.

Waivers will be considered annually on a grant-by-grant basis. Waivers will be approved by the State Budget Director or their designee. Agencies with an approved waiver to create an estimated funding source must provide SBA with the final award notice no later than 7 days after receipt of the grant award notice.

Agencies with estimated funding sources from prior grants may lack internal controls and proper oversight. As part of a waiver request, agencies must demonstrate that they are making efforts to reconcile estimated funding sources and have a written internal control that addresses reconciling funding sources and providing SBA with information in a timely manner.

- c) **State Match** – State match transfers move any non-federal funds to a federal fund for matching purposes. The transfer creates a state match funding source. Each state match funding source must represent the state match requirement for only one federal funding source. The request for a state match funding source is processed through the Enterprise Grants Management System at the same time as a federal funding source is requested.

The source and target business units must be the same or under the same agency. If the source and target business units are different or not under the same agency, a State Board of Finance transfer is required to move the appropriations.

Agencies shall run **Query SOIPC001** monthly, paying particular attention to state match funding sources to determine if the state funding is sufficient for the current fiscal year. Unallocated state match funding sources from prior fiscal years shall be reviewed with State Budget Agency staff on a quarterly basis to discuss the proper disposition of the remaining amounts.

When a project is closed (see subsection k below), excess state match shall be returned to the source fund using the Budget Reference associated with the fiscal year of the original state match.

Agencies may request in writing a waiver to state match funding source requirements.

Waivers will be considered annually on a grant-by-grant basis. Waivers will be approved by the State Budget Director or their designee.

- d) **In-Kind Match, Maintenance of Effort, and Third-Party Match** – In-Kind Match, Maintenance of Effort and Third-Party Match must be recorded in PeopleSoft Financials. To record In-Kind Match, Maintenance of Effort, and Third-Party Match, follow the steps outlined in Chapter 7, Section C of the PeopleSoft Financials Project Costing Training Manual where a transaction is added directly to the PROJ_RESOURCE table.

The PeopleSoft Financials Project Costing Training Manual may be found as follows: in PeopleSoft Financials, go to the NavBar > PeopleSoft Enterprise Portal > PeopleSoft Enterprise Portal > PeopleSoft Financials Documents > PeopleSoft Financial Training Documentation > Financials Job Aids > Project Costing Training > PC Course Manuals.

- e) **Project Set Up** – To set up a project, the agency should do the following:

Budget Definition – Agency projects containing federal funds are expected to continuously be set up with Control budgets and with Project Start Dates and Project End Dates matching the Grant Award in the PeopleSoft Financials Budget Definition.

Liquidation period: Most federal grants provide a period of time after the end of the period of performance where no additional costs may be incurred, but expenditures incurred within the period of performance may still be recorded, such as payroll or purchase order payments.

Typically, the liquidation period is 90 or 120 days. Agencies must check their specific grant award and adhere to the liquidation period.

Agencies should not set project end dates to the end date of the liquidation period but instead set the project end date to match the end date of the period of performance. This is an important internal control that must be followed to prevent the recording of ineligible expenses.

Once the grant is in the liquidation period, agencies must review and approve expenses charged to the federal grant based on the terms of the grant, including confirmation that the expenses were incurred within the period of performance.

Agencies must review the expenses for eligibility and approve budget overrides to charge expenses to the grant during the liquidation period.

An agency may request a waiver to this rule under the following conditions:

- A) A Tracking Project (Default Project) shall only be used when it creates administrative efficiencies for an agency, such as for allocating an expense to multiple grants.
 - B) As of the effective date of this FMC, an agency must receive approval from SBA before creating a new Tracking Project without a Control budget.
 - C) Past use of a Tracking Project does not constitute approval by SBA. Agencies must have written approval from SBA to use a Tracking Project. To request approval of a Tracking Project, the agency must send the most recent reconciliation and written internal control on reconciling Tracking Projects. Agencies must submit a request to SBA to use any prior Tracking Project within 60 days of the effective date of the FMC.
 - D) Tracking Projects must be reconciled monthly, and all expenses must be journaled to the correct federal grant by the 15th of the following month.
 - E) Quarterly reconciliation may be allowed with prior approval by SBA.
 - F) Agencies may review a list of their Tracking Projects with the **Query SOIKK_TRACKING_PROJECT**.
- 1) **Funding Source Allocation** – Funding Source Allocation is required for all federal projects and shall be set to match the percentages of federal and state funding set forth in the Grant Award
 - 2) **Funds Distribution** – Funds Distribution rules are required for all federal projects and shall be set to match the percentages of federal and state funding set forth in the Grant Award or in applicable federal regulation.
Agencies shall review **Query SOIPC014T** at least monthly to identify any of their projects that have exceeded their Funds Distribution rules. These are also referred to as ODL (Over Distribution Limit) rows.
 - 3) **Budget Plan** – Budget Plans are required for all federal projects and shall be set to match the percentages of federal and state funding set forth in the Grant Award.
 - 4) **Combination Edits** – Agencies shall use either FUND_PROJ and/or PROJ_FUND combination edits in PeopleSoft Financials so that federal projects are only used with the appropriate federal fund. A job aid is available on the PeopleSoft SharePoint site under PeopleSoft Financial Documents > Budget Agency FMC 4.1 Federal Assistance Management Requirements.

f) **Program Income** – A state agency must request a funding source for program income. The agency must provide SBA with a copy of the award that shows the type of program income allowed under the federal grant.

Program income is segregated from other income earned by using account number 441020 “Program Income”. Individuals who record program income cannot be the same individual to reconcile the program income funding source.

Agencies may use **Query SOIGL_PROGRAM_INC** to obtain a list of program income deposits for a particular date range.

Agencies shall create a separate project to track program income so that it can be spent first if required by the grant and tracked separately from other funding.

There are three ways program income can be applied to a grant and actions needed in PeopleSoft Financials:

- 1) **Deduction** – Deducting program income from the grant’s total allowable costs.
 - A) Agency reduces the federal funding source by the same amount as the program income funding source.
 - B) Program income is spent before federal funds.
 - C) Managers reviewing proposed federal draw should determine if program income is available.
- 2) **Addition** – Program income added to the federal award.
 - A) Agency requests a separate funding source in the amount of program income receipts and allocates the funding source to a separate project.
- 3) **Cost Sharing**
 - A) Agency reduces the state match funding source by the same amount as the program income funding source.

g) **Federal Draw Billing (FDB)** - The PeopleSoft Financials FDB process is required to be used for all federal assistance that is administered on a reimbursement basis by the federal government. The FDB process allows agencies to accumulate expenses to substantiate amounts and generate invoices to be drawn from the federal government. This process allows agencies to monitor amounts due so that sufficient cash is received to fund expenses. Instructions for the FDB process are in the PeopleSoft Financials Enterprise Portal. NavBar > PeopleSoft Enterprise Portal > PeopleSoft Enterprise Portal > PeopleSoft Financial Documents > PeopleSoft Financial Training Documentation > Financials Job Aids > Federal Draw Billing Training.

When an agency requests a draw from a federal payment system, it shall reconcile the total amount of funds drawn by the agency and the available grant balance to the amounts listed in the federal payment system. This ensures that the agency has recorded all reimbursements in PeopleSoft Financials.

The agency must also compare the authorized grant amount to the amount listed on the funding source. If the federal agency has increased or decreased the award, documentation must be

forwarded to SBA via the Enterprise Grants Management System and the funding source adjusted accordingly.

Federal draws from the Federal Treasury or Granting State Agency must occur, at a minimum, monthly. The agency staff person assigned to draw funds from the U.S. Treasury must promptly provide the confirmation notice to the agency staff person assigned to create the Report of Collections (ROC).

h) **Report of Collections (ROC)** - An ROC is the receipt of dollars received by the State of Indiana. The ROC process is used to record cash. Indiana Code provides that before money may be deposited in the State Treasury, the Treasurer of State (TOS) must receive from the person or agency making the deposit an ROC. This ROC includes a description of the source of money, the fund, and the account to which the revenue is to be deposited.

An express deposit ROC must be created in PeopleSoft Financials and submitted to TOS when an agency draws funds from the federal awarding agency using the FDB process.

Additional information on the ROC process can be found on the NavBar > PeopleSoft Enterprise Portal > PeopleSoft Enterprise Portal > PeopleSoft Financial Documents > PeopleSoft Financial Training Documentation > Financials Job Aids > Accounts Receivable and Billing Training.

- 1) **Unmatched Wire Zero ROC** - When an agency claims an unmatched wire from TOS (BU 48) using the Zero ROC process, it must include the TOS original Deposit ID in the Payment ID field. The field shall include only the Deposit ID number. No additional information should be included in this field. The agency can use the Description field of the ROC for any other information they want to include on the ROC.
- 2) **Treasury Offset Program** – The U.S. Treasury Offset program is administered by the Bureau of Fiscal Services, Debt Management Services. An offset occurs when the state owes a debt to a federal agency. The U.S. Treasury will recover the debt by decreasing a federal grant payment to a state agency. It is important to note that the state agency responsible for the debt is typically not the same agency for which the grant offset was applied. If an agency has received a reduced federal draw, it may be due to a treasury offset. FMC 4.2 provides additional information on the treasury offset program.

i) **Grants Receivable Reconciliation** – The State Comptroller’s Office administers a quarterly receivables reconciliation process as part of the preparation of the State’s Annual Comprehensive Financial Report. Agencies shall submit timely quarterly grants receivable reconciliations as requested by the State Comptroller’s Office. This reconciliation allows agencies to monitor amounts due from the federal government so that sufficient cash is received to fund expenses. It is also done to ensure that the PeopleSoft Financials receivable balances for the project are accurate and still collectible.

Agencies shall run 2 queries in performing the reconciliation:

- 1) **SOIFDB_RECONCILIATION_SUM**
- 2) **SOIFDB_RECONCILIATION_DETAILS**

j) **Schedule of Expenditures of Federal Awards (SEFA)** – The State of Indiana is required to prepare an audited SEFA report. The SEFA report lists the amounts of federal funds and noncash

assistance expended in a state fiscal year. The Comptroller's Office compiles the State's SEFA based on information received from state agencies and submits a final SEFA to the State Board of Accounts for audit.

Agencies must complete and certify their quarterly SEFA reconciliation by the following due dates:

- 1st Quarter: November 15
- 2nd Quarter: February 15
- 3rd Quarter: May 15
- 4th Quarter (final): August 15

To complete the quarterly reconciliation of the SEFA, agencies must complete the following prior to certification:

- 1) Check the federal Office of Management and Budget (OMB) Compliance Supplement for any changes related to your specific grant programs, including reporting and/or auditing requirements and changes within clusters. The Compliance Supplement is updated each year.
- 2) Run the PeopleSoft Financials A-133 Project Reconciliation Report and resolve errors. Agencies will need to submit an error-free report with their certification.
- 3) Run **Query SOIGL_SEFA_SUBRECIP** for all expense accounts beginning in "57" (grants to other governmental units or external entities) for the fiscal year under audit. This will provide a list of all potential subrecipient payments made during the reporting period that may not be listed on the PeopleSoft Financials A-133 Project Reconciliation Report.
- 4) Review the Assistance Listing Number (ALN) assigned to each funding source and ensure the correct funding source is tied to the correct project list within PeopleSoft Financials.
- 5) Complete the SEFA Verification Checklist provided by the Comptroller's Office.
- 6) Run an updated SEFA and report manual adjustments if applicable.
- 7) The SEFA should be reviewed and certified by the CFO or controller of the agency.

The person responsible for reviewing and certifying the SEFA must submit the following to accountingdept@comptroller.in.gov:

- 1) SEFA Verification Checklist
- 2) SEFA Certification Form
- 3) Verified Version of the SEFA
- 4) Explanation of Manual Adjustments (if applicable)
- 5) Verified Version of the A-133 Project Reconciliation Report
- 6) Supporting Documentation for Non-Cash Assistance (if applicable)

k) **Federal Grant Closeout** - While most federal grants end on September 30, it is important that agencies track the end dates of all their federal grants so that they timely complete the following steps in PeopleSoft Financials. The following is the process for closing out a federal grant:

- 1) Identify the funding source associated with the grant and the projects associated with that funding source.
 - A) See **Query SOIPC001** for a list of all funding sources for a business unit.
- 2) Confirm that PeopleSoft Financials quick queries 7, 8, and 9 (A-133 reconciliation report) match for the project(s).
 - A) **Query SOIPC007T** shows Project Expenses in Commitment Control
 - B) **Query SOIPC008T** shows Project Expense Totals in PROJ_RESOURCE before Funds Distribution

- C) **Query SOIPC009T** shows Project Expense Totals in PROJ_RESOURCE after Funds Distribution
 - D) **If the totals in A-C above do not match, run the detail queries for A-C.**
 - 3) Confirm that no Over Distribution Limit (ODL) rows exist for the project(s).
 - A) **Query SOIPC014T** shows ODL rows for a project.
 - B) These items won't be processed through Funds Distribution until they are corrected.
 - 4) Close/cancel any remaining purchase orders or requisition encumbrances for the projects(s)
 - 5) Confirm that there are no AR deposits against expense accounts with REV analysis type.
 - A) **Query SOIPC013** shows AR deposits against expense accounts with REV analysis type.
 - B) These items won't be processed through Funds Distribution until they are corrected.
 - 6) Confirm that PeopleSoft Financials expenses match the expenses reported on the final report to the federal agency.
 - A) **Query SOIGL_PROJECT_EXPENSES** may be used.
 - B) Review the Fund used on the transactions to make sure that a federal fund was used.
 - 7) Confirm that all draws are complete.
 - A) Accounts 142010 and 146010 are zero for the project(s)
 - B) Confirm via Ledger Inquiry (NavBar > General Ledger > Review Financial Information > Ledger)
 - 8) Confirm that PeopleSoft Financials expense amounts match the total of the federal revenue billed and drawn plus the amount of state match allocated to the project.
 - A) Confirm PeopleSoft Financials expenses and revenues via **Query SOIGL_FED_FUND_GL_ACTUALS_BU.**
 - B) Confirm federal revenue billed and drawn via **Query SOIGL_FED_FUND_GL_ACTUALS_BU.**
 - C) Confirm state match funding source allocation using **Query _SOIPC002_STATE.**
 - 9) Change federal funding source allocation amounts to match the amount spent and drawn down from the federal agency.
 - A) Confirm federal funding source allocation via **Query SOIPC002_BU.**
 - 10) Change state funding source allocation amounts to match the amount spent and transferred from a state fund.
 - A) Confirm state funding source allocation via **Query SOIPC002_BU.**
 - 11) Identify any excess state match and reduce the state match ORG funding in the Enterprise Grants Management System.
 - 12) Set the end date of the budget definition to the end date of the federal grant so that no further transactions can be recorded against it.
 - 13) Review and update any SpeedTypes for payroll and default chart fields for IOT, SPD, and Centralized Accounting to prevent any future transactions. Contact the internal service agency to update accounting information.
 - 14) Set project(s) inactive on the General Information page in PeopleSoft Financials.
 - A) Project Status should be set to 6 for projects with fixed assets to be depreciated. Projects set to 6 can continue to have asset depreciation charged to them but cannot be selected to be used on a new expense or revenue transaction.
- l) **Audits** - Agencies must maintain documentation and records to ensure that their transactions are supported during an audit. It is important that agencies create a documentation system that allows multiple authorized users access to the information, while maintaining data integrity and confidentiality. It is important that an agency establishes an electronic file for award documents,

budgets, and other documentation, including the detailed transactions for when federal revenue is drawn, the amount, and the date of the requests.

m) **Communication and Updates** – The recommended best practice is for agency management, program, and finance staff to meet regularly to discuss the status of grants.

Section 5. Managing a Federal Award to Federal Regulations ([Return to Table of Contents](#)):

Agencies shall review the specific terms and conditions of the federal award. Below is a list of requirements that generally apply to a federal grant:

a) **Federal Award Notice and Federal Guidelines** – Agency staff shall understand the grant guidelines provided by the federal agency including the terms, conditions, and reporting requirements.

b) **Compliance with Federal Requirements** – State agencies must manage and administer the federal award in a manner that is consistent with the state and federal law, rules, State Board of Accounts manual and SBA FMCs. Guidance for federal awards is published in the Code of Federal Regulations www.ecfr.gov.

1) **Subrecipient Monitoring Tasks** - SBA has created a list of recommended tasks using the Enterprise Grants Management System. Please note that these are tasks that are generally required across all federal grants. An agency's grant may have specific rules that require additional monitoring. Agencies need to create additional tasks in the Enterprise Grants Management System and track accordingly. See also Section d. Subrecipient Monitoring.

[SBA Recommended Tasks for Subrecipient Monitoring](#)

2) **Internal Controls** – State agencies must establish and maintain effective internal controls over the federal award that provide reasonable assurance that it is managing the federal award in compliance with state and federal law and rules, State Board of Accounts manual, SBA FMCs, and terms and conditions of the federal award.

The internal controls must be communicated internally and made available so that current and future staff have access to the documents. For more information on internal controls, please see the State Board of Accounts manual [SBOA Chapter 2 Internal Control](#).

3) **Cost Allowability** – The following are general criteria to determine if an expense is allowable under a federal award. Please review the specific federal regulations regarding cost allowability. An expense must:

- A) Be necessary and reasonable for the performance of the federal award.
- B) Conform to any limitations or exclusions in the federal awards as to types or amounts of costs items.
- C) Be consistent with policy and procedures that apply uniformly to both federally financed and other activities of the state agency.
- D) Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.
- E) Be determined in accordance with generally accepted accounting principles (GAAP).
- F) Not included as a cost used to meet cost sharing or matching requirements of another federally financed program.

G) Be adequately documented.

Unallowable Costs or Allowable Costs with Restrictions (This is not an exhaustive list. Review specific grant requirements for allowability.)

- A) Advertising and Public Relations Costs
- B) Commencement and Convocation Costs
- C) Contributions and Donations
- D) Entertainment
- E) Fines and Penalties, including Late Payment Penalties
- F) Lobbying
- G) Alcoholic Beverages – ALWAYS UNALLOWABLE
- H) Bad Debts – ALWAYS UNALLOWABLE

4) **Period of Performance** – Agencies must monitor their expenses, and the expenses of any contractor or subrecipient, to make certain the activities are allowable and occurred within the period of performance.

Invoice approvers must have knowledge of the period of performance start and end dates.

5) **Obligations** – Unless specified in the Agency’s federal award or federal regulation, a state agency shall use this following guidance to determine when an obligation is made:

| Obligation | When is it made? |
|---|---|
| Acquisition of real or personal property. | On the date the state agency makes a binding written commitment to acquire the property. This is the date of the fully executed contract. For a Quantity Purchase Agreement (QPA), it is the date the purchase order is issued. |
| Personal services by an employee of the state | When the services are performed |
| Personal services by a contractor who is not an employee of the state or subgrantee | On the date on which the state or subgrantee makes a binding written commitment to obtain the work. |
| Performance of work other than personal services | On the date on which the state or subgrantee makes a binding written commitment to obtain the work. |
| Utility expenses | When the state or subgrantee receives the services. |
| Travel | When the travel occurs. |
| Rental of real or personal property | When the state uses the property. |

6) **Procurement** – State agencies must follow the state’s procurement policies and procedures when procuring property and services with federal funds. The total amount on a vendor contract or grant agreement should be encumbered on a purchase order, including amounts to be paid in future years, unless a specific waiver is granted by SBA and the State Comptroller.

For more information, please contact your agency's head procurement agent. The agency must maintain documentation of each procurement activity.

- 7) **Cash Management** – The State of Indiana has entered into an agreement with the Federal Treasury that describes methods of requesting funds from a federal agency for specific major federal assistance programs received by state agencies. The agreement provides that state agencies must minimize the time elapsing between the transfer of funds from the federal awarding agency and disbursement by the state agency. To the extent available and required by the federal award, a state agency must disburse funds from program income, rebates, refunds, contract settlements, audit recoveries and interest earned before expending grant funds.
- A) **Reimbursement Payment Method** – Most federal grants received by state agencies are on a reimbursement basis. Agencies must follow the PeopleSoft Financials FDB process.
 - B) **Advance Payment Method** – When receiving funds under the advance payment method, the state agency must maintain written procedures that minimize the time elapsing between the receipt of federal funds from the federal agency and disbursement of the funds by the state agency. For advance payments, agencies do not follow the PeopleSoft Financials FDB process.
- 8) **Contractor or Subrecipient Relationship** – In determining whether an agreement between a pass-through entity and another non-federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. All the characteristics listed below may not be present in all cases, and the state agency must use judgment in classifying each agreement as a subaward or a procurement contract.
- A) **Subrecipient:** A subaward is for the purpose of carrying out a portion of a federal award and creates a federal assistance relationship with the subrecipient. Characteristics which support the classification of the non-federal entity as a subrecipient include when the non-federal entity:
 - i) Determines who is eligible to receive federal assistance;
 - ii) Has its performance measured in relation to whether objectives of a federal program were met;
 - iii) Has responsibility for programmatic decision-making;
 - iv) Is responsible for adherence to applicable federal program requirements specific in the federal award; and
 - v) In accordance with its agreement, uses the federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.
 - B) **Contractor:** A contract is for the purpose of obtaining goods and services for the non-federal entity's own use and creates a procurement relationship with the contractor. Characteristics indicative of a procurement relationship between the non-federal entity and a contractor are when the contractor:
 - i) Provides the goods and services within normal business operations;
 - ii) Provides similar goods or services to many different purchasers;
 - iii) Normally operates in a competitive environment;
 - iv) Provides goods or services that are ancillary to the operation of the federal program; and

- v) Is not subject to compliance requirements of the federal program as a result of the agreement, though similar requirements may apply for other reasons.
- 9) **Eligibility** – Eligibility requirements are specific to each federal award. Agencies must review the statutes, regulations, terms, and conditions of the federal award. The agency must have written internal controls that provide, at a minimum, testing a sample of individuals, groups, or subrecipients to verify eligibility and award amounts.
- 10) **Equipment and Real Property Management** – State agencies must use, manage, and dispose of equipment acquired under a federal award in accordance with federal and state laws and rules. Title to equipment and real property acquired by a state agency using federal funds vest with the state agency, unless otherwise provided in the federal grant award.

The Comptroller’s Office has Asset Management Training materials available in the Training Documents Section of the PeopleSoft Financials portal. This includes instructions on completing a physical inventory.

- 11) **Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting** – Agencies must check the federal award notice to determine if FFATA reporting is a requirement of the grant.
- A) State agencies that are awarded federal grants are required to report any first tier subaward (grant) that is equal to or greater than \$30,000.
 - i) This includes any grant that was awarded for an amount less than \$30,000 and later amended to exceed \$30,000.
 - ii) Additionally, any grant that was awarded in an amount equal to or greater than \$30,000, but later was amended to amount less than \$30,000 must be reported.
 - B) Subawards must be reported by the end of the month following the month the state agency makes the fully executed agreement.
 - C) Information regarding the FFATA reporting can be found on the federal government website www.fsrs.gov
 - D) State Board of Accounts training guide can be found at this link: [SBOA Presentations and Training Materials](#)
- 12) **Matching, Maintenance of Effort, Level of Effort and Earmarking** – The requirements for matching, level of effort and earmarking are unique to each federal grant. Agencies must have internal controls in place to document each activity:
- A) Matching:
 - i) Determine if the requirement matching contributions were met.
 - ii) Determine if the match is from allowable sources.
 - iii) Test to see if the values placed on in-kind contributions meet the terms and conditions of the award.
 - iv) Document the results for audit purposes.
 - B) Maintenance of Effort:
 - i) Identify the required level of effort as stated in the federal award.
 - ii) Test to determine if only allowable expenditures were included in the calculation.

- iii) Verify that the amounts were documented in PeopleSoft Financials.
- iv) Document the results for audit purposes.

C) Level of Effort:

- i) Identify the federally funded services.
- ii) Determine whether the federally funded services were previously provided with non-federal funds.
- iii) Determine if the total level of services has increased in proportion to the level of federal contribution.
- iv) Document the results for audit purposes.

D) Earmarking:

- i) Determine the earmarking requirements. For example, 5% of the funds may be used for administrative expenses.
- ii) Agencies shall use the project activity chartfield to track specific categories of spending required by the federal award.
- iii) Document the results for audit purposes.

c) **Boilerplate Agreements** – The Indiana Department of Administration maintains the templates for professional services contracts and grant agreements (subawards) on its website. [IDOA Contract Administration](#).

d) **Subrecipient Monitoring** – This section describes the requirements of the state agency (pass through entity) when providing funds to a subrecipient.

1) **Enterprise Grants Management System** – [Enterprise Grants Management System](#). Subrecipient monitoring tasks are tracked through the Enterprise Grants Management System. SBA has a list of recommended tasks on its website. An agency should review the requirements of their specific grant and create tasks in the system that align to the monitoring requirements of the agency's federal grant.

2) **Clearance Checks** – Federal and state rules require clearance checks prior to entering into a subaward (grant agreement) with a subrecipient or professional services contract. Agencies must document that they have completed checks with the following agencies:

- A) Indiana Department of Revenue
- B) Indiana Department of Workforce Development
- C) Indiana Department of Administration Suspended Vendors List
- D) Indiana Secretary of State
- E) Federal Suspended Vendors List (SAM.GOV)

Agencies must maintain a grant file for each subrecipient and contractor that includes documentation of the clearance check from each of the above listed agencies. Additionally, this documentation is uploaded as supplemental information in IDOA's electronic contracting system (SCM).

See [Supplier Clearance Check Process](#) for additional information.

3) **Unique Entity Identifier Number (UEI)** – All subrecipients must have an active UEI number registered with SAM.Gov, an official website of the U.S. Government.

- 4) **Risk Assessment** – A state agency must evaluate the subrecipient risk of noncompliance with federal statutes, regulations and terms and conditions of the subaward. SBA has a recommended risk assessment form on its website. Factors to consider in determining risk include:
- A) Review subrecipient’s prior experience with federal grants.
 - B) Review results of previous audits.
 - C) Personnel with experience managing federal grants.
 - D) 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.
 - E) Review federal award and Compliance Supplement

Based on the level of risk, a state agency shall:

- A) Consider imposing specific subaward conditions upon a subrecipient if appropriate.
 - B) 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, following up on any deficiencies identified through audits or monitoring, and issuing a management decision for audit findings pertaining to the federal award.
 - C) Use monitoring tools to ensure proper accountability and compliance.
 - D) Verify that every subrecipient is audited as required by the federal award.
 - E) Consider results of the above that might necessitate adjustments to the pass-through entity’s own records.
 - F) Consider taking action against subrecipient for noncompliance.
- 5) **Subaward:**
- A) Agencies must comply with the pass-through requirements as provided in the federal award. See Section 5(b)(8) for information on subrecipient or contractor.
 - B) When creating the requisition for a subaward, the Agency must use the Project Activity code RECIPNT in PeopleSoft Financials to designate payment to a subrecipient.
 - C) When creating a purchase order for a subaward, in the section titled PO Type select GRNT for Grant.
 - D) Agencies must use the correct account code for the subaward. Account codes for grants start with 57 and can be found in the current Account Attributes worksheet on the PeopleSoft Financial Portal. NavBar > PeopleSoft Enterprise Portal > PeopleSoft Enterprise Portal > PeopleSoft Financials Documents > Chart of Accounts > GL_ACCOUNT_TBL.
- 6) **Reporting** – It is recommended to include a requirement in the grant agreement to obtain periodic financial and programmatic reports. These reports shall be compared to program schedules and to the scope of work and timelines in the grant agreement.
- 7) **Procurement** – Most federal grants received by state agencies require compliance with 2 CFR 200. Other provisions, including 45 CFR 75.327, have similar subrecipient procurement requirements. Agencies must check the specific requirement of the federal award regarding the subrecipient procurement requirements and monitor accordingly.

For grants that require compliance with 2 CFR 200, non-federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR Part 200.

- 8) **Single Audit** – If a subrecipient (governmental or non-governmental) expended \$750,000 (\$1,000,000 beginning October 1, 2024) or more in federal funds (from any source), in the subrecipient’s fiscal year, it is required to have a Single Audit. Agencies must determine if their subrecipients have met the threshold and have received Single Audits. For help with determining if a subrecipient has met the Single Audit threshold, please see the Gateway website <https://gateway.ifionline.org/>.

To determine if a local government has met the threshold for a single audit:

- A) Download a copy in Excel of the Grant Report for the unit of government.
- B) Total both the grant receipts for reimbursement grants and the disbursements for advance grants.

To determine if a non-governmental entity has met the threshold for a single audit:

- A) Click the Report Search tab on the Gateway site.
- B) Click on Entity Annual report.
- C) Select the Fiscal year, County and Unit Type.
- D) Select the Unit.
- E) Click on View Report.

If a subrecipient has met the threshold for a single audit, the Granting State Agency must review the audit for any audit findings or control deficiencies. If the audit results show noncompliance, the Granting State Agency must consider taking enforcement action against the subrecipient as described in the applicable federal regulation.

- 9) **Annual Financial Report for Governmental Entities** – IC 5-11-1-4 requires that the State Examiner shall receive an annual financial report from counties, cities, towns, townships, schools, libraries, utilities, and special districts. These reports are submitted and made available on the Gateway website 60 days after the end of the unit’s fiscal year. It is important to note that these reports are unaudited. Audited reports can be found on the State Board of Accounts website.
- 10) **Annual Financial Report for Non-Governmental Entities** – IC 5-11-1-4 provides that the State Examiner shall require a financial report covering the full period of each fiscal year from every audited entity. In addition, the state’s grant boilerplate agreement provides that non-governmental entities file an E-1 report. The E-1 report must be filed electronically on the Gateway website.

Agencies must document that its subrecipient has filed the E-1 report for each fiscal year the non-governmental entity has completed the report for each fiscal year the grant is available to the subrecipient. Agencies should create a simple task in Enterprise Grants Management

System to document the date it has checked Gateway for compliance with the E-1 reporting requirements. Agencies can upload a .pdf file of the E-1 report. The .pdf version of the report shows the date the report was created by an agency.

11) **Subrecipient SEFA** – The SEFA must include the total federal awards expended for each individual federal program. The Granting State Agency must make certain it has provided its subrecipient with all information necessary for the subrecipient to accurately complete its SEFA.

12) **Program Income** – Agencies must review the federal grant award notice to determine the method, if any, of program income that may be earned by the subrecipient. Agencies must monitor their subrecipients to determine if program income was received, recorded, and used in accordance with the rules of the grant program. For a description of program income, see Section 4f.

Section 6. Sub Granting Federal Funds to Another State Agency (Substate Transfer) ([Return to Table of Contents](#)) – A Substate transfer occurs when the Grant State Agency transfers federal funds to another agency (Substate Agency).

The Grant State Agency and Substate Agency must follow the state’s accounting policies when transferring funds and FMC 3.4 on Memorandum of Understanding. A fully executed MOU between the agencies is necessary to transfer federal funds between agencies. All MOUs, regardless of the dollar amount, must be signed by SBA.

The Substate Agency must follow the ORG funding process in the Enterprise Grants Management System which includes providing the Substate transfer form to SBA. The federal grant identified in the MOU must match the federal grant listed on the substate transfer form.

The Grant State Agency is the authorized grantee/recipient of the federal grant and responsible for overall compliance of the federal grant. The Grant State Agency must maintain oversight on the use of the funds and must make certain that the Substate Agency follows the rules of the federal program, the requirements in the MOU, the state accounting rules and this FMC.

The Granting State Agency must provide the Substate Agency with the federal requirements of the grant so that the Substate Agency knows and understands the rules and policies it must comply with to successfully administer the grant and carry out the program.

The Granting State Agency must have internal controls in place to monitor the Substate Agency’s use of federal funds. Examples include:

- a) Select a sample of transactions from the Substate Agency and review to determine if expenses were for an allowable activity and within the period of performance of the grant.
- b) Request a FDB invoice from the Substate Agency each month.
- c) Schedule recurring meetings with the Substate Agency to make sure it is following the requirements of the grant. Confirm with Substate Agency that it has correctly identified the federal expenditures on its SEFA.
- d) Provide technical assistance, when needed, to make sure the Substate Agency can successfully manage the grant.

- e) Review audit findings related to the federal award.

Section 7. List of Queries/Reports and Descriptions ([Return to Table of Contents](#)) Questions regarding the queries should be directed to your SBA Budget Analyst. The following queries are available and should be reviewed in accordance with the instructions below:

- a) Monthly:
 - 1) Funding Sources for Agency (**Query SOIPC001**) Fund Source by Owner or Subrecipient
 - A) Provides a list of all funding sources by Business Unit.
 - i) The Reimb Agr Number column will show estimated funding sources.
 - ii) Particular attention should be given to state match funding sources to determine if the state funding is sufficient for the current fiscal year.
 - iii) Unallocated state match funding sources from prior fiscal years should be reviewed with State Budget Agency staff on a quarterly basis to discuss the proper disposition of the remaining amounts.
 - 2) Substate Grants by an Agency (**Query SOIPC001S**) Subrecipient Fund Source by Owner
 - A) Provides a list of all funding sources owned by an agency where other agencies have access to it (via a substate transfer).
 - i) This query should be run at least monthly and compared to the agency's list of substate grants.
 - 3) Funding Source Allocation (**Query SOIPC002**) Funding Source Allocation by Project
 - A) Provides a list of funding sources allocated to a project.
 - i) This query should be run at least monthly and compared to the agency's active grant awards.
 - 4) State Match (**Query SOIPC001**) Fund Source by Owner or Subrecipient
 - A) Provides a list of all funding sources, including state match.
 - 5) Funds Distribution – Over Distribution Limit rows
 - A) **Query SOIPC014T** (Project ODL Rows Summary)
 - B) Any expense amount with ODL rows will not go through Funds Distribution, so the funds cannot be drawn, and the expenses will not appear on the SEFA report until they are corrected.
 - 6) Funds Distribution – Negative Expenses with REV Analysis Type
 - A) **Query SOIPC013** shows AR deposits against expense accounts with REV analysis type.
 - B) These items will not go through Funds Distribution, so the funds cannot be drawn, and the expenses will not appear on the SEFA report until they are corrected.
 - 7) Tracking Projects **Query SOIKK_TRACKING_PROJECT**
 - A) See Section 4 (e)(1) Budget Definition
 - B) Monthly reconciliations must be submitted for projects on this query.
 - 8) Program Income **Query SOIGL_PROGRAM_INC**
 - A) Provides a list of transactions posted to account 441020 (Program Income) for documentation purposes for Funding Source requests.
 - 9) Quick Queries 7, 8, and 9 (A-133 reconciliation report)
 - A) **SOIPC007T – PROJ_RESOURCE** expenses in Commitment Control
 - B) **SOIPC008T – PROJ_RESOURCE** expenses before Funds Distribution
 - C) **SOIPC009T – PROJ_RESOURCE** expenses after Funds DistributionProject Costing transactions will flow more smoothly when these queries stay in sync.
 - 10) **Query SOIGL_SEFA_SUBRECIP**

- A) List transactions for all expense accounts beginning in “57” (grants to other governmental units or external entities) for the time period entered.
 - B) This query should be reviewed to determine potential subrecipient payments made during the reporting period that may not be listed on the PeopleSoft Financials A-133 Project Reconciliation Report.
- b) **Quarterly:**
- 1) Accounts Receivable Reconciliation
 - A) **Query SOIFDB_RECONCILIATION_SUM**
 - B) **Query SOIFDB_RECONCILIATION_DETAILS**
 - 2) Period of Performance
 - A) **Query SOIAP_PAYMENTS**
 - 3) Quarterly SEFA Reconciliation
 - A) A133 Project Reconciliation.
- c) **Fiscal Year Close-Out:**
- 1) Year-End dashboards are published on the PeopleSoft Financials SharePoint site with various errors that must be addressed before June 30 so that transactions can be processed correctly in Project Costing, especially Funds Distribution.
 - 2) See <https://ingov.sharepoint.com/sites/PSEnterprisePortal/default.aspx> NavBar > PeopleSoft Enterprise Portal > PeopleSoft Enterprise Portal > PeopleSoft Financials Documents > Outstanding Item Dashboards & Item Cleanup Documentation for more details.
- d) **Grant Close Out:**
- 1) **Query SOIGL_FED_FUND_GL_ACTUALS_BU**
 - A) Used to compare revenues and expenses on final federal report.
 - B) These PeopleSoft Financials amounts must match the final federal report.
 - 2) **Query SOIPC002_STATE**
 - A) Used to identify state match funding sources allocated to a project.
 - B) Funding Source allocation should be adjusted to match actual expenses before a grant is closed.
 - 3) **Query SOIPC002_BU**
 - A) Used to identify all funding sources for an agency.
 - B) Funding Source allocation should be adjusted to match actual expenses before a grant is closed.
 - 4) **Query SOIGL_PROJECT_EXPENSES**
 - A) Used to confirm that the fund used on project transactions is the correct federal fund.

Section 8. SBA Approvals or Waiver Requests ([Return to Table of Contents](#)) – This FMC is a framework for agencies to use to manage federal assistance. Some agencies may have existing internal controls that meet or exceed those listed in this FMC. An agency that has existing internal controls that differ from those listed in this FMC may seek a waiver to use its existing processes provided that the agency can demonstrate that it has controls in place and the controls meet the objective of this FMC.

When requesting approvals or waivers listed throughout this FMC, the Agency Head, Chief of Staff or Chief Financial must send the request to the following email address: SBA.FMC.4.1@sba.in.gov. The

subject line of the email must reference this FMC number. Requests for waivers that violate state or federal law, rules or regulations will not be granted.

When submitting a request for a waiver, Agencies must provide the following information:

- a) Specify the provisions of the FMC the agency seeks to be waived.
- b) Explain why the agency cannot comply with the provisions of the FMC.
- c) Describe the agency's current internal controls in place to comply with the FMC.
- d) Specify the time period for which the waiver is requested.
- e) Any additional information requested by SBA

Section 9. Failure to Comply ([Return to Table of Contents](#)) – The purpose of the FMC is to make sure agencies have internal controls in place to successfully manage federal assistance. It is important to reiterate that each federal award may have unique rules or regulations that are not covered in this FMC. Therefore, agencies must read and understand the unique requirements of its federal award and create internal controls to support the effective management of the federal assistance.

Failure of an agency to comply with the standards of this FMC may result in the imposition of risk mitigation strategies ranging from additional internal controls up to and including restrictions on the approval of future federal grant applications.

Joseph M. Habig, Acting Director
State Budget Agency