CIRCULAR

STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY

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EFFECTIVE DATE: IMMEDIATE	EXPIRATION DATE: INDEFINITE	SUPERSEDES: 05-02-OMB	
SUBJECT: FEDERAL FUNDS			
ATTENTION: DIRECTORS OF ADMINISTRATION AND CHIEF FISCAL OFFICERS			
FOR INFORMATION CONTACT: JEANMARIE.SELLNER@TREAS.NJ.GOV			

The purpose of this circular is to clarify the Office of Management and Budget's (OMB) policies and procedures regarding the establishment of federal grant accounts, reporting requirements and related transactions in the New Jersey Comprehensive Financial System (NJCFS).

I. OVERVIEW

The Grant Accounting Module of NJCFS provides a budgetary control structure, independent from appropriations, which is tailored to grant requirements. In addition, it provides an automated mechanism for recording both direct and indirect grant costs and associated revenues. To facilitate statewide reporting and analysis of the federal programs, it is necessary that all departments utilize the Grant Accounting Module.

See Section XII for a glossary of terms used in this circular.

II. FEDERAL GRANTS WEBSITE

The federal government provides www.grants.gov and www.SAM.gov, websites where organizations can electronically search for and apply to competitive grant opportunities from federal agencies. To apply for a grant, Agencies must have a 12-character Unique Entity Identifier (UEI). Agencies should contact the Accounting Bureau, Grants Analysis Unit, if a UEI number needs to be created or identified, or if there are questions relating to accessing the SAM.gov website.

III. APPROPRIATIONS AND REVENUE BUDGETS

Appropriations and revenue budgets are established in either of two ways.

A. Automatically established through the budget process if included in the annual Appropriations Act. When established through the Act, the amount is generally an estimation, based on historical data or application information provided by the agency to OMB's Budget Office.

   Agencies should develop budgets when there are indications of grant fund allocations in the upcoming fiscal year. Early in the fourth quarter, agencies must notify OMB Budget of any changes to conduit and subgrantee relationships and/or budget authority for the new fiscal year. This notification ensures data integrity when the Integrated Planning and Budget (IPB) system transfers appropriation records to NJCFS.

B. Established or increased by an OMB supplemental directory letter in compliance with the language contained in the Appropriations Act.

IV. RELATIONSHIP OF APPROPRIATIONS AND REVENUE BUDGETS TO GRANTS

Each government-wide number (defined in Section V) requires at least one appropriation account and must contain one conduit appropriation. An appropriation account cannot fund multiple government-wide numbers. Any funding awarded to a different agency or organization requires a signed grant agreement between the entities, regardless of whether the subgrantee has budgeted authority in the Appropriations Act.

Federal appropriation accounts are continuing appropriations, meaning they can span multiple State fiscal years and remain open. The appropriation end date should align with the period of performance specified in the federal grant award and/or subgrantee agreement. Encumbrances and pre-encumbrances remain available throughout the established performance period. OMB conducts annual reviews of old and stale encumbrances and pre-encumbrances, which may result in cancellations.

The conduit appropriation unit must be linked to the revenue budget. Subgrantee appropriation units should not be permitted to have revenue budgets linked to them.

Each government-wide number requires one revenue budget linked to the conduit. This revenue budget should remain consistent throughout the grant period. Agencies needing multiple revenue budgets for a single government-wide number must submit a request with justification to the OMB Accounting Bureau for each instance.

V. FEDERAL AID MASTER TRANSACTION

To activate a conduit to a different organization subgrantee relationship, there needs to be a signed memorandum of agreement between the two entities. To request a conduit or subgrantee appropriation unit, a federal aid master (FM) transaction must be processed in NJCFS. This FM transaction requires the establishment of a federal aid number, which identifies the conduit or specific subgrantee portion of the grant award; thus, the conduit and each subgrantee will have a unique federal aid number. This federal aid number is alphanumeric and a maximum of 12 characters in length. There are no other requirements for its coding structure.

The conduit and subgrantee appropriations units and the revenue budget are linked to the federal aid number through the Federal Aid Inference Table (FAIT), maintained by OMB. The agency will submit all expense or revenue FAIT entries they require with the FM request.

The combination of agency code and federal aid number is the key for the FM transaction. When increasing or decreasing federal budget authority, the conduit/subgrantee indicator and the Catalog of Federal Domestic Assistance Number (CFDA)/Assistance Listing Number (ALN) must also be entered on the FM transaction. Modifications to an FM transaction require only the information that is to be modified.

For reporting purposes, the Grant Accounting Module in NJCFS requires the establishment of a unique government-wide number for each federal grant award. One government-wide number per Federal Award Identification Number (FAIN) is allowed. Multi-year grants maintain the same government-wide number (formatted using the first year) but require separate federal aids for each performance period. This government-wide number is required on each FM transaction to establish and maintain the link between the federal aid numbers that pertain to the same grant. The government-wide number is a maximum of 12 characters in length and is constructed as follows:

Conduit Agency Code	State FY in which Federal Government. Authorized the Grant Approp account BFY	Descriptor
0XX	XX	XXXXXXX
AXX – ARRA	XX	XXXXXXX
CXX – COVID	XX	XXXXXXX

Although there can be only one conduit agency per government-wide number, there can be more than one subgrantee agency that assists the conduit agency in complying with the grant award. The conduit agency can contract within their agency or organization as a subgrantee to itself.

When establishing a grant, the FM must include the period of performance (start and end dates) from the award document. Obligations and expenditures are permitted only during this period plus any allowable liquidation period. To change the end date, submit a request to OMB Accounting with supporting documentation from the federal agency authorizing the change. Subgrantee agreements may have different dates than the federal award, but the end date should reflect whichever date is earliest. Any subgrantee end date change requires an updated agreement.

In accordance with Part 200.344 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, grant end dates may be 120 days or under after the expiration of the funding date. For liquidation purposes, the grant end date may be adjusted up to 120 days, unless stated otherwise on the grant agreement. If extenuating circumstances dictate an end date beyond 120 days, the agency should provide OMB with justification supporting the end date proposed on the FM. If the award end date must be extended beyond the initial date, the State agency must supply a copy of a time extension request, or justification for the extension to the FM transaction.

All FMs require a disaster grant code. Check the DSTR screen to locate the appropriate code for your grant. If no disaster code is needed, use the default code of 0000.

When applicable, document any State, bond, or local match:

- Indicate the match type on the FM.
- Provide the appropriation account funding the match.
- Assign each match category a unique reporting category.
- Apply the appropriate OH Rec Rate below for each category. In NJCFS, the OH Rec Rate Code is used to identify the funding source for a specific reporting category.
    - 000 – Federal funds
    - 888 – Local/Bond funds
    - 999 – State Match funds

The conduit agency must enter and approve an FM for itself and each subgrantee agency. Submit the completed document(s) to the OMB Accounting Bureau, for review and processing along with the following:

- The executed federal grant award, which specifies the start/end dates, total funding, brief project description, CFDA/ALN, and signature of authorized federal agent.

- A completed FM transaction for each federal aid and/or subgrantee needed.

- Proof of ability to draw funds from the federal government.

- A screen print of the Appropriation (APPR) record that is linked to the grant award.
- A screen print of the Revenue (REVB) record that is linked to the grant award.
- A memorandum requesting the establishment of corresponding FAIT entries.

It is the conduit agency's responsibility to ensure billing, collection of revenue, and reporting within the federal requirements of its respective federal agency, unless other arrangements have been made.

Funds Passed Through a Non-State Entity

If a State agency receives federal funds through a non-State entity, the agency must ensure that the NJCFS appropriation record, identified as a dedicated fund, indicates the source is a federal grant. If a State agency receives funding from a non-State entity that has grant-like limits to the funding, the agency should use a dedicated fund account, along with an FM transaction using the proper OH Rec Rate code for the funds. Further, it is the agency's responsibility to establish the funds in the Grant Accounting Module using an FM transaction so that spending activity can be captured for the Schedule of Expenditures of Federal Awards (SEFA). Any remaining funds in State dedicated appropriation accounts at the end of the fiscal year automatically carry forward to the following year. After the fiscal year closes, encumbrances will remain open and active for two years. If the period of performance is still open after the close of the fiscal year, the agency should submit a FAIT entry request, linking the newest year appropriation account to the grant setup.

Dedicated accounts can be established for State accounts pursuant to language in the Annual Appropriations Act. If a dedicated account was not identified in the Annual Appropriations Act, the agency should submit a NJCFS appropriation transaction (AP), revenue budget transaction (RB), and supporting documentation to establish the funding.

VI. EXCESS APPROPRIATION AUTHORITY

If an appropriation account has excess authority resulting from a federal authorization that is less than anticipated, OMB will place the excess appropriation authority in reserve. Within the same State fiscal year, excess authority may be used to support an unanticipated grant increase within the same program class above the initial anticipated appropriation authority, based on language in the General Provisions section of the Appropriations Handbook. At no time shall the excess authority be used to fund an unanticipated grant award/appropriation that has not received a supplemental first.

It is the conduit agency's responsibility to identify excess appropriation authority by program class within the conduit and subgrantees' grant accounts and transfer that appropriation authority when needed. Such movement of authority is to be processed as a transfer of appropriation (TA) in accordance with the Appropriations Handbook Language. All transfer requests sent to OMB within a grant should come from the conduit agency, not the subgrantee. The subgrantee should submit any change requests to the conduit agency, which will then be sent to OMB along with any other needed support.

VII. SUPPLEMENTAL GRANT AWARDS

At times, the federal government provides increases to federal grant awards requiring corresponding increases to State appropriations and modifications to the Grant Accounting Module. Agencies should follow the guidelines in Section VI, Excess Appropriation Authority, to fund these increases.

Should adequate excess authority not exist, the agency should request that OMB issue a Directory Letter based on the language in the Appropriations Handbook, Federal Funds Section. In these cases, the agency will need to enter, approve and forward AP, RB and modifying FM transactions with the supporting grant award and proof of draw to OMB.

VIII. USE OF UNOBLIGATED FEDERAL BALANCES

There are occasions when the federal government will permit an agency to utilize an unobligated prior year balance. In such cases, it is the agencies' responsibility to enter FM adjustments (decrease/increase). The FMs should be forwarded to OMB with a copy of the federal authorization.

If the award is a multi-year grant, a decrease/increase FM adjustment is needed along with a FAIT entry linking the prior year appropriation account with the current year's federal aid. If the award is a single year award, or a new multi-year then the budget authority from the prior year will be placed in reserve and the budget authority in the current year will be released/increased by using excess authority within the current year (see Section VI) or an OMB directory letter based on language in the Appropriations Act, Federal Funds Section (see Section VII).

IX. FEDERAL GRANT TRANSACTIONS

Transactions cannot be processed against a grant until the FAIT entry has been completed. Payroll transactions will be processed but will be posted against the agency's default account. Agencies will have to process the correcting transactions to move the payroll expenses to the correct federal appropriation account once the FAIT entry has been entered.

All transactions that are posted against a federal grant require a reporting category, which is created when a conduit agency creates the FM transaction. The NJCFS system identifies from the transaction when a reporting category is required based on the "G" or "B" indicator located in the field G/P indicator on the APPR screen.

When an agency draws down funds from the federal government for expenditures relating to a federal grant, these funds must be posted as revenue. A refund to an appropriation account is not appropriate for a drawdown of federal funds. Agencies should post the revenue in the same fiscal year/grant award in which the expenditure was incurred.

Since grant expenditures can be incurred in other than grant accounts (e.g., payroll), it is the agency's responsibility to process expenditure modifications (EMs) and/or Intra-governmental Payment Vouchers (UAs and AVs) such that expenditures will be accurately reflected within the Grant Accounting Module. Agencies should make every effort to adjust expenditures quarterly within the same State fiscal year in which the expenditure was incurred or by the end of the State fiscal year.

X. REPORTS

It is the conduit agency's responsibility to ensure that NJCFS is properly reflecting federal expenditures within the Grant Accounting Module based on Financial Status Reports (SF-425) or equivalent reports submitted to the federal government. OMB may request agencies to provide a copy of these status reports to confirm accountability within NJCFS.

Subgrantee agencies should take necessary action to comply with the reporting time frames contained in its agreement with the conduit agency so that the conduit agency can meet the reporting time frames of the federal grant requirements.

The following system reports are available to monitor grant activity:

- GN06 – Schedule of Financial Assistance
- GN07 – Listing of Cognizant Audit Agency
- GN08 – Listing of State Cognizant Audit Agency
- GN09 – Listing of State Cognizant Audit Agency by Department

- GN12 – Annual Federal Grant Analysis Report
- GN15 – Government-Wide Grant Receivables Report

Business Objects also has different options for tracking and reporting grant data.

XI. PROCEDURES

A. Once the federal grant is fully expended and all revenue has been collected at the end of the grant period, the conduit agency should process a modifying FM transaction to inactivate and close the grant in NJCFS. If federal grant expenses do not equal collections, the conduit agency is responsible for identifying and making the adjustments within NJCFS. Where agencies did not spend the full federal authorization, and expenditures equal collections, OMB may require justification for the failure to fully spend the federal grant authority. Excess authority not needed to fund unanticipated grant increases should be reserved. In these cases, agencies should submit a request to OMB to reserve the excess authority.

B. Conduit and subgrantee agencies should enter into memorandums of agreement (MOAs) to fulfill federal grant requirements. Conduit agencies are responsible for identifying and transferring authority within the State appropriation accounts that fund the grant award, in accordance with language found in the Appropriations Handbook. At no time should a check be issued or reimbursement documents processed for this purpose.

C. In the month of July, OMB generates the GN12 report titled Federal Grant Analysis Report. This report captures transactions that were processed against federal grant awards for the prior 12-month period (July1 through June 30) and is sorted by CFDA number. This information is used to create the Schedule of Expenditures of Federal Awards (SEFA) for the State Single Audit.

   OMB sends each State agency its portion of the GN12 report, requesting the agency reconcile its federal status report claims against GN12 expenditures and certify completion to OMB. Report any discrepancies between your claims and the GN12 report (year ending June 30) to OMB immediately to ensure SEFA accuracy.

D. Agencies are required to reconcile their quarterly federal reports to NJCFS expenditures. This reconciliation should be carried out by the agency within 60 days after the end of each quarter. All adjustments identified in the reconciliation should be processed within NJCFS to ensure data integrity. Exceptions to the quarterly reconciliation must be submitted in writing to OMB for approval. If an agency does not complete the reconciliation, OMB reserves the right to audit the agency's records or to advise the State Auditor. A State agency may be requested to submit a copy of any quarterly reconciliation to OMB to verify compliance.

XII. GLOSSARY

Below are key terms used in this Circular and their definitions:

1. Appropriation - Statutory authority given by the legislative body to a State agency, allowing it to incur obligations and make expenditures for specific purposes within a specified period of time.

2. ALN – Assistance Listing Number, formerly CFDA, used to identify and track federal grants.

3. Conduit Agency - Appropriation agency that receives funds from the federal government, controls authorized spending by a subgrantee, and reports to the federal government.

4. CFDA - Catalog of Federal Domestic Assistance number, issued to indicate the federal agency awarding the grant and purpose.

5. Federal Aid Inference Table (FAIT) - Table in the NJCFS, which defines the valid reporting category and accounting distribution code combinations that are used to access the Grant Accounting Module, and which are required on related transactions.

6. Federal Aid number – An alphanumeric number that identifies the conduit or specific subgrantee portion of the grant award, along with potential differing period of performances

7. Government-wide number – A number that establishes and maintains the link among the federal aid numbers that pertain to the same grant.

8. Integrated Planning and Budgeting (IPB) – OMB's automated budgeting system, which supports development and loading of budgetary data into NJCFS at the start of each fiscal year.

9. Period of Performance – Timeframe within a grant which authorized work, allowable costs can be incurred. The specific start and end dates that activities are expected to be completed within.

10. Reconciliation – Process performed by the conduit agency where the claim made to the federal government is balanced to the expenditures processed within a given time frame.

11. Reporting Category – Code in the accounting distribution that identifies grants for reporting and is linked to a grant budget to control encumbrances, expenditures, and revenues made against the grant.

12. Revenue Budget – Mechanism in NJCFS to estimate and account for revenues.

13. Reserve – To reduce the excess available spending authority that is above the federal grant authority.

14. Schedule of Expenditures of Federal Awards (SEFA) – Listing of all expenditures by Catalog of Federal Domestic Assistance numbers for a given time frame.

15. Subgrantee Agency – Agency that assists the conduit agency with the programmatic needs of a federal grant award.

16. Transfer of Appropriation (TA) – Transaction used to transfer budget authority from one appropriation to another.

Tariq Shabazz

Tariq Shabazz
Acting Director