



Accounting Directive: Accounting for Federal Stimulus Funds
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<u>Accounting Directive Reference:</u> AD_200901	<u>Authoritative Reference:</u> American Recovery and Reinvestment Act (ARRA)	<u>Issue Date and Version:</u> 03/12/2009 – v1
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Applicability:

This Accounting Directive applies to all agencies, departments, commissions, courts, councils, boards, universities, colleges, retirement funds, authorities, associations, foundations, and other organizations for which financial information is reported in the State of Georgia Comprehensive Annual Financial Report (CAFR), and/or for which expenditures of Federal awards are reported in the State’s Single Audit Report.

Background:

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law on February 17, 2009, advancing an ambitious plan to revitalize the nation’s economy. Recipients of funds under the ARRA are subject to quarterly reporting requirements and oversight by Federal agency inspectors. The Government Accountability Office has selected Georgia as one of the targeted states in which it will conduct its oversight activities. State activities will be subjected to extensive public scrutiny and will have to meet very high standards with respect to transparency and accountability.

General Directive:

Each State organization is responsible for maintaining financial and other information in order to facilitate Federal reporting as required by the ARRA, for reporting in conformity with existing Federal agency and program reporting requirements, for compliance with any additional reporting requirements that may be issued by the Federal government relating to specific grant awards, and for reporting to the executive management of the State.

The management of each State organization is responsible for establishing and maintaining effective internal controls over compliance with applicable laws, regulations, contracts and grants, as well as those controls over financial reporting.

Required Reporting (Federal):

Refer to the matrix in Exhibit A for currently known ARRA general reporting requirements, suggested sources of information and PeopleSoft references. In accordance with the ARRA, such reports are due no later than ten (10) days after the end of each calendar quarter, starting on July 10, 2009.

Note that the extensive reporting requirements outlined in Section 1512 of the ARRA (see Exhibit A) apply only to the prime recipients of Federal funding, and the subawards (i.e., subgrants, subcontacts, etc.) made by these prime recipients. They do not require each subsequent subrecipient to report under the Section 1512 requirements. Also, the Section 1512 reporting requirements only apply to recipients who receive funding provided through discretionary appropriations; they do not apply to funding received through entitlement or other mandatory programs, except as specifically required by the (U. S.) Office of Management and Budget.

In addition to the ARRA general reporting requirements, there may be requirements issued by individual Federal grantor agencies or requirements related to specific grants with which State organizations must also comply.

Procedures/Guidelines:

Guidelines on accounting for Federal stimulus funds are outlined below. Although these guidelines are written from the perspective of an organization using the State Accounting Office (SAO) PeopleSoft financial system, State organizations using other financial systems must ensure that transactional data is maintained in such a manner as to fulfill all financial reporting requirements.

Notice of Award. Upon receipt of an approved award of Federal stimulus funds, and prior to recording transactions relating to the grant, an organization must perform the following set-up activities:

- Create a unique fund source to identify each individual grant award (see Exhibit B for required numbering convention for the first two (2) digits of the fund source).
 - ◆ Fund source description should include title of grant
 - ◆ Fund type selected for fund source must be “Federal”
 - ◆ CFDA number assigned by grantor agency must be entered
 - ◆ Request addition of new fund source to budget trees (new fund source “types” and “categories” have been established for stimulus funds – see listing on Exhibit C). Instructions and forms for adding new tree values may be found on the following web link: [Financial Tree Maintenance \(http://sao.georgia.gov](http://sao.georgia.gov) > Financial Systems > PeopleSoft Financials > Commitment Control > Forms)
- Assign project number(s) as appropriate to account for grant activity in accordance with the grant award (project numbering is agency-defined).

Budgeting. Federal stimulus funds must be amended into each State organization’s budget. In the BudgetNet system, as in an organization’s accounting records, stimulus funds must be separately identified. Refer to the *Budget Instructions for Federal Recovery Funds* on the Office of Planning and Budget web site (<http://budgetnet.opb.state.ga.us/main.asp> under “Documents”).

Expenditures. All purchases should be made in accordance with the State’s procurement policies as issued by the Department of Administrative Services. Qualifying expenditures/expenses should be reported when incurred. All contractual obligations (including encumbrances) should be recorded using the assigned fund source and project numbers, should be charged to the appropriate budgetary program, and should be posted to expenditure accounts in accordance with definitions provided in the State’s Accounting Procedures Manual. The following General Ledger chartfields will be required for each expenditure transaction:

Sample Expenditure Transaction:

Business Unit	Account	Dept	Fund	Fund Source	Program	Project	Budget Period	Amount
40700	707001	407xxxxx	10100	1L001	6180103	123	2009	10,000.00
40700	202001	407xxxxx	10100	1L001	6180103	123	2009	(10,000.00)

Revenues. Revenues should be recorded at least monthly based on the type of grant received. The principal types of grants and financial assistance received by State organizations are described below, along with the associated revenue recognition criteria. Federal stimulus revenue should be charged to account 431xxx (for grant funds received directly from a Federal agency) or account 432xxx (for Federal funds received through an organization other than the Federal government). Grant revenue should be recorded using the assigned fund source and project numbers, and should be charged to the appropriate budgetary program.

- Expenditure-Driven Grants (reimbursement grants) – Based on grant availability, revenue should be recorded when qualifying expenditures have been incurred and any additional grant requirements have been met (e.g., matching, maintenance of effort, etc.). For purposes of recording revenue on expenditure-driven grants, “qualifying expenditures” include encumbrances.
- Entitlement and Shared Revenues (formula grants) – Revenue should be recorded as soon as it is measurable and available, and all eligibility criteria have been met. Revenues should only be recognized for the period they are intended to finance. Entitlements and shared revenues that are collected in a fiscal year before the fiscal year they are intended to finance should not be reported as revenue, but should rather be reported as deferred revenue (account 250001).
- Pass-Through Grants - State organizations may receive grants or other financial assistance to transfer or spend on behalf of other secondary recipients. Revenue should be recognized when all eligibility requirements have been met and the resources become available, which typically is considered to occur when the resources are, in fact, transmitted to their intended final recipient.

The following General Ledger chartfields will be required for each revenue transaction:

Sample Revenue Transaction (Earned):

Business Unit	Account	Dept	Fund	Fund Source	Program	Project	Budget Period	Amount
40700	122001	407xxxxx	10100	1L001	6180103	123	2009	10,000.00
40700	431001	407xxxxx	10100	1L001	6180103	123	2009	(10,000.00)

Sample Revenue Transaction (Deferred):

Business Unit	Account	Dept	Fund	Fund Source	Program	Project	Budget Period	Amount
40700	101001	407xxxxx	10100	1L001	6180103	123	2009	10,000.00
40700	250001	407xxxxx	10100	1L001	6180103	123	2009	(10,000.00)

Cash Management. Cash must be drawn from the United State Treasury in accordance with the applicable provisions of the *Cash Management Improvement Act of 1990*.

General Ledger Accountability. Reconciliations should be performed monthly to ensure that all general ledger balances are supported by subsidiary ledgers (modules) or other appropriate documentation. *Trial Balances by Fund Source Detail* (SAO PeopleSoft report 44N) for Federal stimulus grants should be reviewed at least monthly. This examination should include a general review of revenue and expenditure accounts as well as a determination of the ending fund balance for the fund source, which may also be determined by using the Peoplesoft *Balance Sheet by Fund Source Detail* (SAO PeopleSoft report 4EB; see Exhibit D). Take appropriate action to correct errors discovered during the reconciliations, the fund source trial balance review, and in the fund balance analysis as described below:

- **Deficit Fund Balance** - Generally, no deficit fund balances should be reflected for any type of grant or other financial assistance. If the fund balance analysis results in a deficit fund balance, determine whether there are deferred revenues recorded which should have been recognized as current period revenue. If deferred revenues are available, reverse sufficient deferred revenues to the appropriate revenue account (debit deferred revenue; credit revenue) in an amount sufficient to bring the deficit fund balance to zero. If there are no deferred revenues available, determine why recorded expenditures exceed recorded revenues. If expenditures have been appropriately recorded for this grant *and* if additional grant revenue is available *and* if applicable eligibility requirements have been met, accrue sufficient accounts receivable and revenue to bring the deficit fund balance to zero.

- Positive Fund Balance – By definition, there should be no fund balance on hand for expenditure-driven or reimbursement-based grants, which make up the majority of grants received by State organizations. If the fund balance analysis results in a positive fund balance, determine whether it is appropriate for this grant to retain a fund balance at period-end. If it is not appropriate for a fund balance to exist and the recorded fund balance is offset only by cash (no accounts receivable for this program are recorded), sufficient revenues should be reduced and reclassified to deferred revenues to bring fund balance to zero (debit revenue; credit deferred revenue). If the fund balance is offset by cash and accounts receivable, revenue and accounts receivable should be eliminated to bring the fund balance to zero (to the extent that account receivable are available), with any remaining fund balance being eliminated through a reclassification of revenue to deferred revenues as previously described.

Additional Reporting (State):

It is anticipated that each State organization receiving Federal stimulus funding will report selected information to the State Accounting Office on a periodic basis to provide an executive overview on the status of these funds. Each organization will be responsible for ensuring that information reported to the State Accounting Office agrees with amounts reported to the Federal government (for quarterly cumulative totals). Specific reporting requirements are still under development and will be issued in a supplement to this Accounting Directive.

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As additional accounting and reporting requirements are released by the Federal government relating to the ARRA, supplements to this Accounting Directive will be issued as appropriate.

Questions concerning this Accounting Directive may be directed to Sandra Warr (404) 651-7802; swarr@sao.ga.gov.

REQUIREMENTS AND POTENTIAL SOURCE OF DATA

Title XV - Accountability and Transparency

	Outside of Financial System	PeopleSoft (PS)	Comments
Subtitle A			
Section 1511 Certifications (for Infrastructure investments)			
1. description of investment	✓		similar information required below - see Section 1512, 3e (i - iv)
2. estimated total cost	✓		
3. amount of covered funds to be used	✓		
} shall be posted on website and linked to Federal website			
Section 1512 Reports on Use of Funds (c) - Recipient Reports			
1. total amount of recovery funds received	✓		grant award document
2. amount of recovery funds expended or obligated		✓	PS: expenditures by fund source (can report encumbrances separately)
3. detailed list of projects or activities			
a. name of project or activity		✓	PS: project description
b. description of project or activity	✓		
c. evaluation of completion status of project or activity	✓		
d. estimate of number of jobs created/retained	✓		
e. infrastructure investments			
i. purpose		✓	
ii. total cost		✓	similar information required above - see Section 1511 (1 - 3)
iii. rationale for funding infrastructure investment with recovery funds		✓	
iv. name of person to contact (infrastructure)		✓	
4. detailed information on subcontracts/subgrants ≥ \$25,000 (aggregate reporting on awards < \$25,000)			PS: info from "GG" report
a. name of entity receiving award		✓	vendor name
b. amount of award		✓	amount
c. other award information			
i. transaction type	✓		contract/grant/loan
ii. funding agency		✓	Federal / State agency
iii. NAIC code or CFDA number		✓	CFDA
iv. program source	✓		
v. award title (descriptive of purpose)	✓		
d. location of entity receiving award			
i. city		✓	vendor address
ii. state		✓	vendor address
iii. congressional district	✓		
e. unique identifier of entity receiving award (FEI?) and of parent entity (if any)		✓	FEI (parent FEI not available)

Note: Must register with the Central Contractor Registration database or complete other registration requirements as determined by the Director of OMB (per section 1512 (h))

FUND SOURCE STRUCTURE - FEDERAL STIMULUS FUNDS

A fund source identifier is a five-digit code used to designate revenue sources and track expenditures made against those revenues.

For Federal programs, a separate fund source must be established for each grant received.

The initial two digits of the fund source code have been standardized for statewide reporting purposes as follows:

First Digit indicates direct or indirect funding - use number "1" or "3":		
1		Direct Funding (Grant Award is directly from a Federal agency)
3		Indirect Funding (Grant Award is through an organization other than the Federal gov't)
Second Digit indicates Section of American Recovery and Reinvestment Act from which funds are received - use alpha character as outlined below		
<u>Appropriations Provisions</u>		
A	Title I	Agriculture, Rural Development, Food & Drug Admin and Related Agencies
B	Title II	Commerce, Justice, Science and Related Agencies
C	Title III	Department of Defense
D	Title IV	Energy and Water Development
E	Title V	Financial Services and General Government
F	Title VI	Department of Homeland Security
G	Title VII	Interior, Environment and Related Agencies
H	Title VIII	Labor, Health & Human Services, Education and Related Agencies
J	Title IX	Legislative Branch
K	Title X	Military Construction and Veterans Affairs and Related Agencies
L	Title XI	State, Foreign Operations and Related Programs
M	Title XII	Transportation, Housing & Urban Development and Related Agencies
N	Title XIII	Health Information Technology
P	Title XIV	State Fiscal Stabilization Fund
<u>Tax, Unemployment, Health, State Fiscal Relief, and Other Provisions</u>		
R	Title I	Tax Provisions
S	Title II	Assistance for Unemployed Workers and Struggling Families
T	Title III	Premium assistance for COBRA Benefits
U	Title IV	Medicare and Medicaid Health Information Technology; Miscellaneous Medicare Provisions
V	Title V	State Fiscal Relief
W	Title VI	Broadband Technology Opportunities Program

FUND SOURCE TYPE AND CATEGORY - FEDERAL STIMULUS FUNDS

	<u>FS_CAT</u>	<u>FS_TYPE</u>
Federal Stimulus Funds - AL	STIM1	
Stim-Child Care & Dev BI Grant PL		ZCCBG
Stim-CCDF Mandatory & Matching		ZCCDF
Stim-Comm Mental Hlth Svcs BG		ZCMHS
Stim-Community Services BG PL		ZCSBG
Stim-Foster Care Title IV-E PL		ZFCIV
Stim-Fed - Not Spec Identified		ZFED2
Stim-FHWA Hwy Plan & Cons		ZFHWP
Stim-FTA Capital Investment PL		ZFTAC
Stim-Low-Income Home Energy PL		ZLIHE
Stim-Medical Assistance PL		ZMAP
Stim-Mat & Child Hlth Svcs BG		ZMCHS
Stim-Prev Hlth & Hlth Svcs BG		ZPHHS
Stim-Prev & Treat - Subs Abuse		ZPTSA
Stim-State Child Ins Program		ZSCIP
Stim-Social Svcs Block Grant		ZSSBG
Stim-Temp Asst Needy Families		ZTANF
Stim-TANF - Unobligated Bal		ZTANU
Stim-TANF Transfer to CCDF		ZTANX
Stim-TANF Transfer to SSBG		ZTANZ

Business Unit: ████████ State Of Georgia ██████████, Dept of ██████████ Report ID: GL████04EB
 Ledger: ACTUALS Balance Sheet by Funding Source Detail Print Date: 01/14/2009
 Fiscal Year: 2009 Period: 0 - 6 As of 12-31-2008 Page 524
 Funding Source: ██████████ General Ledger Report PS Id: GLS4050X

Account	Description	Account Balance	Account Group Totals	Account Category Totals
101001	Cash OP Wachovia 1	-853.12		
101420	Cash PR Wachovia Bank of GA	-73,155.09		
	Total CASH		-74,008.21	
106001	Cash Equivalents-Pooled-OFTS	56,025,771.63		
	Total INVESTMENTS		56,025,771.63	
125004	A/R Travel Advances - One Trip	-1,667.00		
	Total RECEIVABLES		-1,667.00	
196009	Clearing Account 9	33.08		
196050	Clearing Acct-PR WH (Distrib)	-52,737.60		
196119	Clearing Acct-Gen Fund Trans	-849,285.14		
	Total OTHER ASSETS		-901,909.66	
TOTAL ASSETS				55,048,106.76
				=====
200001	Accounts Payable - 1	-489,038.92		
215530	Employer's Share-Phoenix System	-24,171.28		
230001	Due to Other Funds	-0.01		
233001	Interfund Payable-1	-971.22		
	Total ACCOUNTS PAYABLE		-514,181.43	
TOTAL LIABILITIES				-514,181.43

328001	Reserved for Encumbrances	-86,094.49		
337001	Other Reserves	-9,506,429.31		
	Total RESERVED FUNDS		-9,592,523.80	
Computed Surplus		-44,941,401.53		
	Total Unreserved (Surplus)		B -44,941,401.53	
TOTAL RESERVES AND FUND BAL				-54,533,925.33

TOTAL LIA, RESERVES, and FUND BAL				-55,048,106.76
				=====
Total Fund Balance = any reserve EXCEPT Reserve for Encumbrances (A)			(9,506,429.31)	
plus Total Unreserved (Surplus) (B)			(44,941,401.53)	
Total Fund Balance			<u>(54,447,830.84)</u>	

Note: Positive number (debit) = deficit fund balance
 Negative number (credit; as in Exhibit above) = positive fund balance