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# MANAGEMENT DIRECTIVE

305.21  
Amended  
Number

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## COMMONWEALTH OF PENNSYLVANIA GOVERNOR'S OFFICE

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Subject:

Payments to Local Governments and Other Subrecipients

By Direction Of:

  
Michael J. Masch, Secretary of the Budget

Date:

September 23, 2005

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This directive contains policy and procedures to ensure compliance with the *Single Audit Act of 1984, Amended 1996*, and *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. The *Single Audit Act Amendments of 1996 and OMB Circular A-133*, which was revised effective for fiscal years ending after December 31, 2003, require the Commonwealth to determine whether subrecipients who receive federal awards through the Commonwealth of \$500,000 or more in a fiscal year have satisfied applicable audit requirements. This includes identifying and accounting for payments of federal and state funds to subrecipients. This directive also defines the responsibilities of agencies, comptrollers, the Bureau of Financial Management, the Bureau of Management Information Systems, and Integrated Enterprise System, and includes references to the SAP accounting system.

1. **PURPOSE.** To establish policy and procedures to ensure compliance with the *Single Audit Act of 1984, Amended 1996*, and *OMB Circular A-133*.
2. **SCOPE.** This directive applies to all agencies under the Governor's jurisdiction that make payments to subrecipients.
3. **POLICY.**
  - a. All payments of federal and state financial assistance made by Commonwealth agencies to local governments and other subrecipients must be identified by federal and state dollars expended and related federal and state financial assistance program names and numbers.

b. Payments of federal and state financial assistance may be made only to those subrecipients that have provided a Form W-9 with valid TIN and have registered with the Commonwealth's Central Vendor Management Unit (CVMU).

#### 4. DEFINITIONS.

a. **Catalog of Federal Domestic Assistance (CFDA) Number.** The five-digit program identification number identified in the CFDA. The first two digits identify the federal department or agency that administers the program. The last three digits identify the program number.

b. **Expenditure transaction.** Payments, nonmonetary federal financial assistance, refunds, and other adjustments affecting the net payment amount to the subrecipient.

c. **Federal award.** Federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. Federal awards do not include procurement contracts used to buy goods or services from vendors.

d. **Federal financial assistance.** Aid provided by a federal agency in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations, but not including direct federal cash assistance to individuals. Federal financial assistance includes awards received directly from federal agencies or indirectly through other units of state and local government.

**NOTE:** Although the definition includes direct payments from federal agencies, the Commonwealth is not responsible for identifying direct payments.

e. **SAP Vendor Number.** The number assigned internally by SAP when a vendor master record is created.

f. **Subrecipient.** Any non-federal entity that expends federal awards passed through another non-federal entity to carry out a federal program, but does not include an individual who receives federal assistance through such awards. For purposes of this directive, a subrecipient is not a vendor that receives a procurement contract to provide generally required goods or services related to the administrative support of a federal program.

g. **Taxpayer Identification Number (TIN).** The nine-character federal employer identification number assigned to a subrecipient by the federal government.

h. **Vendor Master Record.** The data record that establishes a vendor in SAP. The vendor master record provides a crosswalk between the SAP Vendor Number and the Taxpayer Identification Number.

#### 5. RESPONSIBILITIES.

a. **Agencies and Comptrollers** are jointly responsible for planning and implementing a methodology whereby all payments of federal and state financial assistance to local governments or other subrecipients covered by the act are identified by a breakdown of federal and state funds provided and by related program names and numbers.

b. **Agencies** are responsible for:

(1) Including information as to the breakdown of federal and state dollars to be provided and the related federal and state assistance program names and numbers in all contracts and grant agreements with local governments or other subrecipients covered by the act.

(2) Notifying subrecipients and the comptroller's office regarding both the source of funds (federal CFDA number or state program) for initial payments and for subsequent changes to payments that result in a change to the source of funds.

(3) Ensuring that subrecipients are promptly notified of any changes in the original breakdown. When a contract amendment is not required, a letter to the subrecipient will suffice.

(4) Ensuring that interagency agreements include the breakdown and the federal agency that is the source of the funds.

**NOTE:** When the federal and state breakdown is not known at the time a contract or grant agreement is executed, the state grantor agency must promptly notify subrecipients as soon as the breakdown becomes known.

(5) Submitting each subrecipient's correct TIN (for non-SAP payments) or SAP Vendor Number for each payment to the comptroller's office. Subsequent changes to subrecipient payments that affect CFDA number must be identified by TIN (for non-SAP payments) or SAP Vendor Number.

(6) Ensuring that all encumbrances and expenditure transactions affecting payments to subrecipients are posted to the appropriate general ledger account. The following general ledger accounts should be used for subrecipient payments:

- 6600100 ..... Federal Payments – For Profit Entities
- 6600200 ..... State Payments – For Profit Entities
- 6600300 ..... Federal Payments – Governmental Subrecipients
- 6600400 ..... State Payments – Governmental Subrecipients
- 6600450 ..... State Payments – Governmental and other Subrecipients – Construction Engineering (PENNDOT only) •
- 6600500 ..... Federal Payments to State Owned Instit of High Educ
- 6600600 ..... State Payments to State Owned Instit of High Educ
- 6600700 ..... Federal Payments – Institution Higher Ed-Non-State and other Non-Profit Organizations •
- 6600800 ..... State Payments – Institution Higher Ed-Non-State and other Non-Profit Organizations •
- 6601100 ..... Federal Payments – Hospitals not Gov or High Ed
- 6601200 ..... State Payments – Hospitals not Gov or High Ed
- 6601300 ..... Federal Payments – Local Educational Entities
- 6601400 ..... State Payments – Local Educational Entities
- 6601600 ..... Federal Subrecipient Payments – Interfaces
- 6601700 ..... State Subrecipient Payments – Interfaces
- 1301210 ..... Loans Receivable – Federal loans to Subrecipients
- 1301220 ..... Loans Receivable – State loans to Subrecipients
- 1301240 .....Loans Receivable – Federal Subrecipient – Designated SA Pennvest •
- 1301250 .....Loans Receivable – Federal Subrecipient – Not Designated SA Pennvest •
- 1301260 .....Loans Receivable – State Subrecipient – Designated SA Pennvest •
- 1301270 .....Loans Receivable – State Subrecipient – Not Designated SA Pennvest •

**NOTE:** If a payment representing both federal and state dollars is made from one appropriation, the correct general ledger account should be used to identify the federal/state breakdown. If the federal/state breakdown is unknown at the time of payment, agencies should use historical data adjusted by current available information to estimate the breakdown. If no historical data is available, the payment should be made using a breakdown based on the best information available. The coding on subsequent payments may require adjustment to reflect information received later.

(7) Submitting data files and hard copy reports of all federal and state subrecipient payments not processed through SAP to the comptroller's office **no later than 30 days following the end of each calendar quarter.**

**NOTE:** Non-SAP payment data is detailed subrecipient payment data maintained outside the Commonwealth's SAP Accounting System (e.g., DCED's IDIS programs, DGS's Donation of Federal Surplus Property, and Agriculture's Food Distribution and Emergency Food Assistance Programs).

**c. Comptrollers** are responsible for:

(1) Ensuring that all contracts, grant agreements, and payments made to subrecipients from federal and state funds contain information regarding federal and state dollars and related program names and numbers.

(2) Establishing an encumbrance document on the accounting system for payments to subrecipients that normally require an after-the-fact adjusting journal entry.

(3) Ensuring that subrecipient payments and adjustments are coded to correct federal programs, SAP Vendor Number, and general ledger accounts.

(4) Reviewing and forwarding to BMIS quarterly data summarizing federal financial assistance and state expenditures to subrecipients not processed through SAP **no later than 45 days following the end of each calendar quarter.**

(5) Correcting the federal and state subrecipient payment information via SAP.

**d. The Bureau of Financial Management (BFM)** is responsible for:

(1) Establishing general ledger accounts to comply with the policy in this directive.

(2) Establishing policy and procedures for accounting and reporting federal and state expenditures to subrecipients.

**e. The Bureau of Management Information Systems (BMIS)** is responsible for:

(1) Establishing and instituting sufficient control procedures to ensure efficient handling of subrecipient data received from all sources and transmitting files to Integrated Enterprise System within 15 days of receipt of files. ●

(2) Monitoring the subrecipient interface files to SAP and, if necessary, coordinating corrective measures with agency and comptroller staff for resubmission.

**f. Integrated Enterprise System (IES)** is responsible for: ●

(1) Establishing and instituting sufficient control procedures to ensure efficient handling, input, and processing of subrecipient data received from BMIS.

(2) Making data available in SAP for reporting expenditures by subrecipient subject to the *Single Audit Act Amendments of 1996* and *OMB Circular A-133*.

## **6. PROCEDURES.**

**a.** All contracts and grant agreements with local governments and other subrecipients covered under the act, relating to federal and state financial assistance programs, including programs that are 100 percent state funded, must include the breakdown of federal and state dollars provided and the related federal and state financial assistance program names and numbers. This breakdown must be:

- (1)** a percentage breakdown of federal and state funds; or
- (2)** a dollar amount breakdown of federal and state funds; or
- (3)** a functional or categorical breakdown of federal and state funds.

**b.** If expenditures to local governments or other subrecipients covered by the act are made without a contract or grant agreement, information regarding the payment (whether by check or electronic funds transfer) may be provided by one of the following methods to identify the breakdown of federal and state funds by:

**(1)** Transmitting a copy of the expenditure invoice with each payment and specifying the federal and state dollars being provided and the applicable program name and number.

**(2)** Providing information to the local government, or other subrecipients covered by the act, with each payment identifying the federal and state dollars being provided and the applicable program name and number.

**(a)** Federal financial assistance programs must be identified by program name, number, and federal grantor agency as defined in the CFDA.

**(b)** State financial assistance programs must be identified by the applicable state program name and number.

**This directive replaces, in its entirety, Management Directive 305.21 dated June 13, 2003.**