



Subject: DHEW CONSOLIDATED FUNDING SYSTEM - FISCAL PROCEDURES

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10-44-00 SCOPE

This chapter sets forth the Department's fiscal policy and procedures for implementing the Consolidated Funding System (Switching Station Integrated Grant Award). This program may involve all Departmental financial assistance programs except programs for biomedical research and, for the first year of the Switching Station programs, the support of construction or acquisition of land. The separate programs from which funds are requested in a Switching Station integrated grant application must involve two or more programs administered by agencies of this Department and must have a relationship through a commonality of purpose or ability to support related goals and be part of an overall strategy to achieve a common objective. The program operates in compliance with all statutory requirements for Federal assistance. Any integrated grant application that involves funds from programs administered by two or more Federal Departments or Independent agencies must be processed under the Integrated Grant Administration Procedures set forth in Chapter 10-43.

10-44-10 AUTHORITY

- A. The Division of Consolidated Funding is responsible for the Consolidated Funding System. It is located in the office of the Assistant Secretary, Comptroller, DHEW, under the supervision of the Deputy Assistant Secretary, Budget. The Consolidated Funding System is consistent with the intent of the Inter-governmental Cooperation Act of 1968.
- B. The Division of Consolidated Funding was formally established through its announcement in the Federal Register on March 11, 1972. Additional information pertaining to the operation of the Consolidated Funding System was published in a notice in the Federal Register on December 23, 1972. This organizational change is within the Secretary's legislative authority to manage the activities of the Department of Health, Education, and Welfare.

- C. Section 601 of the Economy Act of 1932 (32 USC 686).
- D. The chapter furthers the efforts of the President's Financial Assistance Review Program insofar as departmental programs are involved.
- E. The standard provisions of OMB Circular A-102 shall be applicable for use in the Consolidated Funding System.

10-44-20 BACKGROUND

The Consolidated Funding System, for integration of DHEW financial programs, generally parallels the Integrated Grant Administration (IGA) program sponsored by the Office of Management and Budget (See Chapter 10-43 of this Manual).

The Office of Management and Budget Circular No. A-102 "Uniform administrative requirements for grant-in-aid to States and local governments" is applicable to awards processed under the Consolidated Funding System. Pending issuance of a similar OMB Circular applicable to Non-Profit institutions and organizations the requirements of OMB Circular No. A-102 will be made applicable to all applications and awards processed under the DHEW Consolidated Funding System.

The concepts and procedures contained in Chapter 10-43 are applicable to the DHEW Consolidated Funding System with the following exception:

1. The Preapplications and applications for awards generally will be processed through the Office of the DHEW Regional Director rather than through the Federal Regional Council.
2. Participating Agency Notice of Grant Awarded (Exhibit 10-44-1) will be used in lieu of IGA Form F (Exhibit 10-43-3).
3. Notice of Grant Awarded (Exhibit 10-44-2) will be utilized in lieu of a letter type IGA grant award.
4. The Participating Agency (PA) funding programs shall advance 100% of the funds approved to the Lead Agency (LA) at the time the funds are approved.
 - (a) Charging of Participating Agency Accounts on the monthly Statement of transactions, SF-224, for their portion of the grantees drawdowns under the letter of credit will not be required. Progress reports based on the letter of credit drawdowns will be required as a basis for reducing the advances to the lead agency and to record progress in the administration of the integrated award at the Participating funding program level.

5. The application forms set forth in attachment M to OMB Circular No. A-102 and the applicable financial reports in Attachment H of the Circular (Exhibits 10-44-3 through 10-44-5) shall be utilized rather than those prescribed in Chapter 10-43.
6. Standard Form 240 in accordance with OMB Circular A-98 and General Administration Manual Chapter 1-45, shall be prepared by the Lead Agency Program Office for the Consolidated Award. Pending revision of the Standard Form the several funding programs shall be listed by Federal Assistance Catalog Number and amount in the remarks section of the form.
7. All references in Chapter 10-43 to IGA shall be read as Consolidated Funding System for purposes of this Chapter.
8. The following procedures in this chapter are directed to the above enumerated exceptions as they relate to Chapter 10-43. Subsequent references to "No Change" means follow the comparable provisions in Chapter 10-43, except as noted.

10-44-30 PARTICIPATING AGENCY (PA) ROLE

A. Commitments

Each appropriate financial assistance grant management officer will cause a commitment to be established for that grant programs share of an accepted or approved consolidated grant application. Confirmation of the availability of grant funds shall be confirmed to the coordinating officer.

B. Obligations

Based upon the approved formal consolidated grant application, and request from the lead agency, the participating agency grants management officer shall issue "Participating Agency Notice of Grant Awarded (Exhibit 10-44-1) which must also identify any unique and specific legislative requirements. The Notice of Award shall be forwarded to the participating agency local fiscal office for obligation and liquidation of the commitment. The SF-1081 received from the lead agency shall be completed and forwarded to the Treasury Disbursing Office. When a fiscal office (Treasury Accounting Station Symbol) is both the P.A. and L.A. the funds shall be transferred by Journal Voucher. Such transaction shall not go to Treasury Disbursing Office but shall be reported on the regular SF-224.

Exhibit 10-44-1 shall be prepared in sufficient copies to also meet the needs of the lead agency. The necessary copies of the award and a copy of the completed SF-1081 shall be forwarded to the lead agency fiscal office.

C. Advance

The participating agency shall advance the full amount of the participating agency grant award to the lead agency. See also Section 10-44-40A5(c).

D. Reporting on Monthly SF-224

The full advance shall be reported by the participating agency fiscal office as net disbursement on its monthly 224. (The Lead Agency fiscal office shall report the collections as negative net disbursements on monthly SF-224).

E. Subsequent Payments and Accruals

There will be no subsequent advances or payments unless the award (obligation) is subsequently amended. However, the lead agency will provide each participating agency fiscal office a monthly notification (Journal voucher) of the funding programs share of the disbursements to the grantee. The Journal Voucher shall support the entry to the PA's accounting system to record the estimated accrued expenditure, partial liquidation of the obligation, reduction of the advance and recording of the expense (cost). No outlay or cash transaction is involved.

F. Reports

Copy of each quarterly and final "Financial Status Report" (Exhibit 10-44-5) will be forwarded to each PA together with appropriate lead agency progress report and other appropriate information. These reports will be used to adjust the estimated accruals provided under E above.

G. Program Officer/Fiscal Officer Role

No change except for use of Exhibit 10-44-1 in lieu of 10-43-3.

The transaction codes to be used are shown in Exhibit C10-44-6.

Exhibit 10-43-7 presents a general systems flow chart on the relationship of the participating agencies to the lead agency to the grantee. This IGA Exhibit is equally applicable to Consolidated Funded Grants with appropriate interpretations of Forms, Names, etc.

10-44-40 **LEAD AGENCY (LA) ROLE**

A. Lead Agency Administration

The lead agency (1) makes arrangements with the participating HEW agencies for the funding agreements (Participating Agency Notice of Grant Awarded, Exhibit 10-44-1) and for the transfer of the full amount as an advance of funds to the agencies regular annual Consolidated Working Fund account (prepares "pay to" portion of the SF-1081 and forwards to the Participating Agencies for completion), and (2) complies with all other requirements as set forth in Chapter 10-43-40A.

1. Notice of (Consolidated Funding) Grant Awarded

The lead agency program office shall issue the SF-240 to the State Central Reception Agencies, as appropriate. Notice of Grant Awarded, Exhibit 10-44-2 will be utilized in lieu of the letter form grant award authorized for the IGA program.

- (a) The supporting HEW programs will be identified by the appropriate Federal Assistance Catalog Numbers.
- (b) No change
- (c) No change
- (d) Federal Grant Award number assigned by the lead agency grants management office and the Obligation Document No; if they are different numbers.
- (e) An appropriate payment provision relating to the Federal payment system method of payment, and identification of the payment office and address shall be included.

2. Funding Procedure

The grantee will be funded either:

- (a) Through the Departmental Grants Payment System (operated by the National Institutes of Health) which pays awards to hospitals, educational, and other non-profit private institutions, local units of Government, and States operating under single letter of credit (one letter of credit to a single point in the State for all HEW programs). At this time single letters of credit are in operation for the States of Nebraska, Arizona, New York for health and education programs only, and the Georgia Department of Human Resources.

- (1) Pays by letter of credit (over \$250,000 of total awards per annum).

- (2) Request for advances or reimbursement (Exhibit 10-44-3) (over \$100,000 but less than \$250,000 of total awards per annum).
 - (3) Automatic payment (\$100,000 or less of total awards per annum).
- (b) Through the DHEW agency letter of credit systems (operated by the DHEW Lead Agency headquarters offices) which pay awards to State agencies not operating under single letter of credit, and qualified Headstart grantees.
- (1) Pays by letter of credit (over \$250,000 total awards per annum).
 - (2) Pays by Treasury check for supplemental amounts required in excess of the letter of credit (monthly or quarterly) ceiling.
- (c) Through the Lead Agency Local Fiscal Office which pays awards to grantees not qualifying under either of the above payment systems.
- (1) Pays by Treasury check based upon Request for Advances or Reimbursement (Exhibit 10-44-3) (for total awards of \$100,000 but less than \$250,000).
 - (2) Pays by Treasury Check on a predetermined monthly schedule (for total awards less than \$100,000 per annum).

Instructions for issuance of letters of credit are the same for the IGA program except that (1) a monthly or quarterly ceiling may be established based upon the estimates provided in Part III Section D of the application (Exhibit M-3 of OMB Circular No. A-102), and (2) the memorandum to OMB required under the IGA procedures (Exhibit 10-43-11) is not required under this program.

3. Project Surveillance and Reporting

The quarterly "Report of Federal Cash Transactions", Exhibit 10-44-4, and 10-44-4-1, and "Financial Status Report", Exhibit 10-44-5, will be utilized.

- (a) The Report of Federal Cash Transactions (10-44-4) shall be submitted monthly to the paying office from or through which the grant funds are received regardless of whether received through letter of credit or by Treasury Check. The Report of Federal Cash Transactions may be requested

on a monthly basis provided the grantee has annual grants totaling one million dollars or more.

- (b) No change except that the Financial Status Reports (10-44-5) may not be requested more frequently than quarterly.
 - (1) The grantee shall submit an original and two copies of the Financial Status Report to the Lead Agency local fiscal office within 30 days after the end of each calendar quarter and within 90 days after completion of the project period. Extensions to the due dates may be granted by the Lead Agency when requested by the grantee.
 - (2) The Consolidated Funding Notice of Grant Awarded shall specify to the grantee whether there is a legal requirement for an accrual basis report. If there is such a requirement and the grantee's accounting records are not normally kept on the accrual basis, the grantee should develop such information through an analysis of the documentation on the basis of best estimates. Unless legally required to submit an accrual basis report, the grantee shall report on the same basis as its accounting system.

4. Revisions in Project Operations or Budget

No change except that site visits will be made at the end of the first ninety days, at the end of the first year and annually thereafter. Requests for budget increases will be submitted to the lead agency program grants management officer for review, coordination, and funding with the participating agencies.

Internal Accounting Procedures

(a) Establish Consolidated Working Fund

A new CWF is not needed for the HEW Consolidated Grant procedure. Each agency has a regular CWF which will be utilized for these awards.

(b) Participating Agency Notice of Grant Award

No change except that Exhibit 10-44-1 will be utilized in lieu of IGA Form F. If difficulty or unreasonable delays are experienced in obtaining these forms the lead agency switching station liaison (regional or headquarters) shall be requested to contact the switching station

liaison of the appropriate funding program(s) to the end of resolving the problem and providing the necessary documentation.

(c) Advance

No change except that the lead agency fiscal office shall initiate the SF-1081(s) for the full amount of the funding agreement(s) by completing all but the "pay from" portion and send to the participating agency fiscal office(s) for completion and forwarding to Treasury. Deviations to the 100% advance requirement are not allowed unless justified in writing and approved by the Deputy Assistant Secretary, Finance.

(d) Advice of Allotment

No change.

(e) Issuance of Consolidated Grant Award

No change except that the "Notice of Grant Awarded" (Exhibit 10-44-2) shall be used, which must include all specific requirements of law, etc., applicable to the grantee.

(f) Letter of Credit Withdrawal Vouchers or Equivalent

No change except as follows:

(1) Grant Management Fund

The lead agency headquarters fiscal office will process the SF-1081 to charge the CWF and will promptly notify the local lead agency fiscal office of the amount charged to the CWF for each consolidated grant award. The local fiscal office will prepare the Journal Voucher to notify each participating agency fiscal office of each programs share of the monthly charge by immediately forwarding a copy of the Journal Voucher to each P.A. fiscal office for recording in their accounts during the same month.

The P.A. will record these amounts as a reduction of the advance and as estimated accrued expenditure and partial liquidation of the obligation. No cash transaction is involved except for the headquarters lead agency fiscal office which will report the charge to the CWF as a net disbursement on its regular SF-224.

Exhibit 10-44-8 depicts the timing of financial transactions in DHEW when the Consolidated Grant Awards are funded through Management Funds.

(2) Charged Directly to Program Appropriations

No change except the amount withdrawn each month by grantees shall be allocated to each participating agency funding program on the basis of each programs share to the total award.

The lead agency headquarters fiscal office shall immediately notify the appropriate lead agency local (regional) fiscal office of the amount withdrawn from the CWF for each consolidated grant award. The local fiscal office shall immediately prepare Journal Vouchers to allocate the withdrawal amounts to the participating agencies. The P.A.'s will treat these Journal Vouchers the same as in (1) immediately above. Exhibit 10-44-9 depicts the timing of financial transactions in DHEW when the Consolidated Grant Awards are funded directly through the CWF by letter of credit.

(3) Direct Check Payments by Local Lead Agency Fiscal Office

Upon payment of the monthly cash request or predetermined amount the payment shall be allocated to the participating program appropriations and documented on a Journal Voucher. The Journal Voucher shall be forwarded immediately to the P.A. fiscal office for recording in their accounts during the same month. The amount of payment to the grantee shall be reported by the local lead agency fiscal office as a net disbursement from the CWF on its monthly SF-224. Exhibit 10-44-10 depicts the timing of financial transactions in DHEW when the Consolidated Grant Awards are funded directly through the CWF by Treasury check.

(g) Audits

No change except that the DHEW Audit Agency will be the audit lead agency.

(h) Program Officer/Fiscal Officer Role

No change.

The transaction codes to be used are shown in Exhibit 10-44-6.

10-44-50 HEADQUARTERS VS REGIONAL FISCAL OFFICE ROLE

The only change in the first paragraph is to delete item (2). There is no need to credit the CWF or to charge the participating agency's appropriations since 100 percent of the funds will have been advanced to the CWF.

The first two sentences of the second paragraph remain unchanged. Substitute the following for the remainder of this paragraph: The lead agency local fiscal office will determine the allocation of the monthly drawdown to the participating agency program funds and prepare and distribute Journal Vouchers to the participating agencies.

The third paragraph remains the same except that the grantee shall submit the Quarterly Cash Reports to the same fiscal office from or through which he receives his funds.

The fourth paragraph remains unchanged.

Exhibit 10-44-7 presents a general systems flow chart on the relationship of the lead agency between the program, budget, and finance offices in the setting where some functions are performed at the headquarters office and some at the regional office.

10-43-60 CARRY OVER BALANCES

- A. No change.
- B.
 - 1. In lieu of IGA Form F use the Participating Agency Notice of Grant Award, Exhibit 10-44-1.
 - 7. No change.
 - 8. No change.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

**CONSOLIDATED FUNDING GRANT
PARTICIPATING AGENCY**

**NOTICE OF GRANT AWARDED
WITH INSTRUCTIONS**

NOT AVAILABLE IN ELECTRONIC FORMAT

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
CONSOLIDATED FUNDING GRANT
NOTICE OF GRANT AWARDED WITH INSTRUCTIONS

NOT AVAILABLE IN ELECTRONIC FORMAT

HHS Exhibit 10-44-3
Departmental Accounting Manual
HHS Transmittal 73.1 (4/20/73)

Pages 1 to 4

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
HEW 604 T

REQUEST FOR ADVANCE OR REIMBURSEMENT
WITH INSTRUCTIONS

NOT AVAILABLE IN ELECTRONIC FORMAT

HHS Exhibit 10-44-4
HHS Exhibit 10-44-4-1
Departmental Accounting Manual
HHS Transmittal 73.1 (4/20/73)

Page 1
Pages 1 to 5

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
HEW 602 T
HEW 603 T

REPORT OF FEDERAL CASH TRANSACTIONS
WITH INSTRUCTIONS

NOT AVAILABLE IN ELECTRONIC FORMAT

HHS Exhibit 10-44-5
Departmental Accounting Manual
HHS Transmittal 73.1 (4/20/73)

Pages 1 to 5

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
HEW 601 T

FINANCIAL STATUS REPORT
WITH INSTRUCTIONS

NOT AVAILABLE IN ELECTRONIC FORMAT

TRANSACTION CODE CHART

NOT AVAILABLE IN ELECTRONIC FORMAT

LEAD AGENCY FLOW CHART

NOT AVAILABLE IN ELECTRONIC FORMAT

**TIMING OF FISCAL ACTIONS
(LETTER OF CREDIT FUNDED THROUGH MANAGEMENT FUND)**

NOT AVAILABLE IN ELECTRONIC FORMAT

**TIMING OF FISCAL ACTIONS
(LETTER OF CREDIT FUNDED FROM DIRECT APPROPRIATIONS)**

NOT AVAILABLE IN ELECTRONIC FORMAT

TIMING OF FISCAL ACTIONS
(FUNDED FROM DIRECT APPROPRIATIONS BY TREASURY CHECK)

NOT AVAILABLE IN ELECTRONIC FORMAT