FINANCE MEMORANDUM

TO: Department Heads and Heads of State Entities

FROM: Kalbert K. Young, Director of Finance

SUBJECT: Revised Procedures to Request Appropriation and Establish Appropriation Accounts and Allotment for Appropriated and Non-Appropriated Federal Funds

The purpose of this memorandum is to issue revised procedures for State Departments and Entities to request appropriation and establish appropriation accounts and allotment for Appropriated and Non-Appropriated federal funds. This memorandum supersedes FM13-16 dated December 11, 2013 and FM14-01 dated January 6, 2014.

The primary revision to these procedures are the requirements to record new federal award notices into FAMS (Federal Awards Management System) within 14 days of receipt of the notice and to note the FAMS ID no. on the Request for Allotment (Form A-19).

This memorandum with the attached documents and forms will be posted on the Dept. of Budget & Finance’s website at http://budget.hawaii.gov/statewide-policies/financememorandums/fm-2014/ and on the Office of Federal Awards Management’s website at http://federalawards.hawaii.gov/sga/.

Should you have any questions, please contact Mark Anderson at the Budget and Finance’s Office of Federal Awards Management, 586-3035.

Attachments: Appropriated Federal Funds Process Chart and Narrative
Non-Appropriated Federal Funds Process Chart and Narrative
Form E-1 (Request Approval to Increase Expenditures Levels for Federal Funds)
Form E-2 (Request Approval to Expend Non-Appropriated Federal Funds)
Form E-3 (Letters to the Senate President and Speaker of the House)

c: Neal Miyahira, B&F, BPPM
Mark Anderson, B&F, OFAM
Wayne Horie, DAGS, Accounting
APPROPRIATED FEDERAL FUNDS
Procedures to Request Appropriation, Establish Appropriation Accounts and Allot Operating Funds

1. Start
   B&F identifies major recurring federal awards based on appropriations in the federal budget

2. B&F identifies the authorized prime recipient for each major, recurring award

3. Major, recurring federal awards are designated as "N" funds

4. Competitive, non "N" funds are designated as "P" funds

5. Department Heads review award requirements

6. Dept. Head determines capacity to manage award

7. Dept. completes Form FF by PGM ID & lists all federal awards requiring appropriation

8. B&F submits Executive Budget Request and Budget Bill to Legislature

9. B&F confirms appropriation ceiling amounts on Form FF are equal to amounts in the Exec. Budget Request

10. B&F reviews Form FF to verify all major, recurring awards are listed

11. Dept. submits Form FF to B&F listing all federal awards that require appropriation

12. Dept. issues Form FF to DAGS to allocate amounts from the parent to individual award accounts

13. Use TC 944/941

14. Dept. receives award notice and notifies B&F by recording it in FAMS within 14 days of receipt

15. B&F reviews and approves FAMS Record

16. Dept. submits Form A-19 to DAGS referencing the DAGS ID #

17. B&F reviews and approves Form A-19 and forwards to DAGS

18. DAGS establishes allotment in FAMS

End of Session

October 2014
APPROPRIATED FEDERAL FUNDS (IN THE BUDGET BILL)

Procedures To Request Appropriation for Federal Funds, Establish Appropriation Accounts, and Allot Federal Funds for Operating Funds

1. The Department of Budget and Finance (B&F) uses a list compiled by the Federal Fund Information for States (FFIS) of the major, recurring federal awards awarded to state departments for the upcoming federal fiscal year and identifies the authorized state prime recipient for each award on the list. FFIS maintains a database of more than 200 federal grant-in-aid programs which accounts for more than 90% of the federal funds flowing to state and local governments. The list of the major, recurring awards to states is subject to change every federal fiscal year based on appropriations in the annual federal budget. Information on FFIS can be viewed at FFIS.org.

2. Prior to the budget preparation period each state fiscal year, the Finance Director will issue a memorandum to identify the “major, recurring federal awards” the Executive Branch Agencies can expect to receive and the state department or entity authorized to receive the award as the prime recipient. The memorandum will be posted on B&F’s website.

3. Appropriation must be sought in the executive budget bill for all “major, recurring” federal awards listed on the memorandum by the state department or entity authorized to receive the award as the prime recipient using MOF (Means of Financing) “N”.

Appropriation shall be sought in the budget bill for all other federal awards not designated as MOF “N” using MOF (Means of Financing) “P”. Generally, “P” funds are ‘competitive’, non-recurring federal awards; however there may be recurring federal awards that are designated as “P” funds. Appropriation should be sought for MOF “P” in the budget bill when a recurring federal award is not designated as “N” and when it is reasonably certain that a federal award not designated as MOF “N” will be applied for and awarded during the upcoming fiscal year.

Federal Award means financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money or property in lieu of money, by the Federal Government to an eligible recipient. The term does not include: technical assistance, which provides services instead of money; other assistance in the form of loans, loan guarantees, interest subsidies, or insurance; direct payments of any kind to individuals; and, contracts which are required to be entered into and administered under procurement laws and regulations.

4. Departments Heads and Heads of State entities are delegated authority to approve and submit applications for federal awards. They will review and authorize federal awards applications and designate the program(s) (by Program ID) that will expend the federal funds. For each award that is applied for, Department Heads and Heads of State entities will ensure that a written plan is available that describes how the federal funds will be used.

a) Heads of State Departments and Entities must have in place policies, practices, and procedures that will:
   i. Avoid waste, fraud, and abuse;
   ii. Ensure that costs charged to federal programs are allowable costs, in accordance with applicable laws, regulations, agreements and contracts;
   iii. Ensure that funds provided under each federal award are separately accounted for, from receipt to obligation to expenditure;
   iv. Ensure that effective cash management is employed for federal funds to minimize the time elapsing between (i) the transfer of funds from the federal government, or from a pass-through entity, to (ii) disbursement;
   v. Ensure the use of federal funds meet all federal requirements as described in individual federal award and OMB circulars;
   vi. Fulfill federal reporting requirements in a timely manner.
APPROPRIATED FEDERAL FUNDS (IN THE BUDGET BILL)

Procedures To Request Appropriation for Federal Funds, Establish Appropriation Accounts, and Allot Federal Funds for Operating Funds

b) Department Heads and Heads of State Entities will maintain a separate file for each federal award received that contains a copy of the federal award notice and any other major correspondence with the federal awarding agency that may impact the use of federal funds.

5. If the head of a State Department or Entity determines that their organization does not have the capacity to manage a major, recurring federal award the Director of B&F should immediately be informed.

The Director of B&F may take steps to improve the ability of the state department or entity to manage a federal award, may assign the federal award to another state organization, may contact the federal awarding agency for assistance, or may decline the award.

6. Departments submit Form FF

a) A key budgetary and accounting control for federal awards is establishing a one to one relationship between a federal award ID and a state appropriation account or accounts if more than one program ID will be expending funds from a federal award so as to be able to separately account for a federal award from receipt to obligation to expenditure.

b) During the Executive Budget Request preparation period, State Departments Heads will be instructed to complete and submit to B&F “Form FF” by Program ID listing all federal awards it is seeking appropriation for.

c) “Form FF” shall include:
   i. All major recurring federal awards (MOF “N”) for which the Department has been designated as the authorized prime recipient by the Director of B&F and other federal awards (MOF “P”) anticipated to be awarded during the upcoming fiscal year.
   ii. All federal funds that a Program ID shall receive as a sub recipient. A sub recipient expends federal funds received from a Prime Recipient (pass-through entity) to carry out program activities.
   iii. All federal funds that a Program ID will receive from another Program ID within the same department.

d) The purpose of “Form FF” is:
   i. To identify the federal awards and amounts that comprise the total MOF “N” and “P” appropriation ceiling requested in the executive budget bill by Program ID. The total value for MOF “N” and “P” on the Form FF should equal the value of each MOF ceiling in the Executive Budget request.
   ii. To provide DAGS with a list of federal awards that will require assignment of an Appropriation Account Symbol.
   iii. To provide information to B&F on the relationship between individual federal awards and appropriation accounts to enable regular financial reporting directly from FAMIS.

e) The appropriation amount requested should be the amount awarded for the full performance period.
APPROPRIATED FEDERAL FUNDS (IN THE BUDGET BILL)

Procedures To Request Appropriation for Federal Funds, Establish Appropriation Accounts, and Allot Federal Funds for Operating Funds

7. B&F will review “Form FF” submittals to verify:
   a) That all major, recurring federal awards for which the department or state entity has been designated as the authorized prime recipient on the memorandum issued by the Director of B&F are listed.
   b) That the total “N” and “P” appropriation ceiling on “Form FF” for each Program ID matches the appropriation in the Executive Budget request.

8. After the legislative session ends, Departments will review the enacted budget bill against their Form FF to verify that the “N” and “P” appropriation amounts have not changed. If necessary, Departments can submit changes to Form FF to B&F.

Please Note: This is the best time for program staff and fiscal and accounting staff to make decisions on what programs will expend federal funds for each federal award.

9. B&F will send Form FF to DAGS to pre-assign appropriation account symbols.

10. DAGS will assign appropriation account symbols on Form FF and return the forms to B&F.

11. The Finance Director will issue a memorandum to the head of each department and state entity attaching a final copy of the department’s Form FF showing the appropriation account symbol assigned to each federal award.

12. DAGS will issue Appropriation Warrants to each department for only the “parent” “N” and “P” Appropriation Accounts.

13. Departments will prepare and submit Journal Vouchers (JV) to DAGS to transfer appropriation ceiling from the parent MOF “N” and “P” appropriation accounts to the individual award appropriation accounts assigned on Form FF.

   a) To transfer appropriation ceiling from a parent account to an individual award appropriation account(s):
      i. Use Transaction Code 944 to decrease the appropriation in the parent account and Transaction Code 941 to record the amount in the individual award appropriation account(s)

   b) Subsequent to this transfer, if it becomes necessary to transfer appropriation from one individual award appropriation account to another individual award appropriation account:
      i. The amount may be transferred directly from one individual award appropriation account to another; it is not necessary to transfer the amount from the individual award appropriation account back to the parent appropriation first.
      ii. Use Transaction Code 944 to decrease the appropriation in the sending appropriation account and Transaction Code 941 to record the amount in the receiving appropriation account
      iii. The net total of the transfers should be zero.

14. Within 14 days of receipt of a federal award notice, department will notify B&F by recording it in FAMS.

15. B&F will review and approve the FAMS record electronically.
APPRIORIATED FEDERAL FUNDS (IN THE BUDGET BILL)

Procedures To Request Appropriation for Federal Funds, Establish Appropriation Accounts, and Allot Federal Funds for Operating Funds

16. Departments will prepare and submit “Request for Allotment” (Form A-19) to B&F

   a) “Form A-19” will be submitted to B&F for each individual appropriation account to request allotment to expend federal funds.

   b) The allotment amount requested shall not exceed the award amount shown on the award notice and the latest approved Form FF.

   c) For an A-19 that is submitted to transfer appropriation from an individual award appropriation account to another individual award appropriation account as described in 13. b), reference on the amendment description of transfer to "Amdt - transfer to subaccount S-xxx" and transferring from "Amdt - transfer from subaccount S-xxx". On the back of A-19, include specific comment on the reason for the transfer and that the JV has been sent to DAGS for processing.

17. B&F will review “Form A-19” to verify that the federal award is recorded in FAMS and verify the amount on “Form A-19” against the amount on the award notice. After approval by B&F, “Form A-19” will be sent to DAGS for processing.

18. DAGS will enter the allotment for the appropriation account in FAMIS.
APPROPRIATED FEDERAL FUNDS (IN THE BUDGET BILL)

Procedures To Request Appropriation for Federal Funds, Establish Appropriation Accounts, and Allot Federal Funds for Operating Funds

Notes on Appropriation Accounts:

1. The prime recipient of a federal award shall obtain a unique state appropriation code for each federal award ID that it receives.
   a) State sub-recipients of federal awards shall obtain a unique state appropriation code.
   b) When a state entity allocates funds from a single federal award to multiple Program IDs within the same entity, each Program ID receiving federal funds shall obtain a unique state appropriation code.
   c) State entities that currently maintain multiple federal awards within a single state appropriation code will migrate to a unique state appropriation code for each federal award ID beginning in fiscal year 2014.
   d) The Account Title for an Appropriation Account shall reference the “Program/Project Title” as shown on the federal award notice and not exceed 40 characters.

2. Appropriation Accounts for federal awards shall be designated “non-reversion” and quarterly allotment balances will be carried forward automatically at the end of each quarter therefore a revised “Form A-19” is not required to carry forward balances at the end of each quarter.

3. Operating federal funds are assigned a lapse date in FAMIS of fiscal year plus two (2) years.

4. CIP federal funds are assigned a lapse date in FAMIS of the fiscal biennium plus five (5) years.

5. If the lapse date for an Appropriation Account precedes the close out date for a federal award the Governor’s approval should be requested to extend the lapse date.
NON-APPROPRIATED FEDERAL FUNDS
Procedures to Request Appropriation for Federal Funds, Establish Appropriation Accounts, and Allot Federal Funds

1. Start
2. Dept receives award notice and records it in FAMS within 14 days of receipt
3. Dept submits Form E-3 to the Legislature
4. Dept submits Form E-2 with a copy of the federal award notice and Form E-3 to Governor
5. Governor approves or disapproves E-2 and forwards to DAGS
6. DAGS assigns appropriation account code and enters it on Form E-2
7. DAGS returns original Form E-2 to Department and a copy to B&F
8. Dept submits Form A-19 to B&F
9. B&F will review Form A-19
10. If approved, B&F will send Form A-19 to DAGS
11. DAGS will enter the allotment into FAMIS

If correction required, B&F returns Form A-19 to Dept.

October 2014
NON APPROPRIATED FEDERAL FUNDS (NOT IN THE BUDGET BILL)

Procedures To Request Appropriation for Federal Funds, Establish Appropriation Accounts, and Allot Federal Funds

The non-appropriated federal funds procedures is used to request approval to expend federal awards not appropriated in the budget bill. If a federal award was not listed on Form FF for the current fiscal year, the non-appropriated process must be used to request approval to expend federal funds and to establish an appropriation account.

1. Departments Heads and Heads of State entities are delegated authority to approve and submit applications for federal awards. They will review and authorize federal awards applications and designate the program(s) (by Program ID) that will expend the federal funds. For each award that is applied for, Department Heads and Heads of State entities will ensure that a written plan is available that describes how the federal funds will be used.

   a) Departments Heads and Heads of State Entities must have in place policies, practices, and procedures that will:
      i. Avoid waste, fraud, and abuse;
      ii. Ensure that costs charged to federal programs are allowable costs, in accordance with applicable laws, regulations, agreements and contracts;
      iii. Ensure that funds provided under each federal award are separately accounted for, from receipt to obligation to expenditure;
      iv. Ensure that effective cash management is employed for federal funds to minimize the time elapsing between (i) the transfer of funds from the federal government, or from a pass-through entity, to (ii) disbursement;
      v. Ensure the use of federal funds meet all federal requirements as described in individual federal grant awards and OMB circulars;
      vi. Fulfill federal reporting requirements in a timely manner.

   b) Department Heads and Heads of State Entities will maintain a separate file for each federal award that contains a copy of the federal award notice and any other major correspondence with the federal awarding agency that may impact the use of federal funds.

2. If an award application is successful, the award will be recorded in FAMS within fourteen (14) days of receipt of the notice of award.

3. Department will complete and submit Form E-3 to the Senate President and the Speaker of the House of Representatives as notification about the request to expend additional federal funds. Note: pursuant to Section 88 of Act 134, SLH 2013, the Governor is required to notify the Legislature five (5) days prior to the Governor's approval to expend these funds.

4. Department will complete and submit Form E-2 (Request Approval to Expend Non-Appropriated Federal Funds) to the Governor for approval to expend federal funds and to establish a State Appropriation Account for the federal award. A copy of the federal award notice and Form E-3 will be attached to Form E-2 (Request Approval to Expend Non-Appropriated Federal Funds). If the request is from a subrecipient, an interdepartmental agreement from the prime recipient will be attached instead of the federal award notice.

Revised October 2014
NON APPROPRIATED FEDERAL FUNDS (NOT IN THE BUDGET BILL)

Procedures To Request Appropriation for Federal Funds, Establish Appropriation Accounts, and Allot Federal Funds

5. The Governor will approve or disapprove the request and forward Form E-2 (Request Approval to Expend Non-Appropriated Federal Funds) to DAGS.

6. DAGS will assign the Appropriation Account Symbol and enter it on Form E-2 (Request Approval to Expend Non-Appropriated Federal Funds). DAGS will return a copy of Form E-2 (Request Approval to Expend Non-Appropriated Federal Funds) to Budget & Finance and transmit the original to the Department.

7. Department will prepare and submit Form A-19 (Request for Allotment) to Budget & Finance. The FAMS ID No. shall be noted on Form A-19. The allotment amount requested shall not exceed the amount shown on the federal award notice.

8. Budget & Finance will verify the amount on Form A-19 (Request for Allotment) against the federal award notice.

9. If approved, B&F will send Form A-19 to DAGS.
# Federal Fund Request

REQUEST APPROVAL TO INCREASE EXPENDITURE LEVEL FOR FEDERAL FUNDS

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<tr>
<th>1. FAMS ID</th>
<th>2. Department</th>
<th>3. Program I.D./Org Code (XXX#X#XXX)</th>
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<th>4. Program Manager's Name</th>
<th>5. Program Manager's Phone No.</th>
<th>6. Program Manager's Email</th>
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<th>7. CFDA No. (int. stat)</th>
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<th>9. Award Program or Project Title</th>
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<th>10. Federal Award ID or Other Identifying No.</th>
<th>11. Award Amount</th>
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<th>17. Date Program First Notified that Federal Funds May be Available</th>
<th>18. Date that Additional Federal Funds Were Known to Be Available</th>
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<th>19. Reason Appropriation was not Sought During Legislative Session</th>
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<th>20. Describe Benefit to the Public from Use of Federal Funds</th>
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<th>21. Submitted By (Print Name):</th>
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<th>Date</th>
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<th>22. Department Head or Designee (Print Name):</th>
<th>Signature of Department Head or Designee</th>
<th>Date</th>
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<th>23. Governor's Approval</th>
<th>✅ APPROVED</th>
<th>✗ DISAPPROVED</th>
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<tr>
<th>Governor, State of Hawaii (Print Name)</th>
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ATTACHMENTS: (Check if attached) ROUTING:  
- Federal Award Notice  
- Form E-3 (Copy)

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<th>ROUTING:</th>
<th>Date</th>
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<td>1. Dept. to Governor</td>
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<td>2. Governor to Department</td>
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<td>3. Dept. to B&amp;F with Form A-19</td>
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Federal Fund Request

REQUEST APPROVAL TO EXPEND NON-APPROPRIATED FEDERAL FUNDS

1. FAMS ID * 2. Department * 3. Program ID/Org * (XXX)XXX 4. Expendig Dept/Pgm ID if other than #2 *

5. Program Manager's Name * 6. Program Manager's Phone No. * 7. Program Manager's Email *

8. CFDA No. * (###) 9. CFDA Program Title *

10. Award Program or Project Title * 11. Federal Award ID or Other Identifying No. *

12. Date of Award Application 13. Award Notice Date 14. Amount of Award (or Subaward) * 15. Is State Match Required? If yes, describe match in #16. □ Yes □ No

16. Describe if the award requires a commitment to enact a policy or change a law, maintain a specified level of state funding ("maintenance of effort"), provide matching funds or in-kind match. If State match is required, describe source of funds.

17. Describe General Fund impact if any, such as future general fund assumption of program costs, maintenance, positions, etc.

18. Date Program First Notified that Federal Funds May be Available 19. Date that Additional Federal Funds were Known to Be Available

20. Reason Appropriation was not Sought During Legislative Session

21. Describe Intended Program Use of Federal Funds

22. Describe Benefit to the Public from Use of Federal Funds

23. Account Title for Appropriation Account * (Title should reference the Program or Project Title on the Award Notice. 40 characters limit.)

24. Will payroll be charged directly to this account? * □ Yes □ No Comment:

25. Submitted By (Print Name) * Signature * Date *

26. Governor's Approval
□ APPROVED □ DISAPPROVED

Governor, State of Hawaii (Print Name) Signature Date

27. (FOR DARGS USE ONLY): Appropriation Account Symbol Lapse Date NOF

□ Comptroller (Print Name) Signature Date

ATTACHMENTS: (Check if attached) ROUTING: □ 1. Dept. to Governor Date: □ 2. Governor to DARGS Date: □ 3. DARGS to Dept. (Original) Date: □ 4. DARGS to B&F (Copy) Date:

☐ Federal Award Notice or Interdepartmental Agreement (If Sub Recipient)
(Date)

The Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
State Capitol  
Honolulu, Hawaii 96813

Dear Senator Kim:

Pursuant to Section 88 of Act 134, SLH 2013, the Department of ___________ has requested approval to (expend unappropriated federal funds) or (expend additional federal funds) for (Program Title, Program ID) in the amount of $__________. Appropriation was not sought during the previous legislative session because _____________________________.

Attached is a copy of our department's request.

Sincerely,

(DEPARTMENT HEAD)  
(Title)

Attachment

c:  Honorable David Y. Ige  
      Honorable Kalbert K. Young
The Honorable Joseph M. Souki
Speaker of the House of Representatives
Twenty-Seventh State Legislature
State Capitol
Honolulu, Hawaii 96813

Dear Representative Souki:

Pursuant to Section 88 of Act 134, SLH 2013, the Department of __________ has requested approval to (expend unappropriated federal funds) or (expend additional federal funds) for (Program Title, Program ID) in the amount of $____________. Appropriation was not sought during the previous legislative session because __________________________.

Attached is a copy of our department’s request.

Sincerely,

(DEPARTMENT HEAD NAME)
(TITLE)

Attachment

c: Honorable Sylvia Luke
Honorable Kalbert K. Young