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HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER
PUBLIC UTILITIES COMMISSION

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

December 11, 2013

FINANCE MEMORANDUM

MEMO NO. 13-16

TO: Department Heads and Heads of State Entities

FROM: Kalbert K. Young, Director of Finance

SUBJECT: Procedures to Request Appropriation for Federal Funds, Establish Appropriation Accounts and Allot Federal Funds for Operating Funds

This purpose of this memorandum is to issue written procedures for State Departments and Entities to follow to request appropriation for federal funds, establish appropriation accounts and allot federal funds for Operating Funds.

In developing these procedures, DAGS and B&F worked with State federal grant managers to establish budgeting and accounting controls that will support better transparency and regular financial reporting. These procedures are just a starting point. Now that our appropriated federal fund process is better documented we will be able to employ information technology to streamline federal award processes and enhance services for departments and state entities.

The attachments below will be posted at the Office of Federal Awards Management website at www.federalawards.hawaii.gov and updated as necessary.

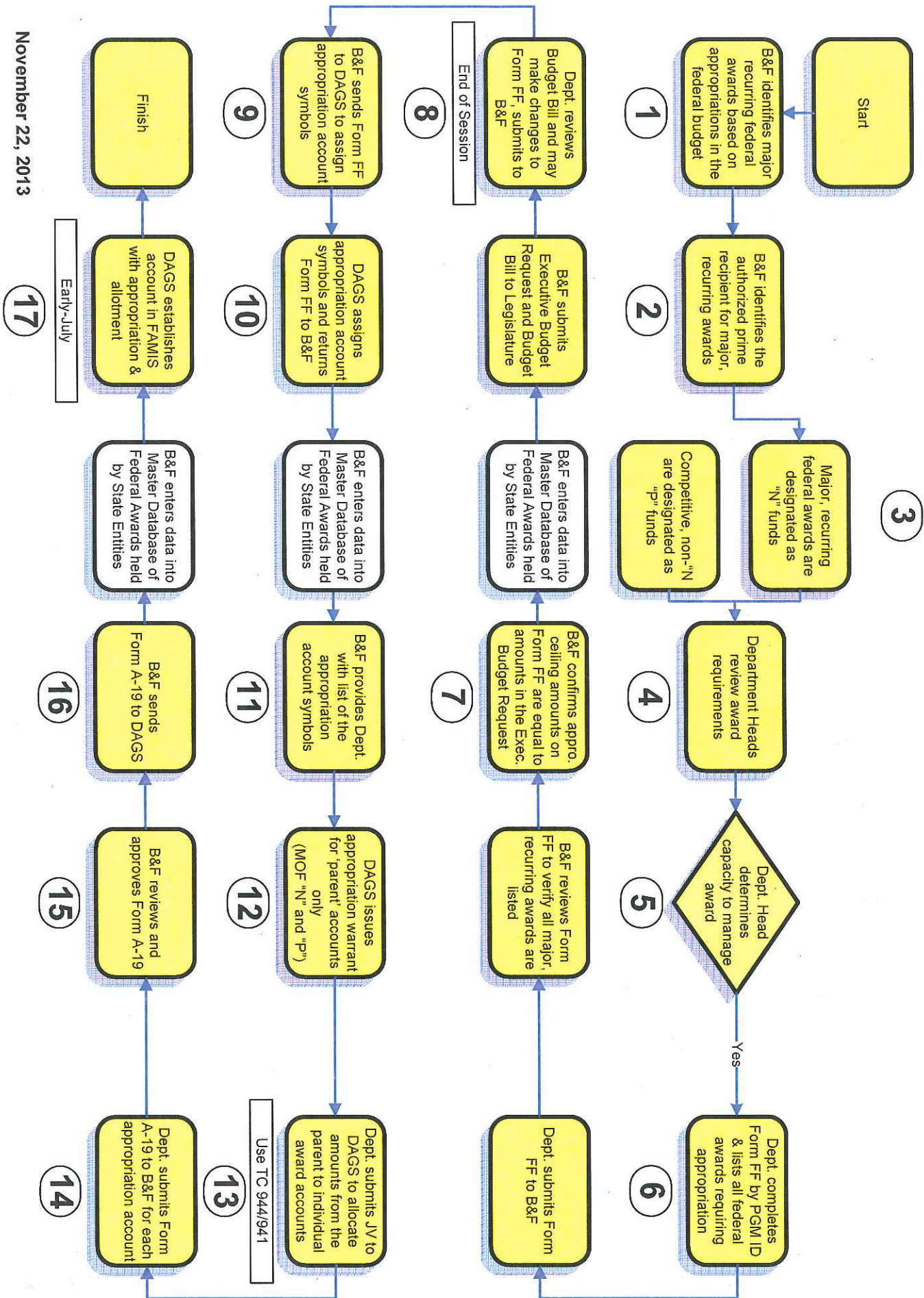
I would like to thank everybody who assisted with developing these procedures.

Attachments: Appropriated Federal Funds Process Chart
Appropriated Federal Funds Process Chart Narrative
B&F Response to Dept. Comments On Proposed Appropriated Federal Fund Procedures

c: Neal Miyahira, B&F, BPPM
Wayne Horie, DAGS, Accounting
Mark Anderson, B&F, OFAM

Appropriated Federal Funds

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



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 Director of B&F 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 budget preparation period, State Departments Heads will be required 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.
 - 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.

Please check → The total value for MOF "N" and "P" calculated on the Form FF should equal the value of the budget ceiling for MOF "N" and "P" in the executive budget bill.

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.

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) 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 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 Director of B&F 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 allocate amounts from the appropriation ceiling for parent MOF "N" and "P" appropriation accounts to the individual appropriation accounts listed on Form FF. Transaction Codes 944 and 941 shall be used to allocate the amounts.
- 14. 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 federal award notice showing the award amount shall be attached to "Form A-19" if not previously submitted. If the award notice has not been received, a copy of the award notice shall be sent to B&F within 14 days of receipt. If the award is for an amount that is based on reimbursement for a specific type of expenditure, a notice from the federal agency describing the terms of the award shall be attached instead.
 - c) The allotment amount requested shall not exceed the award amount for the budget period shown on the award notice.
- 15. B&F will review "Form A-19" to verify that the federal award is listed on Form FF, verify the amount on "Form A-19" against the award notice, and check for the interdepartmental agreement from the prime recipient if the request is for a subrecipient account.
- 16. After approval by B&F, "Form A-19" will be sent to DAGS.
- 17. 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 is limited to 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, an administrative process will be developed to extend the lapse date.
6. DHRD will be provided with a list of appropriation accounts for federal awards that will be charged payroll and fringe amounts for positions funded by federal funds.

RESPONSE TO DEPT. COMMENTS ON PROPOSED APPROPRIATED FEDERAL FUND PROCEDURES

- 1. Comment** What will be the process for operational federal grants that exceed the 3 year period?

Response In 2014, B&F and DAGS will develop an administrative process to extend the lapse dates on appropriation accounts for federal awards that are active beyond the initial three year period.
- 2. Comment** The OEP (Operational Expenditure Plan) used to represent the appropriations for the current year so it was easy to correlate to the amount that was budgeted. With the total grant amount (now) being recorded, some may have problems trying to prepare the plan. I was just wondering about the documentation of the practice. Basically, the OEP should reflect what the full year A19 allots.

Response Correct. The Operational Expenditure Plan (OEP) should reflect the full year A-19 allotments. Under these new procedures, the appropriation ceiling amount for a program ID and the OEP amount could have different values.
- 3. Comment** Appropriated Federal Funds Process Chart Narrative, "Notes on Appropriation Accounts," #3...."Operating federal funds are assigned a lapse date in FAMIS of fiscal year plus two (2) years." Changing it to fiscal year plus three (3) years would be more functional for grants. A grant with a 3-year period of performance, for example, from Oct 1, 2013 to Sept 30, 2016, would require appropriations in FY14, FY15, FY16, and FY17. The change would extend the life of an appropriation for an additional fiscal year. This would allow 3-year federal awards with periods of performance aligned with the federal fiscal year to remain active in FAMIS for the duration of the award, without having to request a new appropriation through the budget process for the last fiscal year.

Response Ideally, the lapse date of the appropriation account would match the performance period for each grant and any additional time (usually 90 days) needed to close out an award. Instead we choose a period of time we thought would be sufficient to complete most grants. Under this new policy, appropriation accounts established in FAMIS for operating federal funds receive a lapse date of fiscal year plus two years. Essentially state federal grant managers have three years to complete an operating federal grant. The suggestion in this comment is to increase by one year the lapse date on appropriation accounts established to receive operating federal awards. This would provide state federal grant managers with an extra year, four total years, to complete a federal operating grant. We do appreciate the suggestion. At this point we will continue with the three year time period. However, we will monitor the impact of the current policy and if warranted we could change the assigned lapse date for appropriation accounts established to receive federal awards. Also as noted on #1, we will develop an administrative process to extend the lapse dates on appropriation accounts for federal awards that are active beyond the initial three year period.
- 4. Comment** Should identify what federal funds if any, are not required to be on the FF-AS Form. If all federal funds- MOF N & P should be listed, then it should be made clear that all federal funds need to be listed.

RESPONSE TO DEPT. COMMENTS ON PROPOSED APPROPRIATED FEDERAL FUND PROCEDURES

Response If your state organization is identified as a prime recipient for a major, recurring federal award federal award by the Director of Finance you must list the identified award on your Form FF and seek appropriation for this award as Method of Finance (MOF) "N". In addition, if you expect to apply for or receive other federal awards not designated by the Director of Finance as a "major, recurring" award, you should list such federal awards on your Form FF and seek appropriation as MOF "P".

5. Comment What is the definition for "major and recurring" federal awards?

Response A 'major, recurring' federal award is a federal award identified by the Director of Finance as such by memorandum to department heads and heads of state entities. To prepare this memorandum, we use data obtained from an information service called the Federal Fund Information for States (FFIS.org). The FFIS tracks and maintains a database of major, recurring awards that accounts for over 90% of the funds a state can expect to receive in a year from the federal government. We review the FFIS listing and remove awards that do not go to a Hawaii State government recipient. We also identify the authorized State prime recipient for each major, recurring federal award. All federal awards not identified in the memorandum issued by the Director of Finance as 'major, recurring' awards are defined as "competitive, non-recurring awards" and will be budgeted as Means of Financing (MOF) "P". (Please note: ARRA awards continue to be designated as MOF "V").

6. Comment Roll-Over Funds:

- a) Written procedures should be included for how appropriated and non-appropriated roll over funds are to be allotted - i.e. if a ceiling increase/Gov's approval is required, when does roll over need to be included on FF-AS, etc. -
- b) Clarification is needed on whether all roll over funds are required to be on the FF-AS or when roll over funds are not required on the FF-AS form.
- c) If roll over funds need to be included on the FF-AS form at what point in the process do we update the FF-AS form with the roll over info.
- d) Under what circumstances is Governor's approval required to increase the appropriation ceiling in order to allot the roll over funds as B&F did recently?
- e) Identify the circumstances that apply and who is responsible to submit the request to the Governor to increase the ceiling and the process - i.e. is Governor's approval required to be submitted by the Department before (or after) submitting an updated FF-AS, or that Governor's approval is not required.
- f) As stated previously - Include procedures for how to allot appropriated and non-appropriated grant roll over funds.
- g) The sample A-19 for Roll over Non-appropriated FY 13 Grants shows the roll over amount is increased in the 411- Appropriation Increase box on the A-19. There is no A-19 sample for appropriated grant roll over amounts. Does the roll over amount need to be included in 411 box for appropriated grant roll over also?

RESPONSE TO DEPT. COMMENTS ON PROPOSED APPROPRIATED FEDERAL FUND PROCEDURES

Response a) This past year, we changed the requirements for how state organizations budget and account for federal funds. We issued guidelines to require state organizations to establish a one to one relationship between an individual federal award (by federal award ID) and a unique state appropriation account (or accounts if a single federal award is expended by more than one program ID). The Form FF was developed to help department personnel calculate the required appropriation ceiling needed to expend federal funds by each program ID. For the State Fiscal Year 2014 only, departments had the choice to 'roll over' or seek appropriation for prior federal awards either in a single appropriation account or in multiple appropriation accounts. However, we did not anticipate many of the issues roll-over accounts would create. Roll-over accounts should not be a future concern. Therefore, we will continue to handle any issues surrounding roll-over accounts on a case-by-case basis.

b)
c)
d)
e)
f)
g)

7. **Comment** On the Procedures Chart, recommend the "No" line be shown to go above the 3. The "No" arrow seems to send the process into a loop between steps 2,3,4, & 5. It doesn't seem to match #5 in the procedures document.

Response The "no" line is not necessary to the procedure chart so it will be removed. The "no line" was meant to convey that if at Step Three of the procedure chart a department head notifies the Director of Finance, that they do not have the capacity to manage a major, recurring federal award, the Director of Finance may choose to identify an alternate authorized prime recipient, provide technical support, or decline the receipt of the award.

8. **Comment** a) #6.d. "The appropriation amount requested should be the amount awarded for the full performance period".....i.e. 5 year grant period???
b) Why the full performance amount if the allotment (Step 14.c.) limits the amount to the amount to be expended in the fiscal year?
c) Does this mean the grant info does not need to be listed in the following fiscal year budget request?

Response a) Yes, appropriation should be sought for the full performance period even if that performance period is five years. In the near future, an administrative procedure will be developed to extend the lapse dates of appropriation accounts established to receive federal awards past the three year time limit.
b) Funds should be allotted for the fiscal year consistent with the Operational Expenditure Plan (OEP) and the written plan and budget submitted to the awarding federal agency. Appropriation is authorization from the State Legislature to make expenditures and incur obligations generally within limitations as to purpose, amount and time. Allotment is an expenditure control and is a division of an appropriation which may be encumbered or expended during a certain period for the specific purpose of the related appropriation.

RESPONSE TO DEPT. COMMENTS ON PROPOSED APPROPRIATED FEDERAL FUND PROCEDURES

- c) Yes, the grant would not have to be listed in the following year's fiscal budget request because it would have received appropriation for the entire award amount in year one.

9. **Comment** Should the procedures also address non-appropriated funds and rollover over funds from a prior year?

Response In October 2013, we issued draft procedures for non-appropriated funds for comment. The issue of how to handle 'roll over' funds was unique to fiscal year 2014 as noted in #6.a.

10. **Comment** The draft doesn't address procedures for non-appropriated federal funds yet there are sample A-19's for non-appropriated federal grants attached. Is there a difference in procedures if funds are non-appropriated and if so, what are the procedures for non-appropriated federal funds?

Response There is a difference between appropriated and non-appropriated federal fund procedures. Draft procedures for non-appropriated federal funds were issued in October 2013.

11. **Comment** *Reference #4 - "State Departments Heads (or designees) of departments and state entities designated as the prime recipient for a federal award will review the federal award requirements for each award assigned to their organization, develop a written plan for the use of the federal funds, and determine which programs (by Program ID) will expend federal funds to accomplish the objectives of the written plan. In most cases, the written plan will be the same as what was submitted to the federal government for the use of funds."*

If, in most cases, the written plan will be the same as what was submitted to the federal government for the use of funds, we recommend that the procedure be amended to state that "State Department Heads (or designees) and state entities designated as the prime recipient for a federal award will review the federal award requirements for each award assigned to their organization, review the written plan for the use of the federal funds submitted with the grant application (or as amended by the final grant award), and determine....."

Response Thank you for the suggestion.
The narrative has been revised to: "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."

RESPONSE TO DEPT. COMMENTS ON PROPOSED APPROPRIATED FEDERAL FUND PROCEDURES

12. **Comment** **Reference #6.d. – “The appropriation amount requested should be the amount awarded for the full performance period.”**
- a) The appropriation requested should be the amount awarded for that one subject fiscal year. If the appropriation requested is for the full performance period, the programs may overspend in one fiscal year assuming that they still have available allotment that they can spend. Subsequently, on the A-19, we recommend that both the appropriation column and the allotment column reflect the amount awarded for that one subject fiscal year in order to prevent programs from overspending. If they spend over the grant award amount, programs may be forced to transfer some of the expenses to their general fund account.
 - b) The A-19 does not need to be used as a tracking document for the federal grants since departments are required to complete the Form FF-AS which contains much of the information needed to track grants. The Form FF-AS can be amended to incorporate additional information to reflect all the information necessary for grant tracking. The additional information would include:
 - Award amount for the full performance period
 - Expenditures for prior fiscal years
 - Grant balance available for remainder of the performance period
- Response**
- a) Program staff will need to be aware of how much funds are available to spend through the A-19 (Request for Allotment). The A-19 is an expenditure control tool and can be used to control expenditures as necessary. If for example an award has a three year appropriation, the allotment amount can be requested for the entire fiscal year (in which case quarterly balances would automatically carry forward to the next quarter) or on a quarterly basis for each fiscal year.
 - b) The Form A-19 is not being used as a tracking document. In 2013, we will be developing the Federal Award Management System (FAMS) as part of DataMart. State entities will be required to notify B&F within 14 days of the receipt of federal award. Information from the grant award notice (or equivalent) will be entered into FAMS. One of the purposes of FAMS is to better track federal fund expenditures.
13. **Comment** **Reference #6.f. – “The total value for MOF “N” and “P” calculated on the Form FF should equal the value of the budget ceiling for MOF “N” and “P” in the executive budget bill.”**
- a) The appropriation requested should be the amount awarded for that one subject fiscal year. If the appropriation requested is for the full performance period, the programs may overspend in one fiscal year assuming that they still have available allotment that they can spend. Subsequently, on the A-19, we recommend that both the appropriation column and the allotment column reflect the amount awarded for that one subject fiscal year in order to prevent programs from overspending. If they spend over the grant award amount, programs may be forced to transfer some of the expenses to their general fund account.

RESPONSE TO DEPT. COMMENTS ON PROPOSED APPROPRIATED FEDERAL FUND PROCEDURES

- b) The A-19 does not need to be used as a tracking document for the federal grants since departments are required to complete the Form FF-AS which contains much of the information needed to track grants. The Form FF-AS can be amended to incorporate additional information to reflect all the information necessary for grant tracking. The additional information would include:

- Award amount for the full performance period
- Expenditures for prior fiscal years
- Grant balance available for remainder of the performance period

Response a) Please see response to #12.a.

b) Please see response to #12.b.

14. Comment a) **#12 "DAGS will issue Appropriation Warrants to each department for only the "parent" "N" and "P" Appropriation Accounts"** appears to contradict page 4, #1 **"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."**
- b) The Department does have some grants that cross Program IDs. In these instances, DAGS would assign separate appropriation symbols for each Program ID, which may make it more difficult to track expenditures.

Response a) The Appropriation Warrant is a document issued by the Comptroller to the Departments, to record the amounts appropriated by MOF (Method of Funding) in the enacted Budget Bill. Accordingly the Appropriation Warrant for a Program ID will list one Appropriation Account Code for MOF "N" and one for MOF "P". If the Program ID has only one federal award for MOF "N", then the Appropriation Account Code assigned on the Appropriation Warrant will be used to expend funds for that federal award. However page 4, #1 describes what is required if the Program ID instead has multiple federal awards for MOF "N". "The Prime Recipient of a federal award shall obtain a unique state appropriation code for each federal award ID that it receives" means that beyond the one Appropriation Account Code for MOF "N" assigned on the Appropriation Warrant, the Program ID will need to get an Appropriation Account Code for each federal award, which is done via Form FF.

- c) When a state department allocates federal funds from a single federal award to multiple program IDs, a separate state appropriation account needs to be established for each program ID. By understanding the relationship between the federal award and related state appropriation accounts, it will be possible to begin to generate expenditure data by federal award for all federal awards held by state entities.

15. Comment On page 4, items 3 and 5, there is a requirement that operating federal funds will be assigned a lapse date of fiscal year plus two years and that if the lapse date for an Appropriation Account precedes the close out date for an award, the new appropriation should be sought through the budget process. If a program needs to wait until the new appropriation is approved through the budget process this will cause problems, especially if the grant funds personnel. Often times, the program is notified at the last minute that the grant will be extended or carryover funds are approved. What would be the process/procedure to continue grant personnel in these situations?

Response See response to #3.

RESPONSE TO DEPT. COMMENTS ON PROPOSED APPROPRIATED FEDERAL FUND PROCEDURES

16. **Comment** Procedures should specify clearly that this related to O&M activities only and not CIP.
- Response We will add language to make it clear that these procedures apply to operating federal funds.
17. **Comment** The only reference to CIP is indicated on page 4, item 4 for lapse dates. For O&M and CIP, it should be recognized that awards for some grants are not expended in three years and seven years, for O&M and CIP, respectively.
- Response We recognized that for some awards grant funds may not be expended in three or seven years. See #3 response.
18. **Comment** Budget authority may not equal the grant total.
- Response It is possible that the appropriation amount for a federal grant will exceed or be less than the federal award amount. If the federal award amount exceeds the appropriation amount, Governor's permission will be required to raise the expenditure ceiling. If the federal award amount is less than the appropriation amount no action is required.
19. **Comment** Suggest addition to page 1 for procedures 2 of the proposed procedures as follows: #2. Prior to the budget preparation period each state fiscal year, the Director of B&F will issue a memorandum....The memorandum will be posted on B&F's website. In addition, a hardcopy of the memorandum will be sent to the directors of those state departments listed."
- Response A hardcopy of the memorandum is sent to the directors of all state departments and this will be added to #2 per your comment. An electronic copy is posted on the Budget & Finance and Office of Federal Awards Management website (www.federalawards.hawaii.gov).

RESPONSE TO DEPT. COMMENTS ON PROPOSED APPROPRIATED FEDERAL FUND PROCEDURES

- 22. Comment** Step (6) requires the Departments to fill out the Form FF. This is prior to budget submittal to legislature. This requires DOT to provide amounts by TRN and by project. This is problematic for the Dept. of Transportation for the following reasons:
- a) The vast majority of federal funds come to DOT Highways Division (DOTH) by formula apportionment. Also Federal Obligation Authority (OA)- the federal authority to spend comes to DOTH each year. DOTH has the discretion to use the various types of federal funds among various eligible activities; whether CIP or O&M, and among different TRNs, and DOTH has the discretion to use the OA among the various projects implemented by DOTH; thus the way the Federal program is structured by the Federal Government, it provides flexibility for the States to use both funds and authority.
 - b) Over the course of the year, it should be recognized that priorities and needs may change. For example, if we had a natural emergency event on Maui, then we would need to shift the use of Fed funds between different TRNs and we may need to shift the amount of Fed funds between CIP and O&M activities for repair and restoration efforts. How are these situations accommodated in this draft process?
 - c) In addition to formula apportionments to the State, DOTH may apply for discretionary Federal grants. Awards for these grants may not necessarily coincide with our State legislative session timeline. If such awards occur after the cutoff when budgets must be submitted to B&F (or legislature), how are these situations handled?
 - d) For Form FF budget preparation, FAA grants may not be awarded at this time so Airports will not be able to fill out all of the information.

- Response**
- a) We will work with the Department of Transportation, Highways Division to address these specific issues.
 - b) We will work with the Department of Transportation, Highways Division to address these specific issues.
 - c) See #4 response. Also, the non-appropriated federal funds procedures will be used for federal awards not appropriated in the budget bill.
 - d) See #4 response.

- 23. Comment** Page I, item 4 says that a written plan must be developed for the use of federal funds. The instructions do not specify the requirements of the plan. Who and when is this plan submitted to for review and approval? When will the responsible reviewer approve such plans and can approval be completed so that projects or programs are not delayed by the implementing Departments? It is unclear where the submittal and approval of the written plan fall in the flowchart. DOTH obligates Federal funds for over 60 planned projects on the Statewide Transportation Improvement Plan (STIP) every year, and in addition to this, DOTH may obligate funds to other projects not on the STIP for other project cost adjustments, working within the flexibility provided within Title 23. We feel that developing a written plan for every project that are funded by formula funds and authority is not warranted since by Title 23, DOTH already has been provided discretion and flexibility to use the funds and authority among eligible activities.

- Response**
- B&F wants to be sure all federal awards are expended according to a federally-approved written plan. In virtually all cases, this requirement for a written plan is met by the federal agency requirement for a written plan. We do not intend to have state organizations create a duplicate written plan. However, we do want to be sure that within state organizations there is a high level of understanding of how federal resources are being used. ee #13 response.

RESPONSE TO DEPT. COMMENTS ON PROPOSED APPROPRIATED FEDERAL FUND PROCEDURES

- 24. Comment** Item 14. b. on page 3 specifies that when submitting the A-19 to B&F, "... a notice from the federal agency describing the terms of the award shall be attached..." For Highways Division, we undertake projects or programs using apportioned Federal funds and there is no specific grant application, thus nothing that describes the terms of the award. In general, use of such apportioned funds must follow Title 23. For some but not all activities, at the time the A-19 is prepared, our Division may have an approved work plan with the Federal Highway Administration that may describe the undertaking, but in general, we follow Title 23 requirements. However for competitive or other type of grant applications, sufficient time need to be provided to the Departments to obtain the needed information as instructed to attach with the A19s. We do not know when federal agencies award such grants and how this falls within the timeline of state budget preparation and execution.
- Response** We will work with the Department of Transportation, Highways division to address these specific issues.
- 25. Comment** Some of the sample A-19 shows "Non-Appportioned" funds. Please provide clarification or examples of specific situation where this applies.
- Response** Non-appropriated federal funds are federal awards that have not received appropriation from the Legislature in the budget bill. These would be awards that were not included on your Form FF.
- 26. Comment** If the intent for this procedure is to ensure that each federal award the State receives is accounted for separately, from receipt to obligation to expenditure, DOTH already performs this task for each project that is funded, by phase, and by Program Codes (specific funds provided by the Federal Government) using our current accounting system. Within the requirements of Title 23 and within the state and federal appropriations provided to DOTH for our various projects and programs, we have been able to implement and account for all funds over the years and DOTH has been audited regularly on Federal Aid projects. Last year we did not receive any findings from the various federal aid projects that were audited.
- Response** B&F recognizes that state departments have a great deal of expertise in managing federal grants.
- 27. Comment** DOTH requested an exemption from B&F's memo no. 13.-05 through HWY-S 2.5401 dated August 27, 2013.
- Response** The Department of Transportation – Highways Division's request for exemption to establish a unique appropriation account for each federal award was approved for federal awards awarded under MAP-21. However, DOT-Highways did agree to appropriate MAP-21 funds in the budget bill, maintain equivalent internal controls, and provide electronic data to B&F on a regular basis in the requested format. In addition, DOT Highways has agreed to follow all aspects of the new appropriated fund procedures for non MAP-21 awards.