



Minnesota Management and Budget Statewide Operating Procedure

Minnesota Management and Budget, Financial Reporting
Issued: April 1, 2014

Number 0402-02.1
Revised: July 1, 2015

Single Audit: Accounting for and Reporting of Federal Financial Assistance

Objective

To account for and report all federal financial assistance received and disbursed by state agencies in accordance with the Single Audit Act of 1984 (with amendment in 1996) ("Single Audit Act Amendments of 1996") and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

General Procedures

Step	Action	Responsible Party	Timeline
1.	State agencies must track all financial activity in the state's accounting system for each federal financial assistance program. State agencies must link the financial activity in the state's accounting system to a Catalog of Federal Domestic Assistance (CFDA) number.	State Agencies	Ongoing
2.	Minnesota Management & Budget (MMB) Financial Reporting establishes Catalog of Federal Domestic Assistance (CFDA) numbers in the state's accounting system based on agency requests.	MMB Financial Reporting and State Agencies	Ongoing
3.	State agencies periodically run and review the Schedule of Expenditures of Federal Awards (SEFA) report to ensure they properly set up federal grants in the accounting system and that the federal grant expenditures are being included on the SEFA report. (SEFA Report Navigation: Grants>Interactive Reports>SEFA Report-Detail)	State Agencies	Ongoing
4.	For federal grants passed through between agencies, the accounting treatment depends on the type of relationship (i.e. contractor or subrecipient). See the guidance on defining the type of relationship contained in MMB Statewide Operating Policy 0402-03 Single Audit: Responsibilities Concerning Subrecipients of Federal Financial Assistance.	State Agencies	Ongoing

Step	Action	Responsible Party	Timeline
5.	<p>When a subrecipient relationship exists, State Agency A is the primary recipient that receives funds directly from the Federal Government. State Agency B is the recipient agency that receives federal funds from State Agency A.</p> <p>State Agency A (primary recipient)</p> <ul style="list-style-type: none"> • Record the federal revenue in Fund 3000, unless an exception is granted (i.e. Trunk Highway, Game and Fish, TANF, etc.) • Use revenue account 511001 (Federal Grants) • Use expenditure account 441551 (Aid to State Agencies) since this is a subrecipient relationship. <p>State Agency B (recipient agency)</p> <ul style="list-style-type: none"> • Record the activity in Fund 3000, unless an exception is granted (i.e. Trunk Highway, Game and Fish, TANF, etc.) • Record the receipts from State Agency A using revenue account 511002 (Federal subgrants) • Record the expenditures using applicable expenditure account codes based on the type of goods or services. 	State Agencies	Ongoing
6.	<p>When a contractor relationship exists, State Agency A is the primary recipient that receives funds directly from the Federal Government. State Agency B is the recipient agency that receives federal funds from State Agency A.</p> <p>State Agency A (primary recipient)</p> <ul style="list-style-type: none"> • Record the federal revenue in Fund 3000, unless an exception granted (i.e. Trunk Highway, Game and Fish, TANF, etc.) • Use revenue account 511001 (Federal Grants) • Record the expenditures using applicable expenditure account codes based on the type of goods or services purchased. <p>State Agency B (recipient agency)</p> <ul style="list-style-type: none"> • Record the activity in a fund other than the Federal Fund. The specific fund used should be based on Generally Accepted Accounting Principles (GAAP) fund type definitions. • Record the receipts from State Agency A as nonfederal revenue using the applicable revenue account. • Record the expenditures using applicable expenditure account codes. 	State Agencies	Ongoing
7.	MMB Financial Reporting requests from state agencies adjusting entries, variance analysis and certifications for the Schedule of Expenditures of Federal Awards (SEFA).	MMB Financial Reporting	October

Step	Action	Responsible Party	Timeline
8.	Agencies run the SEFA report in SWIFT (SEFA Report Navigation: Grants>Interactive Reports>SEFA Report-Detail) and verify that all federal expenditures are included on the report under the correct CFDA number and that expenditures are reported accurately on the modified accrual basis of accounting, not on the budgetary basis.	State Agencies	October / November
9.	Agencies provide adjusting entries as needed for input by MMB Financial Reporting to ensure that the federal expenditures on the SEFA report are accurate. Adjusting entries are required to avoid double reporting of subgrant expenditures (generally the primary agency reports the federal expenditures on the SEFA report); to report noncash items such as food commodities, immunizations, and surplus property; to identify ARRA and Research and Development expenditures, etc. Refer to the request from MMB for more specific information and instructions. Agencies compare prior year and current year expenditures by CFDA number, providing MMB Financial Reporting with the reasons for the variances and certification of the final amounts. MMB Financial Reporting reviews the adjusting entries, variance analysis and certifications for reasonableness.	State Agencies and MMB Financial Reporting	October / November
10.	MMB Financial Reporting summarizes the SEFA reports for inclusion in the Financial and Compliance Report on Federally Assisted Programs, which is required to be submitted to the Federal Clearinghouse by March 31.	MMB Financial Reporting	March

Related Policies and Procedures

[MMB Statewide Operating Policy 0402-02 Single Audit: Accounting for and Reporting of Federal Financial Assistance](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-02-single-audit-policy.pdf) (http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-02-single-audit-policy.pdf)

[MMB Statewide Operating Policy 0402-03 Single Audit: Responsibilities Concerning Subrecipients of Federal Financial Assistance](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-03-single-audit-subrecipient-policy.pdf) (http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-03-single-audit-subrecipient-policy.pdf)