OFFICE OF THE COMPTROLLER
ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
(617) 727-5000
MACOMPTROLLER.ORG

Federal Grant Accounting and Reporting Policy

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Summary

This policy provides guidance to departments for the financial management of federal grants activity in the Statewide Enterprise Accounting and Financial Reporting System ("the system"; "Mosaic").

Mosaic is the official record of the Commonwealth for federal grant expenditure and revenue information. Departments must take special care to ensure that the information entered in the system for any federal grant is accurate and complete. While federal grants processing in the system has some automated processes, review and reconciliation of federal grant account activity is required to ensure the accuracy of the accounting system.

Departments are responsible for working with the Office of the Comptroller (CTR) and the Office of the State Treasurer and Receiver General (Treasurer) to ensure that federal funds are received in a timely manner and in compliance with all federal and state regulations. Departments must inform CTR of impending changes in processes or in codes that may affect future requests for federal funds.

Policy

CTR Implementation of State Accounting System and Internal Controls

CTR has the authority to prescribe rules and instructions for all Commonwealth departments' use of the system, including the application, administration, and disbursement of federal grants. CTR has issued guidance on the disbursement of federal funds in the form of regulations (815 CMR 2.00) and policy (Contracts – State Grants, Federal Sub-Grants and Subsidies).

Departments also must comply with requirements for use of federal funds from the specific federal grantor agency issuing the funds and the Office of Management and Budget's Guidance for Grants and Agreements and the Uniform Administrative Requirements, Cost Principles, and Audit (see Federal Register for most recent updates). Federal grants with matching requirements require additional accounting consideration, and departments must determine the appropriate accounting treatment for receipt and disbursement of these funds through CTR and the Executive Office for Administration and Finance (A&F) prior to receipt of these funds.

Funds received from federal entities, collaboratives, or other organizations that are not from the recognized list of federal grantor agencies (available at Sam.gov) are not considered federal grantor agencies and will be considered "Private Grantors." Grants from Private Grantors are not considered federal grants, and instead follow the process for receipt as a trust.

Use of Unique Entity Identifiers for Federal Grants

As of April 4, 2022, the Unique Entity Identifier ("UEI") is the official identifier for doing business with the U.S. Government. This replaced the Data Universal Numbering System (DUNS) number that was previously used. Entities registering in SAM.gov are assigned a UEI as part of the registration process.

Applying for a New Federal Grant

Any department submitting a new grant application to a federal funding agency must notify the Executive Office for Administration and Finance (A&F) and CTR no later than 30 days after submitting the application. This is done by filing a Notice of Application for a Federal Grant. To avoid duplicate submission of this form, departments should only submit the form once to CTR, and then CTR will share it with ANF. The form should be submitted electronically to the following email address: fedgrantapplication@mass.gov. Departments are not required to include a copy of the actual grant application or renewal application but must be able to provide it upon request. If a department has any questions about how to complete this form, they should contact ctrfedgrant@mass.gov. See the Establishing a Federal Grant in Mosaic User Guide.

Receipt of Federal Grant Award and Federal Grant Chart of Account Elements and Mosaic Setup

Once a federal grantor agency has officially approved a state plan or application, the recipient department must notify CTR by submitting a Federal Grant Setup form through DocuSign. Departments must include a copy of the official grant award letter with the Federal Grant Setup form. The electronic package will first route to the department DHSA signatory, then to CTR for processing.

Please note that the Commonwealth will be transitioning from the existing Federal Grant setup form processed through Docusign to the Cost Accounting Setup (CAS) accessed directly in the financial system. The Cost Accounting Setup (CAS) and the Cost Accounting Modification (CAM) are now mandatory in the Mosaic system.

Departments may use the Grant Lifecycle Management (GLM) process available in Mosaic. Grant Lifecycle Management transactions enable agencies to identify, communicate, track, submit and execute grants, all from within the Mosaic application. Adoption of this optional process is encouraged and at the discretion of each department. An overview of the process can be found in the Grant Lifecycle Management and Cost Accounting Fact sheet.

The information below is a description on the stages and the associated page codes to complete the Grants Lifecycle Management process within the Mosaic application.

Grants Lifecycle Stage	Page Code
Stage 1: Identify, **Track**, **Notify** & **Share** the Grant Opportunity	**GTAOD** Available Opportunity Detail **GTAOS** Available Opportunity Summary **GTOP** Grant Opportunity **GTOPR** Grant Opportunity Revision **GTNTSF** Grant Opportunity Status Folder
Stage 2: **Respond** to Notifications	**GTRE** Grant Response **GTRESF** Grant Response Status Folder
Stage 3: Application **Status**	**GTAP** Grant Application **GTAPSF** Grant Application Status Folder
Stage 4: Award **Tracking** & **Management**	**GTAW** Grant Award **GTAWSF** Grant Award Status Folder
Stage 5: Cost Accounting Setup & **Modification** (required for all awarded grants)	**CAS** Cost Accounting Setup **CAM** Cost Accounting Modification
Stage 6: Amendment Management	**GTAM** Grant Amendment **GTAMSF** Grant Amendment Status Folder
Stage 7: Close out/Audit Management	**GTCO** Grant Close-Out/Audit **GTCOSF** Grant Close-Out/Audit Status Folder

The Federal Grant Setup Form and/or the CAS requires an Assisted Listing Number (ALN) (formerly the Catalog of Federal Domestic Assistance (CFDA) number). An ALN is assigned to each Major Program. Each program that rolls up to a Major Program can only represent accounting activity associated with the assigned ALN number.

The Federal Grant Setup Form / CAS is used to establish new grants in the system that require a new Appropriation / Major Program set up. The CAM will be utilized for continuing grants that have an already established Appropriation / Major Program (See job aid links for the CAS and CAM in PowerDMS). Continuing grants include increases in award amounts, as well as end-date extensions, granted by a federal awarding agency.

Indirect Cost Rate

Departments awarded a federal grant must receive an approved indirect cost rate. Upon the receipt of a new federal grant award, departments should contact the CTR Solution Desk to request preparation of an indirect cost rate.

The indirect cost rate is used to assess overhead charges incurred by the Commonwealth relative to a federal grant. The Secretary of Administration and Finance has charged the Comptroller with preparing the departmental indirect cost rates for federal approval. Proposed rates are not effective until approved by the cognizant federal agency. CTR will prepare, submit, and negotiate the initial and annual indirect cost rate proposals on behalf of grant recipient departments. Departments that are

awarded a federal grant prior to the preparation and federal approval of an indirect cost rate will be assessed a de minimis rate of 15% until a federally approved rate is secured.

Please see A&F Bulletin #5: Fringe Benefits, Payroll Taxes, and Indirect Costs for additional information regarding indirect costs.

Disbursement of Federal Grants

Disbursements of federal grants must comply with the procedures outlined in the CTR Bill Payments Policy, and any regulations identified in the language of the federal grant award. Departments should continuously monitor the activity of the federal grant to ensure that expenditures are aligned with budgeted and allowable costs as specified in the grant agreement.

The federal grant disbursement cycles occur weekly, running from Friday through Thursday. All federal grant disbursements executed in the system from Friday through close of business the following Thursday will be requested for reimbursement from the federal government during the next week following the Automated Central Draw cycle. (Refer to the Primary Reimbursement Mechanisms for Federal Grants section, below). The cutoff for disbursements is close of Mosaic on Thursday, with Friday starting a new federal grant disbursement cycle.

Cash Management Improvement Act and Treasury-State Agreement

The Cash Management Improvement Act of 1990 (CMIA) requires an annual Treasury-State Agreement (TSA) between the U.S. Department of the Treasury and the Commonwealth of Massachusetts.

The CMIA requires states to pay the federal government an interest liability when the state receives federal funds in advance of disbursement to vendors, sub recipients, or program participants. Similarly, when the state incurs costs for federal programs prior to receiving federal funds, the CMIA allows the state to calculate interest due from the federal government. The Commonwealth adheres to the terms of the TSA by centrally controlling the timing of requests and the transfers of federal funds by way of the automated central draw process.

All federal funds transfers to the states are covered under the CMIA. However, only major assistance programs exceeding an annually calculated threshold are included in a written TSA, which specifies how the federal funds transfers will take place.

Departments that manage major assistance programs should review the TSA to ensure ALN numbers are correct, funding mechanisms match current draw-down reimbursement practices, and funding allocation percentages are accurate.

Department Chief Fiscal Officers will receive a CTR Fiscal Year memo when the annual TSA has been signed or amended.

Federal Reimbursement Mechanism

To receive federal grant reimbursement payments, the Commonwealth must log into a federal payment system and request the amount to be reimbursed. This procedure is known as a federal grant draw.

Commonwealth departments receive federal grant payments through two methods:

1. The Automated Central Draw (ACD) process - A weekly reimbursement request by CTR to the federal awarding agency using one of five federal reimbursement payment systems, which are identified below.
2. The Non-Central Draw (NCD) - when the grantee department submits the reimbursement request to the federal awarding agency.

The ACD process is managed by CTR. ACD is the default method of reimbursement for the Commonwealth unless the language of the grant dictates otherwise or CTR does not have access to the federal payment system. To ensure compliance with the federal CMIA and the annual TSA, all reimbursements of federal funds must be processed through the Commonwealth's ACD process under the supervision of CTR. Beginning in Spring 2025, justification language requirements to support each draw were mandated by the federal agencies using the ASAP payment system and the PMS payment system. CTR issues a spreadsheet to department CFOs who have federal draw reimbursement requests resulting from grant payments in a given week, on the first business day of the week with a due date of the second business day of the week. Each department is responsible for populating their justifications by the deadline. These justifications are then entered into the payment system by the CTR Draw Specialist. Any follow up information request from the federal government is sent by the Draw Specialist to the Commonwealth department for response.

Grants with reimbursement payment mechanisms that are inconsistent with the use of ACD will utilize the Non-Central Draw (NCD) mechanism. In these situations, the recipient Commonwealth department should notify CTR prior to grant set-up in the accounting system. Departments using NCD must request reimbursement for payments no less than monthly unless the federal funding agency's reimbursement policy states otherwise. When NCD is the designated mechanism for federal grant reimbursement, reimbursements will be deposited into either the department's sweep account or the Commonwealth Treasury main bank account. In the latter case, the department should complete a Cash Deposit Input Form (CD Form) and send it to the Treasurer's Cash Management Unit at the time of reimbursement request. All federal reimbursements must be deposited into a federal grant revenue budget that is linked to the federal grant appropriation.

Transitioning from an NCD account to an ACD account (or vice versa) in Mosaic requires several system modifications that must be initiated by CTR. Please notify ctrfedgrant@mass.gov if the draw-down mechanism for a federal grant award changes.

Supplementary Mechanisms for Federal Grant Reimbursement

If a situation occurs where a federal grant must be reimbursed outside of the weekly ACD timeframe, a department may request a manual draw down reimbursement. Manual draw-down reimbursement requests must be substantiated by sufficient support to justify the reimbursement. When manual draw-down is used as the mechanism for federal grant reimbursement, a Manual Draw and Cash Deposit Input (CD) Form should be completed. The DocuSign process includes a required CD Form that will be automatically sent to the Treasurer's Cash Management Unit upon completion. The CD Form identifies the revenue and grant budget to which the Treasury should deposit the funds.

Federal Reimbursement Payment Systems

CTR uses the following federal payment systems to request federal grant expenditure reimbursement.

1. G5 (U.S. Department of Education grants)
2. ECHO (Federal Transit Administration grants)
3. PMS (Health & Human Services, Environmental grants)
4. Automated Standard Application for Payment (ASAP) (Other Education and Environmental grants)
5. Payment and Reporting System (PARS) - (Homeland Security Grants)

Drawing funds from these designated payment systems is the responsibility of CTR. Reimbursement requests within each system related to federal grant expenditures must be performed only by CTR staff.

Notification of Reimbursement Rejects: Automated Central Draw

A department's requests for grant reimbursement through a federal system can be denied for several reasons, most stemming from outstanding department obligations to their federal awarding agency or an insufficient justification included with the grant draw request. Departments will be notified by CTR when reimbursement for expenditures has been denied and the corresponding reason(s) for the rejection. It is the department's responsibility to resolve the reimbursement issue with the funding agency immediately after being notified. Upon resolution, departments should request funds owed to the Commonwealth by submitting a Charge Transaction (CH) in Mosaic. Please see Job Aid: Entering a Charge Transaction for reference. Note that authorized users must request the authorized roles prior to entering or submitting a CH transaction. Departments can request this authorization from their Department Security Officer for personnel that have been trained in federal grants. Users can only be assigned one of the following two roles:

1. Role ID: CH_SUBMIT Description: User can Create, Edit, and Submit CH transactions.
2. Role ID: CH_VALIDATE Description: User can Create, Edit, and Validate CH transactions.

Departments are responsible for initiating subsequent drawn-down requests after the original reimbursement request has been rejected.

Subsequent reimbursement draw-down requests are not automated and only happen upon the initiation and request of the department by submitting the CH transaction. This will initiate another draw request, however it is possible that this request will also be rejected if the original issue was not resolved.

Rejected reimbursement requests that are not resolved can result in the suspension of federal grant spending for the department until further action is taken by the department to resolve uncollected revenues. Federal grant expenditures that will not be reimbursed must be transferred from the federal grant account prior to the close of the state fiscal year.

Negative Draw Prevention Report Maintenance

The Negative Draw Prevention (NDP) Report is a tool to prevent the accounting system from processing net negative expenditures for federal grants. Entries on this table are a result of expenditure corrections, with the positive side of the entry resulting in a draw request and the negative side of the entry defaulting to the NDP Report. Subsequent draws having the same department and major program/program code as the negative draw entry will net against the negative entry, until the original negative entry is absorbed. Departments should monitor the NDP Report on a weekly basis to check for transactions remaining in the report. Entries are listed by department and program code. The report is updated weekly and posted to the

CTR Mosaic and State Finance SharePoint.

Federal Grant Reconciliation

Due to time restrictions related to the expenditure and reimbursement of federal grants, departments must maintain accurate and up-to-date accounting records by reconciling federal grant accounting activity on a weekly basis. For more information, please refer to CTR's training materials on Federal Grant Reconciliation.

Federal Grant Interdepartmental Service Agreements

If a department receives a new federal grant award that will be performed as an Interdepartmental Service Agreement (ISA) with other departments, it should follow the procedures outlined in the Receipt of Federal Grant Award section above, prior to completing the ISA paperwork and corresponding transactions in the financial system. This will ensure that the new federal grant is appropriately set up in the system prior to the allocation of funds. After the federal grant Parent Account[1] is appropriately set up in the financial system, the department should complete all ISA transaction and submit them to the CTR Statewide Contracts Team at ctrdigitalisas@mass.gov.

The Statewide General Accounting Team works jointly with the Statewide Contracts Team to allocate the federal grant award authority in the system amongst the departments as documented in the ISA. Please complete all fields on the ISA Attachment B (Budget), and Attachment C- Federal Grant Account Details, as this information is essential to setting up funding on the system.

If the federal grant award is a continuing award, submit the ISA documentation to the Statewide Contracts Team. Once the initial award is established on the system, there is no need to complete additional federal grant documents. See the CTR Interdepartmental Service Agreement Policy and ISA Forms.

Assessment of the Indirect Cost Rate & Refunds

The indirect cost rate is assessed monthly against a federal grant's allowable expenditures that have been approved in the department's most recent indirect cost rate allocation plan.

Factors such as lag time in the federal approval of the rate or contractual limitations in the assessment of the rate may sometimes result in over-charging indirect expenses to a federal grant. When such overcharges occur, the Statewide General Accounting Team will process refunds to the federal grant after Periods 06, 09, 12, and 13 for the prior period's activity. This process requires close communication with departments as prompt pay discounts and expenditure corrections can skew refund amounts and delay processing.

Accounts Payable Period/Cross Fiscal Year

Federal grant expenditures continue to be processed and reimbursed from July through September of the new state fiscal year for activity from the prior state fiscal year. During this time, reimbursements may occur in the new state fiscal year that are related to prior state year expenditures. When this happens, departments with Non-Central Draw accounts should enter a CD1 transaction and submit to a pending

[1] A Buyer department ISA account may also be referred to as a Parent account.

status to move the funds to the appropriate budget fiscal year. Please note that the accounting fiscal year for the revenue receipt will not change. The transaction will be reviewed and approved by the CTR Federal Grants Team.

Users need authorization to enter and submit the CD1 documents. Departments can request this authorization from their Department Security Officer for personnel that have been trained in federal grants. There are two roles that can be assigned (users can only be assigned one of these roles):

CD1_SUBMIT_DEP = CD1 Create, edit, submit – Department CD1_VALIDATE_DEP = CD1 Create, edit, validate – Department

Once the CD1 transaction has been submitted to Pending, please send an email to ctrfedgrant@mass.gov with the document ID. Be sure to attach backup documentation including:

- Back up to calculated draw amount;
- Federal draw receipt; and
- Bank statement indicating deposit date and amount.

A job aid titled Create a Cash Deposit (CD1) to Move Revenue Back to Prior Budget Fiscal Year for Non Central Draw (NCD) Federal Grants is available for reference.

Schedule of Expenditure of Federal Awards (SEFA) Reconciliation

The SEFA report is an annual summary of the expenditure and reimbursement of all federal grant funds for the Commonwealth. This report is prepared annually by the CTR Statewide Financial Reporting Team. Expenditures in this report are reported on a cash basis. External auditors use this report as the basis to determine which federal programs will be audited during the Statewide Single Audit. Upon request, departments must respond to auditor inquiries with appropriate documentation that reconciles to the SEFA report. Please refer to Reconciliation of SEFA Report for reference.

Federal Intercepts/Treasury Offset Program

Debts owed by Commonwealth departments to federal agencies that remain unresolved within a specified time frame can result in offsets to other forms of federal funding due to the Commonwealth. If your department is due reimbursement for federal grant expenditures, a partial or the total reimbursement amount can be withheld and redirected to the federal agency that is owed a debt, even if your department is not responsible for the original debt.

Notifications from the federal government regarding outstanding debt are typically sent to the attention of the debtor department prior to intercept/offset. The department that experiences the offset to its funding is only alerted at the time that the offset occurs, with no prior notice.

Debtor departments should follow-up on all debt notifications and work to resolve all outstanding debt issues with the federal government prior to the debt being referred to the Treasury Offset Program.

Should an offset occur to federal grant funding and the debtor department can be identified, CTR reserves the right to execute operating transfers on the administrative funds of the debtor department to make whole the department that experienced the offset. Please contact ctrfedgrant@mass.gov if your department's federal funds are offset.

Federal Grants Quarterly Reporting Requirements

CTR is required to report quarterly to the House and Senate Committees on Ways and Means on the status of federal funds applied for, received, and expended. To comply with this mandate, CTR issues instructions and gathers pertinent information from departments regarding the status of federal funds that have been applied for. CTR then compiles quarterly expenditure reports with the data from the system regarding the status of federal funds that have been received and expended.

Departments should take steps to ensure that all applicable funds that have been applied for, including newly announced federal funds, existing grant award requests for increase, and federal funds applied for that were not awarded, are available upon request by CTR to comply with the reporting mandate.

Federal Funding Accountability and Transparency Act Reporting

The Federal Funding Accountability and Transparency Act (FFATA) requires grant and cooperative agreement recipients and contractors to register in the Federal Funding Accountability and Transparency Sub-Award Reporting System (FSRS) and report certain sub-award data. This data is collected to provide the public with information about how their tax dollars are spent and is available via www.USASpending.gov.

The FSRS reporting tool is used by federal prime awardees (i.e., prime contractors and prime grants recipients) to capture and report sub-award and executive compensation data regarding their first-tier sub-awards to meet the FFATA reporting requirements. Prime contract awardees report against subcontracts awarded, and prime grant awardees report against sub-grants awarded. Once collected, the sub-award information entered in FSRS is then linked with the prime award and displayed on www.USASpending.gov, furthering federal spending transparency.

Departments receiving federal funds should adhere to the FFATA reporting requirements and maintain documentation demonstrating that they fulfilled the reporting requirements.

For guidance on federal sub-grants see the CTR State Grants, Federal Sub-Grants, and Subsidies Policy.

Closing the State Fiscal Year

Departments must resolve all negative unexpended balances for the fiscal year prior to the close of the annual accounts payable period. Unexpended balances are located on the Mosaic Central Expense (BQ89) budget screens. CTR reserves the right to execute operating transfers from departmental administrative operating accounts to resolve any negative federal grant account balances that exist at year-end. CTR will notify departments prior to executing operating transfers related to federal grants. Departments should exhaust all opportunities for reimbursement from their federal awarding agency to avoid such action by CTR.

Federal Grant Record Keeping and Audit

Departments receiving federal funds should expect that they will be audited through the state financial audit process, the State Auditor, or federal audits from the federal grantor agency or the federal inspector general audit process. In addition to federal grant reporting requirements, departments are expected to retain all supporting documentation related to the receipt and disbursement of federal funds for public records and records retention requirements as outlined in 815 CMR 10.00, the CTR Fiscal Records Management Policy, and the Commonwealth's Massachusetts Statewide Records Retention Schedule.