# GRANTS ACCOUNTING MANUAL

## Part 1: Introduction and Overview

## Section 1.1 – Introduction

A.  AUTHORITY:  Tennessee Code Annotated § 4-3-1007; Department of Finance and Administration Policies and Procedures, and other applicable State and Federal rules, policies, regulations, and statutes.

B.  PURPOSE: Provides the uniform guidance to state agencies, commissions, boards and departments on establishing, maintaining, and reporting grant activity.

C.  APPLICATIONS:  Instructions provided herein are applicable to State Agencies, Commissions, Boards, and Departments who record and monitor grant activity within their organizations and maintain their financial records on the State of Tennessee Accounting and Reporting Integrated System, Edison.

## Section 1.2 – Organizational & Structural Overview

The State of Tennessee Accounting and Reporting Integrated System (Edison) utilizes multiple modules and/or functionalities to create, identify, capture, and record transactions related to grant programs.  This manual provides an understanding of the functional capabilities and integration of each module involved in collecting and reporting grant activity as well as detailed instructions on navigating these modules.

The various modules and/or functionalities are utilized for the following purposes:

- Grant Proposals assist with creating funded Grant Award Profiles and documenting the terms and conditions of those awards.  Grant Proposals also create the Customer (revenue) Contract.
- Grant Award Profile houses information needed for the Schedule of Federal Expenditures (SEFA) reporting and indirect cost (F&A) processing.
- Projects and Activities allow reporting and segregation by funding sources.  In some cases, specific chartfields can be used to provide the same reporting capability. (e.g. Program).
- Customer (revenue) Contracts, Billing, and Accounts Receivable modules assist with revenue recognition, billing and recording of accounts receivable.
- Accounts Payable, Purchasing, Time & Labor and General Ledger assist with the tracking and accounting of grant funds spent.

## Section 1.2A - Edison Customer (revenue) Contract/Grant Structure

Business Units (Tennessee State Agency or Component Unit) have five digit identifiers which have been assigned and need segregated financial data.  Within each Business Unit are Customer (revenue) Contracts/Grants. Following would be the most common and standard form of a Customer (revenue) Contract/Grant.

The basic components within the Customer (revenue) Contract/Grant Structure are:

- Customer (revenue) Contract – Agreement in Edison which forms the basis of billing, revenue recognition, and reporting.
- Award Profile – Associated with the Customer (revenue) Contract and houses information for SEFA reporting and F&A (Indirect Cost).
- Projects – Allows for budgeting control, reporting, and segregation of Grant tasks.
- Activity(s) – Represents the funding source(s) for the Project (e.g. Federal, etc.).
- Transactional Data – Expenditure or general ledger transaction added, tracked, processed, and reported in the Project Costing Module as they are incurred and come from Accounts Payable, Payroll, Travel, Accounts Receivable, or the General Ledger Modules.
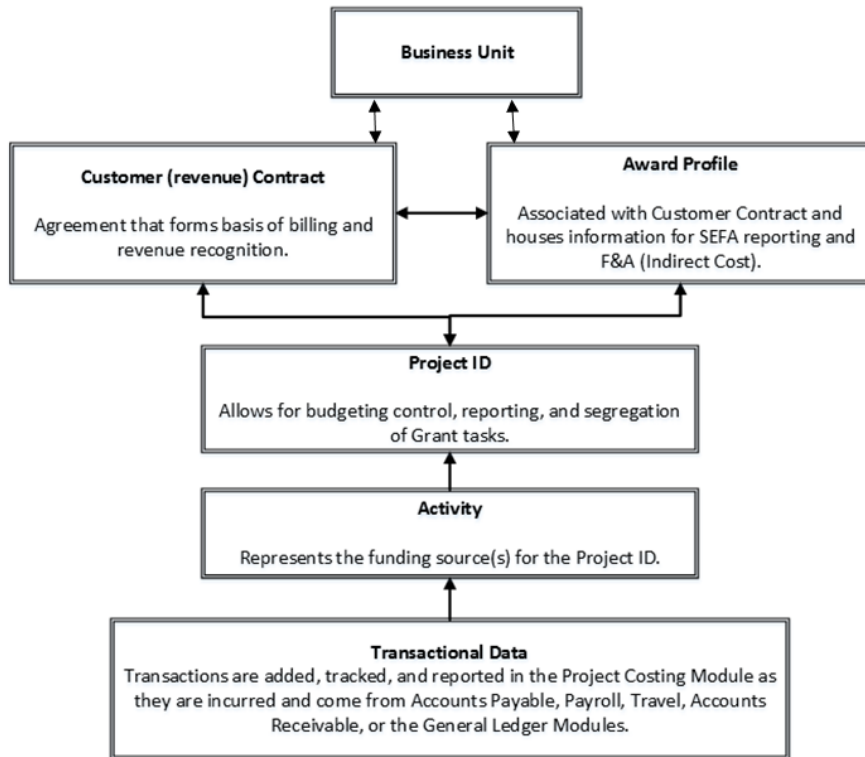
## Section 1.2B - Understanding Grant Hierarchy

Each Customer (revenue) Contract or Grant Award must have at least one Project but can have multiple Projects.  Each Project must have at least one Activity but can have multiple Activities.  Each Activity must have at least one budget item but can have multiple budget items.  Budget Items are the five digit budgetary cost expenditure accounts in Edison.
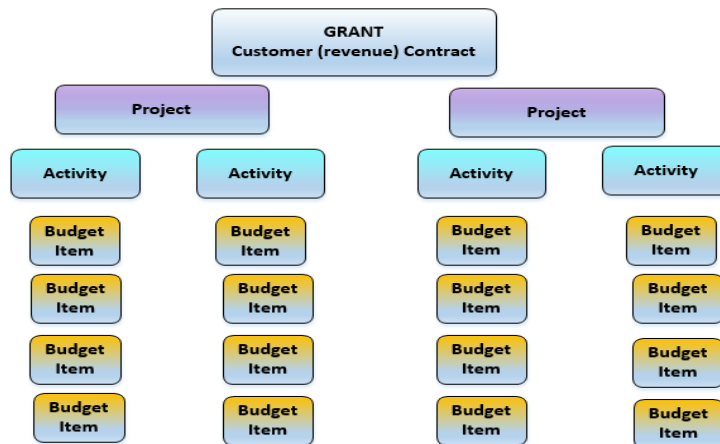


The monetary value of each Project and Activity is established when Budget Items and their associated values are created and sent to Commitment Control.  Budget Items are sent to Commitment Control during the Project Budget finalization process.  The total of all budget items established for each Activity equal the total amount available to be spent on the Project. An overall billing limit is also established on the Customer (revenue) Contract.

When Project(s) and Activity(s) are established, certain designations are made that play an important role in determining if transactional data will be billable to the grantor or State funded/cost-shared.

# Section 1.3 - Understanding Relationships and Integration between Modules

## Section 1.3A - Edison Module Overview

Before understanding the relationship and integration of modules that play a part in grant processing and reporting, it is essential to understand the functionality of each module as well as the information that is captured and stored within the module.

1. Project Costing (PC):
   - Manages project control.
   - Stores Project and Activity information.
   - Stores transactional data associated with Grant Projects.
   - Directs F&A (Indirect Cost) processing.
   - Accesses project budgets in Commitment Control.

2. Customer (revenue) Contracts:
   - Stores contract lines and the associated accounting rate sets.
   - Used to process billing and record revenue.
   - Creates interface file of billable transactions.
   - Helps control grantor draws by storing contract billing limit information.
   - Links the Project Costing to the Billing.
   - Links the Project Costing to the Accounts Receivable.
   - Facilitates billing of external customers/sponsors (e.g. Federal government).
   - Generates support for the billing of interdepartmental customers/sponsors (e.g. other state agencies).
   - Uses billing plan to bundle billable transactions for awards with multiple projects.
   - Stores revenue recognition plan and creates Unbilled Accounts Receivable (UAR)/Revenue journal.
   - Facilitates the accounting and utilization of Prepaid/Advance amounts received.

3. Billing:
   - Interfaces with Customer Contracts to create bill lines.
   - Creates a temporary billing worksheet used to make grantor draws.
   - Generates invoices that can be sent to a sponsor.
   - Transfers transactional data related to approved and billed rows back to the Project Costing.
   - Integrates with Accounts Receivable to establish the accounts receivable for the project and create the Accounts Receivable/Unbilled Accounts Receivable (UAR) Journal.

4. Accounts Receivable (AR):
   - Stores information on account receivable (AR Items).
   - Interfaces with iNovah, the State's cashiering system, to receipt deposits and post payments received.
   - Integrates back to Project Costing and Customer (revenue) Contracts to

update the source transaction with the billed accounts receivable invoice item(s) and billed date(s).
- Used to apply deposits received to outstanding accounts receivable item(s) (open item).

5. Human Capital Management (HCM)/Payroll:
- Stores Principal Individual (PI) information that is necessary to create a proposal.
- Stores task profiles used to charge Time and Labor expenditures to grant projects.
- Sends transactional information to the Project Costing.

6. General Ledger:
- Houses general ledger journals which record transactions directly to the state's general ledger (i.e. the Edison "Actuals" ledger group) that is comprised of equal and offsetting debits and credits and contain related project costing chartfields.
- Houses general ledger journals which record statistical entries to produce both revenue and billing transactions in the Customer Contract.
- Receives and houses subsystem journals related to grant projects.
- Sends and receives transactional information from the Project Costing.

7. Commitment Control:
- Maintains project budgets.
- Controls project expenditures against predefined, authorized budgets.

8. Purchasing:
- Houses procurement requisitions, supplier contracts, and purchase orders related to grant projects.
- Sends and receives transactional information from the Project Costing.

9. Accounts Payable:
- Houses accounts payable invoice transactions.
- Receives travel transactions from the Travel for payment processing.
- Sends and receives transactional information from the Project Costing.

10. Travel:
- Houses travel transactions.
- Sends transactional information to the Project Costing.

11. Inventory:
- Houses inventory records and information.
- Sends and receives transactional information from the Project Costing.

## Section 1.3B - Edison Module Integration Overview

With a general understanding of the functionality of each module, it is easier to understand the integration between the modules.  Many of the integrations and interactions are system driven based on the set-up of the Project, Activity, and Customer (revenue) Contract (discussed further in Part 2: Key Elements of Grants Setup and Processing and in Part 4: Customer Contracts/Grant Processing).

General ledger journals, payroll transactions, and accounts payable transactions flow into Project Costing when a project and activity are related to the transaction.

Project Costing acts as a central hub that links this transactional data to a Project, Activity, and Customer (revenue) Contract.

The Customer (revenue) Contract assists with revenue recognition, billing, and accounts receivable and links the resulting AR/revenue transactions back to Project Costing.

It is important to acknowledge that regardless of the source of a transaction when it contains a project costing chartfield, the Edison system will interact with the General Ledger and with Commitment Control.

**Flow chart representing how transactions flow into and out of Projects and to and from the other related modules:**