Policies and Procedures
for Offset

MEMORANDUM FOR: All Indian Health Services (IHS) Recipients of Federal Financial
Assistance

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This Alert provides guidance to Indian Health Service (IHS) recipients of Federal financial assistance to explain the difference between unliquidated obligations and unobligated balances, as well as carryover, and offset amounts and how they relate to an award.

According to the [HHS Grants Policy Statement (GPS)](), Part B-2, Appendix B: Glossary:

- Unliquidated obligations: the amount of obligations incurred by the recipient that has not been paid (for financial reports prepared on a cash basis) or the amount of obligations incurred by the recipient for which an outlay has not been recorded (for reports prepared on an accrual basis). These are commitments of the recipient.

- Unobligated balance: the portion of the funds authorized by the Federal agency that has not been obligated by the recipient.

- Carryover: unobligated Federal funds remaining at the end of any budget period that may be carried forward to another budget period to cover allowable costs of that budget period.

- Offset is unobligated funds from a prior budget period that are used to partially pay or offset new funds awarded in a current year Notice of Award (NOA). The prior year funds replace new funds on the award.

Recipients must use the "first-in/first-out" principle for recognizing and recording obligations and expenditures of their funds. This assures those funds are spent in a timely manner.

How does this relate to the award?

Upon receipt of the annual Federal Financial Report (SF-425), the Grants Management Specialist (GMS) will compare the total of any unobligated balance shown and the funds awarded for the current budget period with the OPDIV share of the approved budget for the current budget period. If the funds available exceed the OPDIV share of the approved budget for the current budget period, the GMO may allow the unobligated funds to be used as an additional

authorization (carryover) or as an offset. Below is an example of a carryover and an offset situation:

1. Carryover

    If the funds will be used as an additional authorization, a recipient must submit a written request (via a Carryover amendment in GrantSolutions) if the amount is 25% or more of the annual award. For example, a recipient's annual award is $400,000. The unobligated balance at the end of the budget period is $150,000 (27%). The recipient would submit a Carryover amendment in GrantSolutions per DGM Policy Alert #2023-01. (Please note: if the unobligated balance is less than 25%, an amendment is not required; however, Division of Grants Management (DGM) does require the recipient to notify both the Program Official (PO) and the GMS how they intend to spend the carryover funds so they may review.)

2. Offset

    Recipient's award budget is $400,000 annually for 5 years. At the end of Year 3, there is a cumulative unobligated balance of $500,000. For Year 4, IHS issues a Notice of Award (NoA) authorizing the recipient to spend $400,000 with the funding coming from the unobligated balance. If the recipient spends all $400,000, they will have an unobligated balance of $100,000 at the end of Year 4.

In order to avoid the risk of using an unobligated balance from a prior year to offset funding, it is important for recipients to draw down their Federal funds in a timely manner. Communicate with your PO and GMS if you are experiencing difficulties so they may assist before the end of the budget period. If assistance is needed with requesting funds from the Payment Management System (PMS) account for your award, please visit https://pms.psc.gov/grant-recipients/funding-request-formula.html. For additional PMS assistance you may locate your PMS Liaison Accountant at this link: https://pms.psc.gov/find-pms-liaison-accountant.html.

If you have questions, please contact your Grant Management Specialist or email the IHS Division of Grants Management Inbox at DGM@ihs.gov.