

CHAPTER 14

GRANTS AND COOPERATIVE AGREEMENTS

1. **INTRODUCTION.** Grants and cooperative agreements are financial assistance instruments, rather than acquisition instruments, used by DOE to transfer money or property to a recipient to accomplish a public purpose authorized by Federal statute.
 - a. **Purpose.** This chapter prescribes policies and general procedures for the accounting and financial management of grants and cooperative agreements administered by DOE.
 - b. **Applicability.** This chapter applies to all Departmental elements. It does not apply to contractors.
 - c. **Policy.** It is the policy of DOE to account for and to administer financial assistance instruments in accordance with applicable statutory authority, Office of Management and Budget (OMB) and Department of the Treasury (Treasury) guidelines, and Departmental policies and procedures governing such agreements.
2. **ACCOUNTING PROCEDURES.**
 - a. **Recording of Obligations.** The contracting officer (CO) obtains a properly executed certification of funds availability from the allottee before signing the award document. The award document shall cite the appropriation and accounting classifications to be obligated. See Chapter 5, "Accounting for Obligations," for further guidance.
 - b. **Deobligations.** A reduction or withdrawal of funds from either a grant or a cooperative agreement shall require that the Field Chief Financial Officer (Field CFO) receive an amended Notice of Financial Assistance Award (NFAA), signed by the authorized CO and recipient, before the Field CFO deobligates the funds from the accounts. An exception to this requirement shall occur when the recipient has not accepted (signed) a grant NFAA, provided that no funds have been drawn by or paid to the recipient. In this case, the CO issues a revision action to the NFAA, which deobligates the award after providing the applicant with at least 2 weeks' written notice of DOE's intention to deobligate.
 - c. **Payments.**
 - (1) **Timing of Payments.** Payment shall be made to the recipient either before the recipient makes cash outlays (advance) or after the recipient has incurred costs (reimbursement). The CO, in conjunction with the Field CFO, shall determine the payment terms prior to the award and include them and other conditions in the award.
 - (a) **Advance.** Payments may be made in advance of performance for awards to the recipient, provided the recipient has a financial management system that meets the requirements set forth in title 10, sections 600.121(b) and 600.220, of the Code of Federal Regulations (10 CFR 600.121(b), 600.220), including procedures that will minimize the time elapsing between the transfer of funds from Treasury and their disbursement by the recipient. Predetermined advance payment schedules and percentage-of-award

advances should not be used in making payments. However, when the total amount of the award is less than \$10,000 and the anticipated period of performance is 12 months or less, the CO may authorize a single payment in advance of performance.

- (b) Reimbursement.** Reimbursement is payment to the recipient upon the recipient's request for reimbursement of costs incurred in performing under its financial assistance award. Reimbursement shall be the payment method when the recipient does not meet the requirements for an advance payment as described in paragraph 2c(1)(a) above. The recipient shall submit requests for reimbursement monthly, unless the award authorizes more frequent payment or, in the case of cooperative agreements, arrangements have been agreed upon for a milestone payment schedule.
- (2) Disbursement.** Disbursement will be made by electronic funds transfer. The cognizant Field CFO shall be responsible for providing the recipient with the necessary instructions for requesting payment. Additional procedures for disbursement are in Chapter 6, "Cash," and the Treasury Financial Manual (I TFM 4-2000 and 6-2000).
- (3) Payments to Financial Assistance Recipients.** Payments are not subject to requirements of the Prompt Payment Act or to interest penalty provisions. However, the Field CFO shall make payments within 30 days of a valid request for reimbursement.
- (4) Withheld Payments.** The Field CFO shall not withhold payments from grantees for proper charges, except under conditions cited in 10 CFR 600.122(h), 600.221(g), or 600.243. In the event a payment is to be withheld, the CO shall provide advance written notice to the grantee in accordance with these provisions.
- d. Cash Management.** The Field CFO shall manage and monitor advances to ensure recipient compliance with the requirement that cash balances maintained at the recipient level are kept to the minimum amount necessary to meet immediate recipient disbursement needs; that is, the amount needed to cover cash disbursements over the next 2 working days. Additional cash management guidance is described in Chapter 6, "Cash"; Chapter 7, "Advances, Prepaid Expenses, and Other Assets"; and I TFM 6-2000 and 6-8000.
- (1)** The Field CFO shall use financial reports required by the terms and conditions of the award to monitor the cash position of a recipient of a financial assistance award. These documents may include Standard Form (SF) 269, "Financial Status Report" (Long Form), and SF-269A (Short Form); SF-271, "Outlay Report and Request for Reimbursement for Construction Programs"; SF-272 and SF-272A, "Federal Cash Transactions Report"; and any other report of a recipient's financial activity that may be required for effective cash management.
- (2)** Upon termination or completion of the award and after cognizant CO notification, the Field CFO shall take prompt action to recover any unencumbered cash balances advanced to the recipient.

e. Program Income.

- (1) Program income may be earned by recipients and subrecipients from activities supported by the financial assistance agreement. Such income may result from the sale of real or tangible personal property acquired under the agreement or from royalties from patents or copyrighted material resulting from the award or subawards. Income of this nature must be accounted for in accordance with specific rules described in 10 CFR 600.124(h) for royalties and 600.130-137 for property, and 10 CFR 600.225 for state and local governments.
- (2) Grantees shall remit to DOE any interest or other investment income earned on advances of DOE funds as required by the Cash Management Improvement Act of 1990 and OMB Circular A-110, "Uniform Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations." The Field CFO shall deposit the interest to Treasury Account 891435, General Fund, Proprietary Interest, Not Otherwise Classified. The power marketing administrations shall deposit miscellaneous interest to the reclamation fund or the revolving funds as appropriate. In addition, interest earned on advances funded with Nuclear Waste Fund (NWF) shall be returned to the NWF.
- (3) General program income excludes income covered in paragraphs 2e(1) and (2) above and will be retained by the recipient or subrecipient to be used in accordance with 10 CFR 600.124 and 600.225.

f. Other Receipts/Refunds. The recipient must remit excess funds to the Field CFO, where they are accounted as refunds and deposited in the same appropriation account as the previous recorded disbursement. Detailed guidance for determining availability of fund balances is in Chapter 3, "Appropriations and Other Funds." The Field CFO shall notify the contracting office upon collection and deposit of any funds returned to DOE.

g. Adjustments. Whenever DOE adjusts the amount of an award, it shall also make an appropriate adjustment to the amount of required cost sharing so that the adjusted award maintains any required percentage of cost sharing in the cosponsored project in accordance with terms of the award instrument. In addition, when authorized by the award instrument, general program income may be used to meet the cost sharing requirement of the grant agreement; however, the amount of the Federal grant award remains the same. Any requirements governing the disposition of program income earned after the end of the award period must be spelled out in the terms of the agreement.

h. Financial Reporting.

- (1) The recipient's financial management systems shall provide for accurate, current, and complete disclosure of the financial results of each DOE-sponsored project or program on an accrued cost basis, in accordance with financial reporting requirements of the grant or cooperative agreement. The financial reports submitted to the Department shall be limited to those described in 10 CFR 600, subparts B, C, and E, and to those required by OMB and the General Accounting Office, and by the Department in fulfilling its cash management responsibilities in accordance with Treasury regulations.

- (2) By law, financial reporting requirements placed upon financial assistance recipients are limited to minimize administrative reporting burdens. Generally, reporting shall be no more frequently than quarterly and no less frequently than annually. The procurement office, program office, and Field CFO shall jointly determine the type and frequency of reporting that best serve DOE's financial interests and objectives in making the award.
- (3) The Field CFO shall review reports for completeness, accuracy, and compliance with the terms and conditions of the award. The CO should follow up with the recipient regarding reports not received or not received in a timely manner or reports that are inadequate or incorrect in order to identify and resolve the problem. The Field CFO shall compare requests for advances against cash needs for cash management purposes and promptly enter appropriate financial data from the recipient reports into the Departmental accounts.
- (4) DOE financial assistance recipients that are cross-serviced by the Department of Health and Human Services (HHS) through the Payments Management System must submit an SF-272 report quarterly to HHS. HHS monitors the report for completeness, accuracy, and compliance with OMB and Treasury regulations. Errors detected by HHS are reported to the cognizant DOE Field CFO for appropriate action.

3. COST PRINCIPLES AND ALLOWABLE COSTS.

- a. **Review of Allowable Costs.** Unless specified by statute, program rule, or other terms and conditions of the award, the CO shall determine allowable costs in accordance with cost principles cited in the following:
 - (1) OMB Circular A-21, "Cost Principles for Educational Institutions."
 - (2) OMB Circular A-87, "Cost Principles for State and Local Governments."
 - (3) OMB Circular A-122, "Cost Principles for Nonprofit Organizations."
 - (4) OMB Circular A-133, "Audits of Institutions of Higher Learning and Other Nonprofit Institutions."
 - (5) 45 CFR 74, Appendix E, "Principles for Determining Costs Applicable to Research and Development Under Grants and Contracts with Hospitals."
 - (6) 48 CFR 31.2, as modified by 48 CFR 931.2, "DOE Acquisition Regulations Covering Contracts with Commercial Organizations."
- b. **Cost Sharing.** Cost sharing, whether cash or in-kind, must meet the same tests of allowability as applied to DOE funds. Cost sharing requirements are detailed in 10 CFR 600.30, 600.123, 600.224, and 600.225(g)(3).

4. MISCELLANEOUS ACCOUNTING.

- a. **Property Accounting.** Property acquired under a financial assistance award or property furnished by DOE to a recipient is subject to standards in

10 CFR 600.130-137, 600.231, and 600.232. The Field CFO shall account for Government-owned property held by assistance recipients in the Departmental accounts in the same manner as for Government-owned property held by contractors (see Chapter 10, "Plant and Capital Equipment").

- b. Closeout.** The Department shall notify grantees in writing before the end of the grant period of final reports that shall be due, the due dates, and where they must be submitted. Copies of required forms and instructions shall also be included with the notification. Within 90 days after expiration or termination of the award, the recipient shall submit all performance and financial reports required as a condition of the award. The CO may grant an extension at the recipient's request. Detailed closeout procedures can be found in Chapter 21, "Financial Closeout," and 10 CFR 600.171 and 600.250.