

VOLUME 10, CHAPTER 19: “PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE”

SUMMARY OF MAJOR CHANGES

All changes are denoted by [blue font](#).

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [***bold, italic, blue and underlined font***](#).

The previous version dated [August 2014](#) is archived.

| PARAGRAPH | EXPLANATION OF CHANGE/REVISION | PURPOSE |
|----------------------|--|----------|
| 190101 | Added policy references, Volume 3, Chapter 8 and Volume 12, Chapter 5, when recording obligation of funds for grants or agreements. | Addition |
| 190102.A, B, C and D | Revised the “General” section and created an “Authoritative Guidance” paragraph to comply with current administrative instructions. | Addition |
| 190201.B | Added language for administering grants office responsibilities in the performance of certification for payment requests (Volume 5, Chapter 5). | Addition |
| 190203 | Revised reference from Title 48, Code of Federal Regulations (CFR), part 204.11 to 2 CFR 25, Appendix A as it is relates to System for Award Management for grants and cooperative agreements. | Revision |
| 190301 | Added reference for uniform policies and procedures for the award and administration for grants and cooperative agreements prescribed by Chapter XI of 2 CFR. | Addition |
| 190304 | Added clarity for cash management policy for non-Government entities cited in 2 CFR 200.205 and 200.305. | Addition |
| 190402 | Revised reference from Office of Management and Budget (OMB) Circular A-133 to 2 CFR, 200.501 as it relates to single audits for non-Federal entities. | Revision |

| PARAGRAPH | EXPLANATION OF CHANGE/REVISION | PURPOSE |
|-------------------|--|----------|
| 190402.A | Due to the cancellation of Department of Defense (DoD) Directive 7600.10, Audits of States, Local Governments and Non-Profit Organizations, revised the reference to DoD Instruction 7600.10, Follow-Up and Oversight of Single Audits. | Revision |
| 190402.B and C | Added language for the DoD to rely on single audits and request additional audits to ensure effective use of awards. | Addition |
| 190501 | Added clarifying language for payment requests (advance or reimbursement). | Addition |
| 190502.A and B | Added clarity for use of OMB approved payment requests forms or formats (2 CFR § 200.305(b)). | Addition |
| 190504 | Added policy reference not to require the recipient to submit accumulated costs documentation with payment requests (Title 44, United States Code, section 3501). | Addition |
| 190505 | Added reference for the administrative grants office timelines to certify and submit payment requests to designated payment office within 3 working days before the end of the specified period to ensure timely payments (32 CFR 22.810). | Addition |
| 190506 | Added clarity for prompt payment interest penalties related to grants and agreements (5 CFR 1315.15). | Addition |
| 190601.A, B and C | Added clarifying language for debt collection procedures transferred from the grants office to the payment office (32 CFR 22.820). | Addition |
| 190602 | Added policy reference for when advance payments are not subject to offset (29 CFR 1450.10). | Addition |
| 190603 | Due to consolidation of debt management policy, revised reference from Volume 4, Chapter 3, Annex 1 and Volume 5, Chapter 28 to Volume 16, Chapters 1-4 and 7. | Revision |
| 190604 | Due to consolidation of debt management policy, revised reference from Volume 5, Chapter 28 to Volume 16, Chapters 2, 5, and 7. | Revision |

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CHAPTER 19

PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE

1901 GENERAL

*190101. Purpose

This chapter provides the necessary policy to ensure the proper [administration and payment](#) of funds under Department of Defense (DoD) grants, cooperative agreements, and other instruments of assistance not covered in other chapters or volumes. [Refer to Volume 3, Chapter 8 and Volume 12, Chapter 5 for guidance when recording obligation of funds for grants or agreements.](#) Guidance also is included for cash management, [financial](#) reporting, and debt collections associated with those instruments.

*190102. Authoritative Guidance

* A. [Title 31, United States Code \(U.S.C.\), Chapter 63](#) authorizes the award and administration of grants and cooperative agreements as the legal instrument reflecting a relationship between the U.S. Government and a State, a local government, or other recipient.

* B. [Title 32, Code of Federal Regulations \(CFR\), part 22](#) outlines grants officers' and DoD Components' responsibilities related to the award and administration of grants and cooperative agreements. Subpart H, of part 22 sets forth grants officers' and DoD Components' responsibilities for post-award administration, by providing DoD-specific requirements on payments; debt collection; claims, disputes, and appeals; and closeout audits. Title 32, CFR 22.215 describes regulatory criteria that distinguish grants and cooperative agreements from procurement contracts.

* C. The Office of Management and Budget (OMB) guidance at [2 CFR 200](#) establishes, among other things, uniform administrative requirements that Federal agencies are to use in grants and cooperative agreements made with States, local governments, Indian tribes, institutions of higher education, and nonprofit organizations. Title 2, CFR prescribes uniform administrative requirements, cost principles, and audit requirements for Federal awards.

* D. The [DoD Directive 3210.06](#), Defense Grant and Agreement Regulatory System (DGARS), assigns the Assistant Secretary of Defense for Research and Engineering the responsibility for developing and implementing DGARS policies and procedures through the issuance of the [DoD Grant and Agreement Regulations](#) (DoDGARs) contained in 32 CFR, Subchapter C, and, as necessary, DoD instructions and other issuances. Government-wide policies and requirements related to grants, cooperative agreements, and other non-procurement transactions subject to the DGARS are implemented by DoD through the DoDGARs and other DGARS issuances.

1902 SUBMISSION AND PAYMENT RESPONSIBILITY

*190201. Administering Office

A. The office that issues the grant or other types of instrument of assistance distributes a copy of the award to the office designated to administer the grant or cooperative agreement. The awarding or administering office will promptly distribute [award documents](#), modifications, and [electronic funds transfer \(EFT\) information](#) to the [designated payment office](#) (32 CFR 22.605). In most cases, but not all, the Defense Finance and Accounting Service (DFAS) is designated to make the payments to the [award](#) recipient.

* B. The award recipient will certify and forward payment requests for the performance period to the administering grants office. All payment requests must be on OMB-approved forms or formats. The administering grants office reviews and certifies the payment request or electronic equivalent is legal, proper, and correct, and sufficient funds are obligated (Volume 5, Chapter 5). The administering grants office ensures the request for payment complies with the award terms and the recipient will not have excess cash on hand, based on expenditure patterns (32 CFR 22.810).

190202. Designated Payment Office

The award [must](#) designate the specific [DFAS](#) payment office that will make payment. The payment office [must](#) verify [the](#) propriety, adequacy, and completeness of documentation to substantiate amounts to be paid by the DoD. The payment office will retain all award documentation supporting the payment file. Close working relations between all involved offices are necessary for timely and accurate handling of financial transactions in issuing, [certifying](#), and paying the assistance instruments.

*190203. Electronic Payment Process

Electronic commerce is the preferred method to [submit and](#) process payment requests and related actions. The [electronic commerce](#) guidance contained in 32 CFR, section 22.810 is applicable to payment actions in this chapter. Payment by EFT is a requirement of [31 CFR 208.3](#). Title 2, CFR 25, [Appendix A](#) requires the recipient to maintain current information about itself in the [System for Award Management](#) (SAM). The SAM is the primary Government repository for prospective Federal awardee and Federal awardee information and is the centralized Government system to support certain contracting, grants, and other assistance-related processes, which include those for payment requests and debt collection. SAM is a convenient tool for Government grants officials to monitor grants for suspension, debarment activities, and delinquent debts subject to the Treasury Offset Program.

1903 POLICY

*190301. Regulatory Policy

The DoDGARs is codified at 2 CFR, Subtitle B, [Chapter XI](#) and 32 CFR, [Subchapter C, 21-37](#).

190302. Accounting Policy

Volume 12, Chapter 5 contains the accounting guidance prescribed for DoD Components for grants and cooperative agreements.

190303. Disbursing Policy

Volume 5, Chapters 1, 5, 9, and 11 include additional disbursing guidance concerning internal controls, certifying officer duties and requirements, electronic commerce, and the use of electronic signatures.

*190304. Cash Management Policy

The [Cash Management Improvement Act](#), implemented by [31 CFR 206](#), sets rules, including interest liabilities and procedures for the transfer of funds between Federal agencies and the States for financing Federal Assistance Programs ([2 CFR 200.205](#)). The cash management policy related to local governments, Indian tribes, institutions of higher education, and non-profit organizations requires recipients to use only OMB-approved standard government-wide forms or formats to request payment ([2 CFR D 200.305](#)).

1904 INTERNAL CONTROLS

190401. Internal Controls - Grant Awards

[OMB Circular A-123, Appendix A](#), Management's Responsibility for Internal Control, states that statutory requirements should also be considered as part of the agency's internal control framework which include the Single Audit Act ([31 U.S.C., section 7501-7507](#)). Title 32 CFR, subpart H provides post award administration responsibilities between the grants office and the designated payment office regarding specific requirements on timely and accurate handling of financial transactions for grants and cooperative agreements (payments and debt collection). The agency head must establish controls that ensure obligations and costs comply with applicable laws. Safeguards must be in place to ensure DoD's grants comply with the purpose awarded, are adequate to pay the request, and are expended within the constraints reflected in the grant.

*190402. Audits

Refer to [2 CFR 200.501](#) for single audit threshold requirements. The Single Audit Act requires financial statement audits of non-Federal entities that receive or administer grant awards

of Federal monies. These audits also include testing the effectiveness of internal controls and determining whether the recipients' expenditures comply with laws and regulations. Each DoD agency that provides Federal awards will review the audits of the recipients to determine whether corrective actions require implementation with respect to audit findings.

* A. For additional information, see the Single Audit Act information prescribed in DoD Instruction (DoDI) 7600.10, Follow-Up and Oversight on Single Audits. The DoDI 7600.10 establishes DoD policy for the implementation of single audit requirements in 2 CFR 200, subpart F, which was issued pursuant to 31 U.S.C. § 7501-7507. The Inspector General of DoD (IG DoD) provides audit policy guidance and direction to the DoD Components and other Federal agencies on single audit matters related to States, local governments, Indian tribes, institutions of higher education, and non-profit organizations.

* B. The DoD will rely on and use single audits. Independent auditors will conduct audits in the oversight of Federal awards provided to States, local governments, Indian tribes, institutions of higher education, and non-profit organizations. Responsibilities of the IG DoD include, but are not limited to, ensuring the coordination of audit work and reporting responsibilities among independent public accountants, State auditors, and Federal auditors to achieve the most cost-effective audit, and resolution responsibility for audit findings and recommendations that affect DoD programs. Refer to DoDI 7600.10, Section 2 for the assignment of DoD responsibilities for the follow-up and oversight of single audits.

* C. The Department may request additional audits of such Federal awards when required by regulation or as needed to ensure effective use of such Federal awards. Any additional audit effort will be planned and implemented to avoid duplication and must be separately funded.

1905 PAYMENT REQUEST

*190501. Types of Payment Requests

Providing certain standards are met, the OMB guidance in 2 CFR 200.305(b)(1) states that recipients must be paid in advance. Reimbursement is the method of payment to be used when the standards for advance payments cannot be met or when the grants officer includes specific conditions (2 CFR 200.207) in the award terms and conditions that require its use. The recipient may also elect to request payment by reimbursement anytime during the performance period.

*190502. Payment Request Forms

Except as noted, the following forms are authorized for use by the recipients in requesting advances and reimbursements from the grants office:

* A. For non-construction programs with States, local governments, institutions of higher education, and other non-profit organizations, requests for advance payments or reimbursements must be made on Standard Form (SF) 270, Request for Advance or

Reimbursement, or electronic equivalent (OMB Circular A-110, Subpart C). DoD Components may use other forms if authorized by OMB (2 CFR 200.305(b)). A DoD Component must also obtain approval for any variation from OMB approved forms or formats, including the use of additional or electronic subtitle data elements or modification of the associated instructions for recipient entities submitting the information.

* B. For construction programs, each Federal awarding agency will use the SF 271, Outlay Report and Request for Reimbursement for Construction Programs, as the standard form or electronic equivalent (OMB Circular A-110, Subpart C). The DoD may use the SF 270 in lieu of the SF 271 when the DoD awarding agency determines that it provides adequate information to meet Federal needs (2 CFR 200.305(b)).

190503. Commercial Recipients

For payments to commercial recipients, the grants office may authorize recipients to use SF 270 or SF 271, or its electronic equivalent (32 CFR 37.1).

*190504. Accounting for Award Payments

Refer to Volume 12, Chapter 5 for information concerning accounting for advance payments made to the award recipients and accounting for the expenditure until the recipient has performed under the award. Payments to award recipients as reimbursements for work performed or costs incurred must be accounted for as expenditures and as expenses incurred, or as reductions of liabilities if the expenses were recorded previously. Title 2 CFR 200.400(d) requires the recipient to maintain adequate documentation to support the accumulation of costs charged to the Federal award. The recipient is not required to provide documentation for accumulated cost when submitting payment requests to the grants office, unless otherwise specified in a form or format approved by OMB in accordance with the Paper Reduction Act (44 U.S.C. § 3501).

*190505. Payment Submission Timelines

A good working relationship with the designated payment office is necessary to ensure timely payments. The administrative grants office will review each payment request to ensure the request complies with award terms, available funds are adequate to pay the request, and the recipient will not have excess cash on hand based on expenditure patterns. To ensure timely payments, 32 CFR 22.810 prescribes policy for the administrative grants office to certify and forward the request to the designated payment office at least 3 working days before the end of the specified period. The payment office will process the payment request:

A. No more than 7 **calendar** days after receipt of the recipient's request at the administering office whenever electronic commerce is used, e.g., Electronic Data Interchange to request the payment and EFT to make the payment;

B. No more than 30 **calendar** days after receipt of the recipient's request at the administering office when it is not possible to use electronic commerce; and

C. No more than 7 **calendar** days after each date specified **by the award** when payments are authorized in advance **of** a predetermined payment schedule, provided the payment schedule was received in the **designated** payment office at least 30 **calendar** days in advance **of the date of the scheduled payment**.

***190506. Prompt Payment Interest Penalties**

In accordance with **5 CFR 1315.15**, prompt payment interest penalties do not apply to Federal grants and cooperative agreements.

1906 DEBT COLLECTION FOR GRANTS AND COOPERATIVE AGREEMENTS

***190601. Collection Procedures**

The grants officer will review relevant data to determine debt owed by the award **recipient**. Any funds paid to the recipient in excess of the amount to which the recipient is entitled constitutes a debt to the DoD. The Accounts Receivable Office (ARO) is the office responsible for recording and reporting receivables and may be the office responsible for debt collection. In most, but not all, cases the ARO is located at a DFAS **payment office**. Refer to Volume 16, Chapters 1 and 5 for ARO responsibilities.

* A. Grants officers are responsible for post-award administration of grants and cooperative agreements in accordance with the DoDGARs. Primary responsibility for collecting the debt rests initially with the grants office. The grants officer will attempt to resolve by mutual agreement any claim of a recipient's indebtedness. In the absence of such mutual agreement, any claim of a recipient's indebtedness will be the subject of a grants officer decision, in accordance with 32 CFR 22.815(b)(2). The grants officer will prepare and transmit to the recipient a written notice providing all relevant data for payments in excess of the amount to which the recipient is entitled (32 CFR 22.820). The notice will inform the recipient that within 30 calendar days of the grants officer's decision, the recipient will either pay the amount owed to the grants officer or inform the grants officer of the recipient's intention to appeal the decision.

* B. If within 30 days of the grants officer's decision the recipient has neither paid the amount due nor provided notice of intent to file an appeal, the grants officer will send a demand letter to the recipient, with a copy to the Debt Collection Office (DCO) of the designated payment office for collecting the delinquent debt.

* C. The DCO of the designated payment office will be responsible for any further debt collection activity, including any additional issuance of demand letters (32 CFR 22.820). The DCO will follow collection procedures in **Volume 16, Chapter 5** unless the DoDGARs, or the applicable grant or cooperative agreement, explicitly prescribes a different procedure.

D. Grants offices will obtain each grant recipient's Taxpayer Identification Number (TIN) **via the SAM database**. The TIN is necessary for the purpose of collecting and

reporting on any delinquent amounts that may arise out of the recipient's relationship with the Federal Government.

E. Upon receipt of the debt package from the grants officer, the DCO will pursue collection of the debt.

***190602. Offset Policy**

In accordance with the provisions of [*OMB Circular A-129*](#), Policies for Federal Credit Programs and Non-Tax Receivables, the collection of delinquent debts owed by the recipient may require the use of administrative offsets. When taking an administrative offset the DCO will follow the due process as provided in [*31 CFR 901.2*](#), Demand for Payment, and [*31 CFR 901.3*](#), Collection by Administrative Offset, where the statute and regulations are applicable. Use of administrative offset is not required in every instance in which there is an available source of funds. Either the payment office or the accounting office will make a determination on a case-by-case basis in conjunction with the grants officer responsible for the award against which the offset will be applied. In accordance with [*29 CFR 1450.10*](#), the following examples are when an offset will not be taken:

A. Recovery of debt by an administrative offset will not be taken when the grants officer determines that the offset will substantially interfere with, or defeat the purpose of, the program for which the offset is contemplated.

B. Generally, grants and cooperative agreements paid in advance are not subject to offset. If deemed to be in the best interest of the Government, then the payment office may request the issuing grants officer to convert the agreement to a reimbursable method of payment that would enable the use of an administrative offset.

***190603. Collection Office**

The office responsible for collecting the debt will apply interest, penalty, and administrative costs to delinquent debts according to guidance contained in Volume 16, Chapter 7. Refer to Volume 16, Chapters 1-4 for debt management and collection of individual debts within the DoD.

***190604. Uncollectible Debts**

Volume 4, Chapter 3 and Volume 16, Chapters 2, 5, and 7 prescribe policy for writing off debts that are determined uncollectible.