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 November 2016 is archived.

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<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
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<tr>
<td>190102</td>
<td>Clarified the authoritative guidance provided by Title 31, United States Code, Chapter 63.</td>
<td>Revision</td>
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<td>190201</td>
<td>Clarified the responsibilities of the Department of Defense awarding office if a grant payment system is used to make grant payments, such as the Department of Treasury’s Automated Standard Application for Payments system, in lieu of the traditional vendor payment system.</td>
<td>Revision</td>
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<td>190501</td>
<td>Clarified that, in accordance with Title 32, Code of Federal Regulations, 22.820, when the Defense Finance and Accounting Service (DFAS) is not the payment office, the grants officer should coordinate with the designated payment office for debt collection actions prior to engaging and requesting DFAS’ Debt Management Office services.</td>
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CHAPTER 19

PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE

1901 GENERAL

190101. Purpose

This chapter provides policy for the proper administration and payment of funds under Department of Defense (DoD) grants, cooperative agreements, and other instruments of assistance. Policy is also included for cash management, financial reporting, and debt collection associated with these instruments. Refer to Volume 3, Chapter 8 for policy when recording obligation of funds for grants or agreements and Volume 12, Chapter 5 for accounting policy concerning these instruments.

190102. Authoritative Guidance

A. Title 31, United States Code (U.S.C.), Chapter 63 provides criteria for agencies to use in determining when a grant or cooperative agreement is the appropriate legal instrument between the U.S. Government and a state, 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.

C. Title 2, CFR, Subtitle A, Chapter II prescribes uniform administrative requirements, cost principles, and audit requirements for Federal awards.

D. 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). The DoDGARs is codified at 2 CFR, Subtitle B, Chapter XI and 32 CFR, Subchapter C, Parts 21-37 and, as necessary, DoD instructions and other issuances.

1902 SUBMISSION AND PAYMENT RESPONSIBILITY

190201. Administering Office

A. The office that issues the grant or cooperative agreement (grants officer) distributes a copy of the award to the office designated to administer the instrument of assistance, and will also promptly distribute award documents, modifications, and electronic funds transfer (EFT) information to the designated payment office (32 CFR 22.605). If the DoD awarding office is using a grant payment system in which the awarding office must enter the relevant details of the award into the payment system (e.g., Automated Standard Application for Payments), then this distribution is not required.
B. The award recipient will certify and forward payment requests for the performance period to the administering grants office or required payment request system. The responsibilities of the administering grants office related to payment requests are specified in 32 CFR 22.810. When the DoD awarding office is not using a grant payment system as described in 190201.A, payment requests are required to be submitted and authorized in accordance with section 22.810 and the administering grants office must review and certify that the payment request or electronic equivalent is legal, proper, and correct (Volume 5, Chapter 5). The administering grants office also ensures the request for payment complies with the award terms and the recipient will not have excess cash on hand, based on expenditure patterns.

C. See www.grants.gov for additional information and guidance on managing and administering grants.

190202. Designated Payment Office

The award must designate the specific payment office that will make payment (typically the Defense Finance and Accounting Service (DFAS)). The payment office must verify the propriety, adequacy, and completeness of any required documentation to substantiate amounts to be paid by the DoD. The payment office must retain all award documentation supporting the payment file.

190203. Electronic Payment Process

Electronic commerce is the preferred method to submit and process payment requests in accordance with 32 CFR 22.810(b)(3). Payment by EFT is a requirement of 32 CFR 22.810(b)(2) and 31 CFR 208.3. Title 2, CFR, Part 25 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 awardees and Federal awardee information and is the centralized Government system to support certain contracting, grants, and other assistance-related processes.

1903 INTERNAL CONTROLS

190301. Internal Controls - Grant Awards

OMB Circular A-123, “Management’s Responsibility for Enterprise Risk Management and Internal Control,” states that statutory requirements should be considered as part of the agency’s internal control framework which includes the Single Audit Act (31 U.S.C., section 7501-7507). Title 32 CFR, Part 22, subpart H provides post-award administration responsibilities between the grants office and the designated payment office regarding specific requirements for 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. The Single Audit process, and an agency’s procedures for
190302. Audits

Refer to 2 CFR, Part 200, Subpart F, 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 DoD Inspector General (DoDIG) 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. 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.

1904 PAYMENT REQUEST

190401. Types of Payment Requests

The OMB guidance in 2 CFR 200.305(b)(1) states that, provided certain standards are met, 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 in the award terms and conditions that require its use (2 CFR, Part 200, Subpart C, 200.207).

190402. 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 (2 CFR, Chapter II, Part 215, Subpart C, 215.22(m)(1)).
DoD Components may use other forms if authorized by OMB (2 CFR, Chapter II, Part 215, Subpart C, 215.22(d)). A DoD Component must also obtain approval for any variation from OMB-approved forms or formats, including the use of additional or electronic 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 (41 CFR, Subpart 105-72.302(m)(2) and 2 CFR, Chapter II, 215.22(m)(2)). 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.

190403. Commercial Recipients

For payments to commercial recipients, the grants office may authorize recipients to use SF 270 or SF 271, or prescribe other forms or formats as necessary (32 CFR 34.12(d)).

190404. 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 previously accrued. Title 2 CFR, Part 200, Subpart E, 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 Paperwork Reduction Act (44 U.S.C. § 3501).

190405. Payment Submission Timelines

When payment requests must be authorized by the administrative grants office in accordance with 32 CFR 22.810, 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. In these circumstances, to ensure timely payments, the administrative grants office must certify and forward the request to the designated payment office at least 3 working days before the end of the below specified periods. 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, on 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.

190406. Prompt Payment Interest Penalties

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

190407. Cash Management Policy

The Cash Management Improvement Act, implemented by 31 CFR, Part 205 and Part 206, sets rules, including interest liabilities and procedures, concerning the transfer of funds for Federal financial assistance programs between Federal agencies and the states.

1905 DEBT COLLECTION FOR GRANTS AND COOPERATIVE AGREEMENTS

*190501. Collection Policy

Any funds paid to the recipient in excess of the amount to which the recipient is entitled constitutes a debt to the DoD. Grants officers are responsible for post-award administration of grants and cooperative agreements in accordance with the DoDGARs. Primary responsibility for collecting debt resulting from a grant or cooperative agreement rests initially with the grants office (see 32 CFR 22.820 for additional detailed policy). DoD awarding offices should use the Debt Collection Office (DCO) of the designated payment office as the primary debt collection option. If DFAS is not the designated payment office, DoD awarding offices may utilize the Debt Management Office of DFAS for further debt collection and administrative offset opportunities, after first utilizing the DCO. Refer to Volume 16, Chapters 1, 3, and 5 for additional detailed policy.

A. 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 supporting the debt determination (32 CFR 22.820). The notice will inform the recipient that within 30 calendar days of the grants officer's decision, the recipient must either pay the amount owed, in accordance with instructions in the notice, or inform the grants officer of the recipient's intention to appeal the decision.

B. If the recipient has neither paid the amount due, nor provided notice of intent to file an appeal, within 30 days of the grants officer’s decision, the grants officer will send a demand letter to the recipient, with a copy to the DCO (see Volume 16, Chapter 2 for general policy requirements of debt letter notifications).
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 policy 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 for the purpose of collecting and reporting delinquent debts.

190502. 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 (also see Volume 16, Chapter 2 and 5 for additional policy concerning offsets). Use of administrative offset is not required in every instance in which there may be 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.

190503. Collection Office

The office responsible for collecting the debt will apply interest, penalty, and administrative charges to delinquent debts according to policy in Volume 16, Chapter 7.

190504. Uncollectible Debts

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