

**SUMMARY OF MAJOR CHANGES TO
DOD 7000.134-R, VOLUME 12, CHAPTER 5
“GRANTS AND COOPERATIVE AGREEMENTS”**

Substantive revisions are denoted by a ★ preceding the section, paragraph, table, or figure that includes the revision.

| PARAGRAPH | EXPLANATION OF CHANGE/REVISION | PURPOSE |
|------------------|---------------------------------------|----------------|
| 050102 050402 | Update references. | Admin |

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RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES DEPARTMENTAL LEVEL

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CHAPTER 5

GRANTS AND COOPERATIVE AGREEMENTS0501 OVERVIEW

050101. Purpose. This chapter prescribes the guidance to be followed by the Department of Defense (DoD) Components to account for and control grants and cooperative agreements.

★ 050102 Authority. Authoritative requirements for the uniform administration of grants and cooperative agreements are contained in DoD 3210.6-R, “DoD Grant and Agreement Regulations,” the Office of Management and Budget (OMB) Circular No. A-102, “[Grants and Cooperative Agreements With State and Local Governments](#)” and OMB Circular No. A-110, “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations.” The “Catalog of Federal Domestic Assistance,” updated annually by the OMB and the U.S. General Services Administration, is the basic reference source for DoD assistance programs.

050103. General

A. DoD grants and cooperative agreements are federal assistance agreements under which payments in cash and/or in kind are made for specified purposes. The major difference between grants and cooperative agreements is that grants are assistance awards for which no substantial involvement is anticipated between the DoD and the recipient during performance of the contemplated activity, whereas cooperative agreements may require substantial involvement. However, the accounting treatment for the two types of agreements is similar. Recipients of DoD grants and cooperative agreements include individuals, nonprofit organizations, local and state governments, U.S. territories, and federally recognized tribal governments.

B. DoD grants and cooperative agreements include formula grants to states and project grants for the following:

1. Construction of armories and other major projects.
2. Military base reuse studies and community planning.
3. Impact assistance for areas affected by the East Coast Trident Program.
4. Cooperative agreements placed under the DoD Procurement Technical Assistance Program.

C. Grants and cooperative agreements do not include:

1. Technical assistance programs that provide services instead of money.
2. Contracts that are entered into and administered under procurement laws and regulations.
3. Agreements under which only direct cash assistance to individuals, a subsidy, a loan, a loan guarantee, or insurance is provided. Under the Foreign Military Financing Program, the DoD accounts for grants made to foreign nations allied to the U.S. These grants provide the financing to U.S. allies for acquisition of U.S. military articles, services, and training. Financial policies for these grants are described in [Volume 15](#) of this Regulation.

D. The acceptance of an assistance award from DoD creates a legal duty on the part of the recipient to use the available funds or property in accordance with the terms and conditions of the assistance agreement. Payments may be made in advance or as reimbursement for either work performed or costs incurred by awardees. This chapter provides guidance for issuing advances to grantees. Recipients are required to return to the DoD the following:

1. The unused balances of advance payment awards (plus earned interest, unless recovery is prohibited by statute).
2. Any funds improperly applied.
3. Property or facilities purchased or otherwise made available under the conditions of the awards, unless legal title thereto is vested unconditionally in the recipient by the terms of the award.

0502 ACCOUNTING STANDARDS FOR GRANTS AND COOPERATIVE AGREEMENTS

050201. Accounting for a DoD grant or cooperative award begins with the execution of an agreement or the approval of an application or similar document which sets out the amount and purpose of the award, the performance period, the obligations of the parties to the award, and other terms. A legal obligation to disburse the assistance funds, in accordance with the terms of the agreement, occurs upon execution of an agreement or an approval of an application or similar document.

050202. Advance payments to award recipients shall be accounted for as advances by the DoD Component until the recipient has performed under the award or contract.

050203. When the recipient has performed under the grant or cooperative agreement, the DoD Component shall record an expense in an amount equal to the cost of the services performed or cost incurred and reduce the advance account by a like amount.

050204. Payments to award recipients as reimbursement for work performed or costs incurred shall be accounted for as expenditures and as expenses incurred, or as reductions of liabilities if the expenses were recorded previously.

050205. When title to assets acquired by award recipients vests with the U.S. Government, the DoD Component shall establish appropriate general ledger accounting control and property records, and include the assets in its financial statements. The assets shall be recorded at acquisition cost to the award recipient and depreciated in accordance with the guidance stated in [Volume 4, Chapters 1](#) and [6](#) of this Regulation.

050206. A refund receivable shall be established by the DoD Component to recover all expenses upon a determination that a recipient has failed to meet the requirements of the grant.

050207. At the termination of a grant or cooperative agreement, funds unused or improperly applied by the recipient shall be established as an account receivable by the DoD Component.

050208. Guidance to record the related obligations advances to grantees, and expensing of grants is provided in [Volume 3, Chapter 16](#) and [Volume 4, Chapters 5 and 7](#) of this Regulation.

0503 ACCOUNTING FOR GRANTS

050301. Table 5-1 illustrates the most common entries associated with grants awarded by DoD Components.

0504 FINANCIAL MANAGEMENT FOR GRANTS AND COOPERATIVE AGREEMENTS

050401. The Defense Finance and Accounting Service shall ensure the availability of a financial management information system capable of recording and monitoring grant and cooperative agreement transactions and providing, by transaction, a delineation of federal and awardee shares of program costs. The system shall enable the DoD Component to identify quickly the basic categories of funds involved, along with the related obligation and expenditure rates, and provide for ensuring fund availability prior to awarding financial assistance and obligating funds.

★ 050402. Projected cash requirements shall be obtained from major awardees no later than the receipt of the initial request for funds. The projections shall identify the times, amounts, and purposes for which cash is needed; be reviewed and approved by program officials and be recorded in the [Defense Grant and Agreement Regulatory System](#).

050403. Requests for cash advances shall be compared to the projected cash requirements before disbursements are made. Reasons for significant variations between requests for advances and projected cash requirements shall be determined and, if necessary, adjustments made. Advances may be made covering many awards to facilitate cash management and to simplify accounting for both the recipient and the Federal Government. The advances shall be liquidated based upon reports of expenditures and the return of funds

050404. Expenditure reports, by award, shall be prepared as a means for comparing planned with actual expenditures. DoD Component program and financial management staffs shall determine the causes of any significant variances and adjust planned and actual expenditures as needed. The reports shall be reviewed for evidence of performance and reconciled with requests for advance payment and reimbursement. Awardees shall be notified of potential overdrafts and, unless additional funds are made available, the approximate date on which federal funds will expire.

050405. Disbursements, whether by check or electronic funds transfer, shall be timed to minimize financing costs and the time elapsing between the transfer of funds from the U.S. Treasury and subsequent disbursement by the recipient for program purposes. DoD Component systems shall ensure that disbursements are controlled in accordance with guidance contained in [Volume 4, Chapter 2](#) of this Regulation.

050406. DoD Components are responsible for ensuring that cash is not disbursed to and/or maintained by awardees in excess of their immediate disbursement needs. DoD Components shall take remedial steps such as switching to the reimbursement method of financing, reducing the size of payments, or denying payment requests until recipients exhaust excess funds if a lack of performance dictates, if the recipient persistently maintains excessive balances of federal cash, or if the recipient does not establish adequate cash control procedures. Systems, procedures, and reports shall be designed to ensure that excess balances are readily identified and promptly turned over to the Department of the Treasury. Interest charges on excess balances shall be levied and collected as authorized by law.

050407. When the reimbursement method of financing is used, payment to the recipient should be made within 30 days after receipt of the billing.

050408. DoD Components shall maintain appropriate records of property acquired by recipients for which title rests or may rest with the U.S. Government.

050409. Financial and compliance audits of recipients of assistance awards shall be conducted in accordance with OMB guidance. Appropriate actions, such as withholding new awards and/or delaying payments, shall be considered when awardees fail to comply with applicable requirements.

050410. Amounts due as a result of a sustained audit finding shall be recorded promptly upon entitlement as an account receivable. The transaction occurs, for example, when an audit report is issued for matters for which the auditor is authorized to make the final determination. The receivable shall be recorded even though the decision to collect is subject to administrative appeal or litigation by persons outside the agency. Interest, at the rate prescribed in the [Treasury Financial Manual](#), shall begin to accrue no later than 30 days after the date the auditee was notified of the debt and continue to accrue while an appeal is underway.

ACCOUNTING ENTRIES FOR GRANTS

1. Dr 1413 Advances to Grantees
Cr 1012 Funds Disbursed
To record authorized advance payments to award recipients.
2. Dr 6123 Grants, Subsidies, and Contributions
Cr 1413 Advances to Grantees
To record recipient's performance under the grant or cooperative agreement.
3. Dr 6123 Grants, Subsidies, and Contributions
Cr 1012 Funds Disbursed
Cr 1413 Advances to Grantees
To record payments to award recipients as reimbursement for work performed or costs incurred.
4. Dr 1710 Land
Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 1012 Funds Disbursed
Cr 1413 Advances to Grantees
To record the vesting of title in the government of fixed assets acquired by award recipients.
5. Dr 1316 Refunds Receivable-Public
Cr 6123 Grants, Subsidies, and Contributions
To record a receivable to recover all expenses upon a determination that a recipient has failed to meet the requirements of a grant.
6. Dr 1316 Refunds Receivable-Public
Cr 1413 Advances to Grantees
Cr 1710 Land
Cr 1730 Buildings
Cr 1740 Other Structures and Facilities
Cr 6123 Grants, Subsidies, or Contributions
To record at the termination of a grant or cooperative agreement unused funds or funds that were improperly applied by the recipient.

TABLE 5-1