

VOLUME 12, CHAPTER 5: “GRANTS AND COOPERATIVE AGREEMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by **blue font**.

Substantive revisions are denoted by an * 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 December 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
050101	Added Overview section.	Addition
050103	Added new Office of Management and Budget (OMB) guidance as contained in 2 CFR part 200 which has supplanted OMB Circular A-110, deleted reference to DoD 3210.6R as it has been cancelled; and made various wording changes to align with current practice.	Addition/ Deletion/ Revision
0502	Revised section title.	Revision
050202	Deleted the words ‘or contract.’ (now 050402)	Deleted
050204	Added information on accounting treatment for grants accruals according to GAAP and FASAB Handbook. (Now paragraph 050404.)	Addition
050206	Combined gist of previous paragraph 050206, Refunds Receivable, with 050207, to enhance reader understanding. (Now paragraph 050407.)	Revision
050205, 050206, 050207	Revised paragraph numbering due to addition of GAAP and FASAB information. (Now paragraphs 050405, 06, 07.)	Revision
050208	Deleted previous paragraph 050208 as grant information is no longer included in Volume 5.	Deletion
0503	Revised section title.	Revision
050402	Clarified wording.	Revision
050403	Included document retention requirement.	Addition
050404	Added new paragraph on accruals.	Addition
050407	Revised paragraph title and added document retention requirement.	Revision/ Addition
Multiple	Reformatted and corrected hyperlinks.	Update

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CHAPTER 5

GRANTS AND COOPERATIVE AGREEMENTS

*0501 GENERAL

050101. Overview

A. DoD grants and cooperative agreements are federal assistance agreements under which payments 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 are awards for which substantial involvement is anticipated. However, the accounting treatment for the two types of agreements is the same.

B. DoD grant and cooperative agreement recipients include institutions of higher education, non-profit organizations, local and state governments, and for-profit entities.

050102. Purpose

This chapter prescribes the policy to be followed by the Department of Defense (DoD) Components to account for and control funds obligated through grants and cooperative agreements.

*050103. Authority

A. “DoD Grant and Agreement Regulations,” (DoDGARs) which is based on Title 32, Code of Federal Regulations (CFR), [Part 22](#);

B. [Title 31, United States Code \(USC\), Chapter 63](#), “Using Procurement Contracts and Grant and Cooperative Agreements;”

C. [Title 2, CFR, Part 1103](#), DoD’s interim implementation, which directs DoD Components to use the Office of Management and Budget (OMB) guidance found at [2 CFR part 200](#) to govern the administrative requirements, cost principles, and audit; and

D. [Title 32, CFR, Part 34](#), “Administrative Requirements for Grants and Agreements with For-Profit Organizations.”

E. The [“Catalog of Federal Domestic Assistance,”](#) maintained for OMB by the General Services Administration, is a basic reference source for descriptions of DoD programs that utilize grants, cooperative agreements, and other forms of assistance.

F. [The Federal Funding Accountability and Transparency Act of 2006](#), also included as part of the DoDGARs, requires full disclosure by entities that receive \$25,000 or

more in Federal funding, including grants, subgrants, awards, and cooperative agreements. Information from FY 2007 forward must be entered into the <http://www.USAspending.gov> web site, established by OMB to implement the Act's requirements.

*0502 ALLOWABLE USES OF GRANTS AND COOPERATIVE AGREEMENTS

050201. Use of grants and cooperative agreements

A. Conduct of scientific and engineering research and related education and research training;

B. Operation, maintenance, and some construction for State National Guard units, for which DoD shares the cost with the states. (State National Guard units are state agencies, unless and until the President activates them for federal missions);

C. Military base re-use studies and community planning;

D. The DoD Procurement Technical Assistance Program; and

E. Grants under the Foreign Military Financing Program. DoD awards grants 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, Security Assistance Policy and Procedures, Chapter 1.

050202. Technical Assistance Programs

Grants and cooperative agreements do not include technical assistance programs that provide services instead of money, and are statutorily distinct from contracts entered into and administered under procurement laws and regulations.

*0503 USE OF FUNDS IN ACCORDANCE WITH THE AWARD

050301. Acceptance of an Assistance Award

A. 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.

B. Payments may be made in advance or as reimbursement for either work performed or costs incurred by awardees.

050302. Required Awardee Returns to DoD

A. Any funds applied improperly;

B. Any federally-owned property provided under awards, and in some cases, property purchased under awards, consistent with the terms of the award; and

C. In most cases, unused balances of advance payment awards (plus earned interest payable to the Department of Health and Human Services);

0504 ACCOUNTING STANDARDS FOR GRANTS AND COOPERATIVE AGREEMENTS

050401. Commitment of Funds

Accounting for funds under a DoD grant or cooperative award must start with the commitment of funds prior to their obligation by the awarding official. The awarding official must be a properly warranted grants or agreements officer. Following the funds commitment, the following must be accomplished: recording of the obligation upon execution of the agreement or other obligating document approved by the awarding official that 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 other obligating document.

*050402. Advance Payments

Advance payments to award recipients must be accounted for as advances by the [assisting](#) DoD Component (this would be the Defense Finance and Accounting Service (DFAS) in [some](#) cases) until the recipient has performed under the award.

*050403. Recording of Expense

When the recipient that received the advance has performed under the grant or cooperative agreement, the DoD Component (again, DFAS in [some](#) cases) must record an expense in an amount equal to the cost of the services performed or cost incurred, and reduce the advance account by that amount. The recipient shall provide sufficient documentation to support the cost of the services performed or cost incurred, consistent with the award or contract. This documentation should also be used to support the appropriate payment in paragraph 050404. [Documentation must be maintained for six years, three months, and 1 day following award closeout.](#)

*050404. Accruals

A. [The accrual basis of accounting in accordance with Generally Accepted Accounting Principles \(GAAP\) requires revenues to be recognized in the period earned and expense recognized in the period incurred;](#)

B. [Accruals represent liabilities for goods and services received or work performed by another. Accruals must be recorded even if specific parts of the underlying financial process may not have been completed;](#)

C. Accruals must be supported by reasonable documentation, which is generally written documentation that allows another reasonably knowledgeable individual to come to the same logical conclusion when the documentation is reviewed;

D. Accruals should be reversed when the good or services have been received, or the accrual is determined to be invalid; and

E. Pursuant to the Federal Accounting and Standards Advisory Board (FASAB) Handbook, Version 13 (06/14), Technical Release 12, “Accrual Estimates for Grant Programs,” accruals for grants programs may be estimated until sufficient relevant and reliable historical data is available to calculate more exact figures.

050405. Expenditures or Expenses Incurred

Payments to award recipients as reimbursement 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.

050406. Title to Assets

When title to assets acquired by award recipients' vests with the U.S. Government, the DoD Component must establish appropriate general ledger accounting control and property records, and include the assets in its financial statements. The assets must be recorded at acquisition cost to the award recipient, and depreciated in accordance with guidance contained in Volume 4, Chapters 1 and 6.

*050407. Funds Disposition at Grant Closeout

At the termination or closeout of a grant or cooperative agreement, disallowed expenses, improperly applied funds, and/or unused funds, must be established as an accounts receivable by the DoD Component. Note that substantiating documentation must be maintained for six years, three months, and one day, following the date of award closeout.

0505 **ADDITIONAL ACCOUNTING FOR GRANTS**

Additional policy for grants accounting, advances to grantees, and/or specifically for research grants, is provided in Volume 4, Accounting Policy and Procedures, Chapters 4 and 5.

0506 **FINANCIAL MANAGEMENT FOR GRANTS AND COOPERATIVE AGREEMENTS**

050601. Availability of Financial Management Information System

The DFAS must 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 the federal and awardee break out of program costs.

The system must 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.

050602. Multiple Advances

Advances may be requested to cover more than one award to facilitate cash management, and to simplify accounting steps.

050603. Liquidation of Advances

Advances must be liquidated based upon reports of expenditures and the return of funds.

050604. Minimizing Financing Costs

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

050605. Reimbursement Method of Financing

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

050606. Maintenance of Property Records

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

050607 Accounts Receivable due to Sustained Audit Finding

Amounts due as a result of a sustained audit finding must be promptly recorded upon entitlement as an accounts receivable. The receivable must be recorded even though the decision to collect is subject to administrative appeal or litigation. Interest must begin to accrue no later than 30 days after the date the auditee was notified of the debt, and continues to accrue while an appeal is underway.