

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

Changes are denoted by blue font.

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

Hyperlinks are denoted by *bold, italicized, and underlined blue font*

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
05010202	The Federal Funding Accountability and Transparency Act of 2006	Non-discretionary

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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

A. Authoritative requirements for the uniform administration of grants and cooperative agreements are contained in [DoD Directive 3210.6-R](#), “DoD Grant and Agreement Regulations,” the Office of Management and Budget (OMB) [OMB Circular A-102](#), “Grants and Cooperative Agreements With State and Local Governments,” and [OMB Circular 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 OMB and the U.S. General Services Administration, is the basic reference source for DoD assistance programs.

B. [The Federal Funding Accountability and Transparency Act of 2006](#) requires full disclosure by entities that receive more than \$25,000 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, or be directly searchable through the Federal Procurement Data System, the Federal Assistance Award Data System, and/or [Grants.gov](#). Data must be entered within thirty (30) days after the award is made by the Component making the award. Certain exceptions to this time limitation may be granted, but only when submitted and approved by the Director of OMB. Nothing in the Act requires the disclosure of classified information.

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, Security Assistance Policy and Procedures, Chapter 1](#), 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. 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 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 must 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 **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.

050204. 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.

050205. 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, Chapter 1](#) and [Chapter 6](#) of this Regulation.

050206. A refund receivable must 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 must be established as an account receivable by the DoD Component.

0503 ACCOUNTING FOR GRANTS. Additional guidance for grant accounting, advances to grantees, and/or specifically for research grants, is provided in Volume 4, Accounting Policy and Procedures, [Chapter 4](#) and [Chapter 5](#), of this Regulation.

0504 FINANCIAL MANAGEMENT FOR GRANTS AND COOPERATIVE AGREEMENTS

050401. The Defense Finance and Accounting Service 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 federal and awardee shares 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.

050402. Projected cash requirements **must** be obtained from awardees no later than the receipt of the initial request for funds. The projections must 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 **must** be compared to the projected cash requirements before disbursements are made. Reasons for significant variations between requests for advances and projected cash requirements **must** be determined and adjusted, if necessary. Advances may be requested to cover more than one award to facilitate cash management, and to simplify accounting, for both the recipient and the Federal Government. The advances **must** be liquidated based upon reports of expenditures and the return of funds.

050404. Expenditure reports, by award, **must** be prepared as a means of comparing planned with actual expenditures. DoD Component program and financial management staffs **must** determine the cause of any significant variances, and adjust planned and actual expenditures as **appropriate**. The reports must be reviewed for evidence of performance and reconciled with requests for advance payment and reimbursement. Awardees must 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, **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](#) 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 **must** take remedial steps such as switching to the reimbursement method of financing, or reducing the size of payments, 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, payment requests may be denied. Systems, procedures, and reports must 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 **must** 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 bill.

050408. DoD Components must 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 must be conducted in accordance with OMB guidance. Appropriate actions, such as withholding new awards and/or delaying payments, must be considered when awardees fail to comply with applicable requirements.

050410. Amounts due as a result of a sustained audit finding must 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 must 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, Vol. 1, Part 6, Chap. 8000](#), 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.