

**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 June 2011 is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
<b>Multiple</b>	<b>Reformatted and corrected hyperlinks.</b>	<b>Update</b>

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## CHAPTER 5

**GRANTS AND COOPERATIVE AGREEMENTS**

## 0501 OVERVIEW

## 050101 Purpose

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

## 050102 Authority

A. Authoritative requirements for the uniform administration of grants and cooperative agreements are contained in [DoD 3210.6-R](#), “Defense Grant and Agreement Regulatory System” (DGARs).

B. The DGARs contain policy and procedural requirements applicable to DoD Component officials responsible for the award and administration of grants and cooperative agreements; and requirements to be included in award terms and conditions that apply to recipients and subrecipients, and entities from which they procure goods and services needed to carry out the projects or programs supported by the awards.

C. Certain areas of the DGARs will be of particular interest to DoD Component financial managers, such as:

1. Part 22 that addresses post-award topics of payment and debt recovery/recapture/collection.

2. Part 32 that contains the DoD implementation of [Office of Management and Budget \(OMB\) Circular A-110, “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”](#);

3. Part 33 that contains the DoD implementation of [OMB Circular A-102, “Grants and Cooperative Agreements With State and Local Governments”](#); and

4. Part 34, “Administrative Requirements for Grants and Agreements with For-Profit Organizations.”

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

E. [The Federal Funding Accountability and Transparency Act of 2006](#), also included as part of the DGARS, 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, 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 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 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. Subpart B of Part 22 of the DGARS addresses the appropriate use of grants and cooperative agreements. It describes the distinction between assistance and procurement purposes, which is based on [31 United States Code \(USC\) Chapter 63, "Using Procurement Contracts and Grant and Cooperative Agreements."](#)

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

D. Purposes for which DoD Components use grants and cooperative agreements include: DoD grants and cooperative agreements include formula grants to states and project grants for the following:

1. Conduct of scientific and engineering research.
2. Operation and maintenance (and some construction) for State National Guard units, which share the cost with the States. (State National Guard units are state agencies, unless and until the President activates them for federal missions.)
3. Military base reuse studies and community planning.
4. The DoD Procurement Technical Assistance Program.

E. 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.

F. 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.

G. 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 payable to the Department of Health and Human Services), in most cases.
2. Any funds improperly applied.
3. Any federally-owned property provided under awards, and in some cases, property purchased under awards, consistent with the terms of the award.

## 0502 ACCOUNTING STANDARDS FOR GRANTS AND COOPERATIVE AGREEMENTS

### 050201 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.

### 050202 Advance Payments

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

### 050203 Recording of Expense

When the recipient that received the advance has performed under the grant or cooperative agreement, the DoD Component (again, DFAS in most 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 050204.

050204 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.

050205 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, Chapter 1 and Chapter 6.

050206 Refund Receivable

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

050207 Unused Funds or Improperly Applied Funds at Grant Closeout

At the termination or closeout 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.

050208 Additional Grant Payment Information

Additional information on grants payments may be found in Volume 5.

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.

0504 FINANCIAL MANAGEMENT FOR GRANTS AND COOPERATIVE AGREEMENTS

050401 Availability of Financial Management Information System

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 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.

050402 Multiple Advances

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

050403 Liquidation of Advances

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

050404 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.

050405 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.

050406 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.

050407 Accounts Receivable due to Sustained Audit Finding

Amounts due as a result of a sustained audit finding must be recorded promptly upon entitlement as an account receivable. 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.