CHAPTER 14
GRANTS, COOPERATIVE AGREEMENTS, AND TECHNOLOGY INVESTMENT AGREEMENTS

1. INTRODUCTION. Grants, cooperative agreements, and technology investment agreements are financial assistance instruments, rather than acquisition instruments, used by the Department of Energy (DOE) to transfer money or property to a recipient to accomplish a public purpose authorized by Federal statute.

a. Purpose. This chapter prescribes policies and general procedures for the accounting and financial management of grants, cooperative agreements and technology investment agreements administered by DOE.

b. Applicability. This chapter applies to all Departmental elements, including the National Nuclear Security Administration (NNSA). It does not apply to site/facility management contractors and other major contractors.

c. Policy. It is the policy of DOE to account for and administer financial assistance instruments in accordance with applicable statutory authority, Office of Management and Budget (OMB) and Department of the Treasury (Treasury) guidelines, and DOE policies and procedures governing such agreements.

d. Definitions

(1) Grant – is federal assistance, in the form of money or property, authorized by federal law to support programs with a public purpose that the government wishes to encourage.

(2) Cooperative Agreement – is federal assistance similar to a grant as provided above. However, the primary distinguishing feature between a grant and a cooperative agreement is that, under a cooperative agreement, there is substantial involvement between the Department and the recipient during the performance of the funded activity.

(3) Technology Investment Agreement - is a special type of assistance instrument used to increase the involvement of commercial firms in the Department's Research Development and Demonstrations programs. A technology investment agreement may be either a type of cooperative agreement or a type of assistance transaction other than a cooperative agreement, depending on the intellectual property provisions. A technology investment agreement may be either expenditure based or fixed support.

(4) Revolving Loan Fund - is a pool of funds ((derived from financial assistance award(s)) managed by a financial recipient or a third-party administrator. The financial recipient may loan funds from the pool to other entities in support of Federal assistance program goals. Investment income is earned on the funds that remain in the pool and

on loans made from pool funds. As funds are repaid, they are then re-lent to other borrowers allowing the fund to "revolve."

(5) Loan Loss Reserves –are used to provide partial risk coverage of third party loans

2. ACCOUNTING PROCEDURES.

a. Recording of Obligations. The contracting officer (CO) must have certified funds that have been made available through the Strategic Integrated Procurement Enterprise System (STRIPES) before executing the award document. Contracting Officers (CO) must ensure proper certification of funds by the Allottee Budget organization prior to awarding the contract. This could be accomplished by ensuring the appropriate Allottee Budget Approver is identified in the route history of the Purchase Requisition that is being awarded. The accounting string information in STRIPES must contain the proper appropriation and accounting classification data prior to obligating the award through the STARS interface. See Chapter 5, "Accounting for Obligations," for further guidance on obligations.

b. Deobligations. A reduction or withdrawal of funds from a grant, cooperative agreement or a technology investment agreement is processed either (1) by the CO through the STRIPES System; or (2) by the CFO Officer or equivalent after receiving an amended Notification of Financial Assistance Award (NFAA), signed by the authorized CO and financial recipient. CO's processing de-obligations through STRIPES are responsible for (1) ensuring that the recipient has signed the amended STRIPES award document; (2) receiving proper certification of funds withdrawal via a certified requisition from the appropriate allottee budget organization; (3) uploading the signed award document into STRIPES; and (4) approving the de-obligation action in STRIPES for processing through the STARS interface. The CFO Officer or equivalent shall monitor the STARS/STRIPES de-obligation activity to ensure that the STRIPES award document was bi-laterally executed.

An exception to this requirement shall occur when no funds have been drawn/paid to the recipient and the recipient has not accepted (signed) a grant NFAA or STRIPES award document. In this case, the CO issues a revision action to the NFAA or STRIPES, which deobligates the award after providing the recipient with at least two weeks written notice of DOE's intention to deobligate.

c. Payments.

(1) Timing of Payments. Payment shall be made to the recipient either before the recipient makes cash outlays (advance drawdown) or after the recipient has incurred costs (reimbursement). The CO will determine the payment terms prior to the award and include them and other conditions in the award. As prescribed in DOE's Guide to Financial Assistance (Paragraph 1.2.3) and 48 CFR 932.4, the CO must consult and coordinate with the field CFO or equivalent in carrying out this activity.

(a) Advance Drawdowns. Payments to the recipient may be made in advance of performance. Cash balances maintained at the recipient level are to be kept to the minimum amount necessary to meet immediate recipient disbursement needs, thus recipients should minimize the time elapsed between the transfer of funds from Treasury and the disbursement of the funds by the recipient. In order for recipients to draw down funds in advance from Treasury, the recipient must have a financial management system that meets the requirements set forth in title 10, sections 600.121(b), 600.220(b), and 600.311 of the Code of Federal Regulations (10 CFR 600.121(b), 600.220(b), 600.311). The recipient's financial management system must include procedures for minimizing the elapsed time between the transfer of funds from Treasury and their disbursement by the recipient. Additional information regarding advance payments can be found under 10 CFR 600.122, 600.221, 600.312 and 603.805.

(1) Refunds to DOE – In accordance with the Treasury Financial Manual (I TFM 6-2075.30), federal funds, erroneously drawn in excess of immediate disbursement needs, should be promptly refunded to DOE and redrawn at a later date as needed. The only exceptions to the requirement for prompt refunding are: (1) when the funds involved will be disbursed by the recipient organization within seven calendar days; or (2) are less than $10,000 and will be disbursed within 30 calendar days. These exceptions to the requirement for prompt refunding should not be interpreted as approval by Treasury or DOE for a recipient organization to maintain excessive funds; they are applicable only to excessive amounts of funds erroneously drawn.

(2) Grants, Cooperative Agreements, Technology Investment Agreements with Institutions of Higher Education, Hospitals, Other Non-profit, and Commercial Organizations – Field CFOs or equivalents shall ensure that recipients maintain advance drawdown of Federal funds in insured, interest bearing accounts. In accordance with 10 CFR 600.122(k), recipients shall maintain advance drawdown of Federal funds in interest bearing accounts, unless a, b, or c applies.

a. The recipient receives less than $120,000 in Federal awards per year;

b. The best reasonably available interest bearing account would not be expected to earn interest in excess of $250 per year on Federal cash balances ($1,000 for technology investment agreements in accordance with 10 CFR 603.820); or

c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

(3) Revolving Loan Funds (RLF), Loan Loss Reserve Funds, and Interest rate buy-downs and third party loan insurance[1] – In accordance with DOE General Counsel interpretation, the CFO (31 CFR 205.25, 31 CFR 205.15, 10 CFR 420.18(d)), permits funds to be drawdown at the time of obligation.

RLF are considered obligated by the recipient in any of the following circumstances:

a. Receipt of a loan application from potential borrowers;

b. State or local requirements (regulatory, statutory, or constitutional) dictate that

[1] See EECBG Program Notice 09-002C and SEP Program Notice 10-008C for further information on revolving and loan loss reserve funds and interest rate buy downs and third party insurance.

funds be available in advance;[2]

c. The distribution account is operated by a third party; and[2]

d. If a grantee establishes and operates an RLF, funds would be considered obligated by the grantee upon submitting a letter to the project officer and receiving a confirmation response from the project officer. The letter must: (1) provide the strategy for the RLF; and (2) identify the scope of the loan program.

Loan Loss Reserve Funds are considered obligated by the recipient when they are committed as a credit enhancement to support a loan portfolio of qualifying loans under the following circumstances:

a. For loan loss reserves supporting a funded program operated by the grantee, loan loss reserves are considered obligated by sending a letter to the Project Officer indicating the establishment of the loan loss reserve.

b. For loan loss reserves supporting third party loans, loan reserve funds are considered obligated when the grantee enters a signed agreement with the third party.

Interest rate buy-downs and third party insurance are considered obligated by the recipient when they have been committed to support a loan or loan program in any of the following circumstances:

a. Receipt of a loan application from potential borrowers;[3]

b. Where state or local requirements (regulatory, statutory, or constitutional)

[2] If a grantee requires a drawdown under these two circumstances, the grantee is to document the relevant requirements and provide that documentation to their Project Officer.
[3] If a grantee requires a drawdown under these three circumstances, the grantee is to document the relevant requirements and provide that documentation to their Project Officer

dictate that funds be available in advance;[3]

c. When the grantee enters into a signed agreement with the third party to support an ongoing loan program with interest rate buy-downs or third party-loan insurance;[3] and

d. The distribution account is operated by a third party and the grantee enters an agreement with the third party.

(b) Reimbursement. Reimbursement is payment to a recipient, upon the recipient's request, of actual costs incurred in performing activities under a financial assistance award. In accordance with 10 CFR 600.122(e) and 600.221(d), for higher educational institutions, hospitals, non-profit organizations, and state and local governments, reimbursement shall be the payment method when the recipient does not meet the requirements for an advance payment as described in paragraph 2c(1)(a) above. For for-profit recipients, reimbursement is the preferred payment method in accordance with 10 CFR 600.312(b). Recipients shall submit requests for reimbursement monthly, unless the award authorizes more frequent payment or, in the case of technology investment agreements, arrangements have been agreed upon for a milestone payment schedule (in accordance with 10 CFR 603.810).

(c) Working Capital Advance Basis. If the CO determines reimbursement is not feasible, because the recipient lacks sufficient working capital, DOE may provide funds on a working capital advance basis in accordance with 10 CFR 600.122(f); 10 CFR 600.221(e); and I TFM 6-2070.20. In this instance, the CO authorizes cash advances to the recipient to cover estimated disbursement needs for an initial period of time, generally aligned with the recipient's disbursement cycle. The period of time is to be decided by the CO. However, this period should not normally exceed 30 days. Thereafter, payments are made to the recipient organization for the amount of its actual cash disbursements.

[3] If a grantee requires a drawdown under these three circumstances, the grantee is to document the relevant requirements and provide that documentation to their Project Officer

(2) **Disbursement.** Treasury's Automated Standard Application of Payments (ASAP) system must be used for all agreements that provide for advance funding. However, the Department permitted certain American Recovery and Reinvestment Act (ARRA) of 2009 agreements to be paid via Treasury's Electronic Funds Transfer System (EFT) in order to segregate awards with no year funding vs. those with time limited funding. Agreements that provide for cost reimbursement may be paid either by ASAP or by the EFT . The cognizant field CFO or equivalent shall be responsible for providing the recipient with the necessary instructions for requesting payment. (Additional procedures for disbursement are in Chapter 6, "Cash," and Chapter 7, "Advances, Prepaid Expenses, and Other Assets," as well as the Treasury Financial Manual (I TFM 4-2000)).

(3) **Payments to Financial Assistance Recipients.** Payments are not subject to requirements of the Prompt Payment Act or to interest penalty provisions. However, in accordance with 10 CFR 600.122(e) and 600.312(e), the field CFO or equivalent must make payments within 30 days of receipt of a valid request for reimbursement.

(4) **Withheld Payments.** The field CFO or equivalent shall not withhold payments from grantees for proper charges, except when:

(a) A recipient has failed to comply with the project objectives, the terms and conditions of the award, or DOE reporting requirements; or

(b) The grantee or sub-grantee is delinquent on debt owed to the United States. Further details for withholding payments are cited in 10 CFR 600.122(h), 600.221(g), 600.243(a), 600.312(g), and 603.815. In the event a payment is to be withheld, the CO shall provide advance written notice to the grantee in accordance with these provisions.

d. **Cash Management.** The field CFO or equivalent shall manage and monitor advances to ensure recipient compliance with the requirement that cash balances maintained at the recipient level are kept to the minimum amount necessary to meet immediate recipient disbursement needs. Rules are provided under paragraph 2c(1)(a) above. (Additional cash management guidance is described in Chapter 6, "Cash," Chapter 7, "Advances, Prepaid Expenses, and Other Assets," and I TFM 6-2000 and 6-8000.)

(1) The field CFO or equivalent shall use financial reports required by the terms and conditions of the award to monitor the cash position of a recipient of a financial assistance award. These documents may include reports provided for under Federal Reporting.gov, Standard

Form (SF) 425, Federal Financial Report; SF-425A, Federal Financial Report Attachment ; SF-270, Request for Advance or Reimbursement; SF-271, Outlay Report and Request for Reimbursement for Construction Programs; and any other report of a recipient's financial activity that may be required for effective cash management. Award recipients may submit grant performance and financial information utilizing DOE's Performance and Accountability for Grants in Energy (PAGE) System.

(2) Upon termination or completion of the award and after cognizant CO notification, the field CFO or equivalent shall take prompt action to recover any unencumbered cash balances advanced to the recipient.

e. Program Income. As defined in 10 CFR 600.101, program income is gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award.

(1) Program income may include: income from fees for services performed; the use or rental of real or personal property acquired under federally-funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds. In many instances, grant recipients are entitled to retain income to defray program costs. DOE's CFRs provide separate rules governing the use of program income as follows:

(a) For Grants and Cooperative Agreements with Institutions of Higher Education, Hospitals, Other Non-Profit, and Commercial Organizations, see 10 CFR 600.124 and 10 CFR 600.130-137 for property;

(b) For Grants and Cooperative Agreements with State and Local Governments, see 10 CFR 600.225 and 10 CFR 600.231 and 10 CFR 600.232 for property;

(c) For Grants and Cooperative Agreements with For-Profit Organizations, see 10 CFR 600.314 and 10 CFR 600.320-325 for property; and

(d) For Technology Investment Agreements, see 10 CFR. 603.835.

(2) Generally, interest earned on advances of Federal funds is not considered program income. Recipients shall remit to DOE any interest or other investment income earned on advances of DOE funds as required by the Cash Management Improvement Act of 1990, I

TFM 6-2075.30a and 2075.30b, and OMB Circular A-110, "Uniform Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations." However, the following grant recipient organizations are allowed to retain a portion of interest for administrative expenses as follows:

(a) State and Local Governments – up to $100 in interest per year (in accordance with 10 CFR 600.221); and

(b) Institutions of Higher Education, Hospitals, Other Non-Profit Organizations up to $250 per year (in accordance with 10 CFR 600.122).

(c) Grant Recipients for Revolving Loan Funds – Per General Counsel interpretation of 10 CFR 205.25, all interest earned on funds which have been drawn down may be used for program purposes.

(3) The field CFO or equivalent shall deposit applicable interest to Treasury Account 89 1435, "General Fund Proprietary Interest Collections, Not Otherwise Classified" in accordance with I TFM 6-2075.30b. The power marketing administrations shall deposit miscellaneous interest to the reclamation fund or the revolving funds as appropriate. In addition, interest earned on advances funded with the Nuclear Waste Fund (NWF) shall be returned to the NWF.

f. **Other Receipts/Refunds.** The recipient must remit excess funds to the field CFO or equivalent where the funds are accounted for as refunds and deposited in the same appropriation account as the previously recorded disbursement. Detailed guidance for determining availability of fund balances is in Chapter 3, "Accounting for Appropriations and Other Funds." The field CFO or equivalent shall notify the contracting officer upon collection and deposit of any funds returned to DOE. Refunds received for active awards are credited back to the award. Refunds received for closed awards are credited back to the appropriation from which the payment was made. However, if the appropriation account is closed, refunds are treated as miscellaneous receipts and deposited to Treasury Account 89 1435, "General Fund Proprietary Interest Collections, Not Otherwise Classified" in accordance with 31 USC 1552(b). The Field CFO or Equivalent should consult with their Budget Office to determine the proper disposition of the refund(s) so that prior year recoveries in current, expired, and closed appropriations are appropriately handled.

For recipients receiving funds using the ASAP system, refunds should be made using the ASAP return payment process. For recipients receiving funds using EFT, refunds should be returned using the EFT refund process. Checks

should not be used to make refunds to DOE.

g. Adjustments. DOE may adjust the amount of an award and associated cost share, if any, during the term of the award in accordance with the terms of the award instrument. In addition, when authorized by the award instrument, general program income may be used to meet the cost sharing requirement of the grant agreement; however, the amount of the Federal grant award remains the same. Any requirements governing the disposition of program income earned after the end of the award period must be explicit in the terms of the agreement.

h. Financial Reporting.

(1) Accurately reporting cost for grants, cooperative agreements, and technology investment agreements imposes several challenges to the Department and award recipients. To provide some guidance to Federal agencies such as DOE, the Federal Accounting Standards Advisory Board (FASAB) issued on August 4, 2010, "Federal Financial Accounting Technical Release 12, Accrual Estimates for Grants." Through this technical release, (FASAB) provides broad guidance regarding: (1) developing accrual estimates for existing and new grant programs; (2) determining materiality considerations; (3) internal controls associated with developing grant estimates; (4) processes for monitoring and validating grant accruals; and (5) training and monitoring grantees. Offices are encouraged to review this technical release and provide recommendations to the Office of Financial Control and Reporting to improve the Department's overall accrual process. The following below provides procedures and processes that need to be taken by financial recipients and Departmental personnel in order to meet various financial reporting requirements:

(2) The recipient's financial management systems shall provide for accurate, current, and complete disclosure of the financial results of each DOE-sponsored project or program in accordance with financial reporting requirements of the grant, the cooperative agreement, or the technology investment agreement. The financial reports submitted to the Department shall include those described in 10 CFR 600, subparts B,C, and D, 10 CFR 603.880 and to those required by OMB, and DOE in fulfilling its cash management responsibilities in accordance with Treasury regulations.

Reports submitted to DOE may include but are not limited to ones required under OMB Circular A-133, the SF-425 (Federal Financial Report), SF-425A (Federal Financial Report Attachment), SF-270 (Request for Advance or Reimbursement), and SF-271 (Outlay Report

and Request for Reimbursement for Construction Programs). Annual reports for the SF 425 (Federal Financial Report) are required to be submitted no more than 90 days after the end of each reporting period.

In addition, recipients provided awards through ARRA of 2009 are also required to provide separate reports as provided by OMB Circular M-09-21, "Implementing Guidance for Reports on Use of Funds Pursuant to the ARRA of 2009." The Department provides detailed guidance on Recovery Act reporting at: http://www.energy.gov/recovery/ARRA_Reporting_Requirements.htm

(3) By law, financial reporting requirements placed upon financial assistance recipients are limited to minimize administrative reporting burdens. Generally, reporting shall be no more frequently than quarterly and no less frequently than annually. The procurement office, program office, and field CFO or equivalent shall jointly determine the type and frequency of reporting that best serve DOE's financial interest and objectives in making the award.

(4) The field CFO or equivalent shall review reports for completeness, accuracy, and compliance with the terms and conditions of the award. With reports required by ARRA of 2009, the Department requires field Offices to conduct quality assurance reviews of the data provided by award recipients. Detailed instructions on the quality assurance review are provided on the "Recovery Guidance" iPortal Workspace. The CO should follow up with the recipient regarding reports not received or not received in a timely manner, or inadequate or incorrect reports to identify and resolve any problems.

(5) All financial assistance awards are subject to the same accrual procedures as other procurement awards. Field CFOs or equivalent should record cost accruals for grants, cooperative agreements, and technology investments as follows:

(a) Grants, cooperative agreements, and technology investment agreements that use ASAP for payment are automatically recorded as costs as they are paid. Because ASAP payments may not reflect actual costs incurred for some awards, offices should provide supplementary cost information to the Energy Finance and Accounting Service Center (EFASC) or to respective accounting offices to adjust costs as necessary.

(b) Grants, cooperative agreements, and technology investment agreements not using the ASAP for payment – field CFOs or equivalents must provide costing information to the EFASC or to respective accounting offices so they can record the costs.

Field CFOs or equivalents must reconcile costs recorded in the financial system with costs and cash balances on hand reported by recipients through the end of the year for grants, cooperative agreements, or technology investment agreements. These adjustments or 'true-ups' should be made using the most recent cost information (e.g. SF-425, SF-425A, reports submitted through FederalReporting.gov, and or other cost reporting) submitted by the grantee to properly reflect actual costs. Due to the financial statements reporting requirements and the timing of grantee cost reporting, these adjustments must be made prior to year-end with costs estimated through year-end. Offices should maintain documentation for these year-end adjustments for audit purposes. Since the records can be considered "Expenditure Accounting Posting and Control" files, under National Archives Record Administration – General records Schedule 7; it is advisable that offices retain this documentation for a period of *three years* from the end of the Fiscal Year in which they were created. After three years, they may be destroyed. Additional information on accruals can be found in Chapter 11, "Liabilities," paragraph 2b.

True-ups as provided above are different than monthly accruals. Monthly accruals are manually accomplished or are automatically generated in STARS. Details of the Department's automated accrual processes are provided for in the Department's Cost Accrual Guide on the Financial Statement iPortal Workspace.

3. COST PRINCIPLES AND ALLOWABLE COSTS.

a. Review of Allowable Costs. Unless specified by statute, program rule, or other terms and conditions of the award, the CO shall determine allowable costs in accordance with cost principles cited in the following:

(1) 2 CFR 220 "OMB Circular A-21, Cost Principles for Educational Institutions;"

(2) 2 CFR 225 "OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments;"

(3) 2 CFR 230 "OMB Circular A-122, Cost Principles for Non-Profit Organizations;"

(4) OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations;"

(5) 45 CFR 74, Appendix E, "Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals;" and

(6) 48 CFR 931.2, "DOE Acquisition Regulations Covering Contracts with Commercial Organizations."

b. Cost Sharing. *Cost Sharing* or *matching* means the value of the third party in-kind contributions and the portion of the costs of a federally assisted project or program not borne by the Federal Government. Cost sharing, whether cash or in-kind, must meet the same tests of allowability as applied to DOE funds. Cost sharing requirements are detailed in 10 CFR 600.30, 600.123, 600.224, 600.225(g)(3), and 600.313.

4. MISCELLANEOUS ACCOUNTING.

a. Property Accounting. Property acquired under a financial assistance award or property furnished by DOE to a recipient is subject to standards in 10 CFR 600.130-137, 600.231-233, 600.320-325, and 603.680-695. The field CFO or equivalent shall account for Government-owned property held by assistance recipients in DOE accounts in the same manner as for Government-owned property held by contractors (see Chapter 10, "Property, Plant, and Equipment"). 10 CFR 600.133, 600.232(f), 600.322 and 603.690 provide reporting requirements for recipients possessing government owned property.

b. Closeout. The Department shall notify recipients in writing before the end of the grant period of final reports that shall be due, the due dates, and where they must be submitted. Copies of required forms and instructions shall also be included with the notification. Within 90 days after expiration or termination of the award, the recipient shall submit all performance and financial reports required as a condition of the award. The CO may grant an extension at the recipient's request. Detailed closeout procedures can be found in Chapter 21, "Financial Closeout," and 10 CFR 600.171, 600.250, and 600.361.

Awards that were funded by ARRA of 2009 will need to be fully paid and costed prior to the expiration of the funds, as determined by the appropriation; most ARRA funds are no longer available for costing after September 30, 2015. After the expiration of the funds they cease to be available for any purpose whatsoever and any remaining funds must be returned to the Department of Treasury.

When Financial Assistance Awards (FAA) go into close-out, steps should be taken to ensure they are no longer accrued through an automated process considering most of the work has been completed and it is further assumed

that a final invoice has been submitted. Any additional accruals required to adjust the final invoice on FAAs in close-out should be done manually. This requirement applies to new FAA's that go into close-out after the effective date of this chapter. However, offices are encouraged to take similar actions on FAA's already in close-out in order to minimize the impact of the Department's financial statements."

Revolving Loan Funds – whether a revolving loan fund is administered by a grantee or a third party, if the revolving loan fund does not loan out funds for eligible activities under the program, the Department may take an enforcement action against the grantee for noncompliance of the terms of the award agreement and disallow all or part of the cost of the activity or action not in compliance or other allowable remedies against the grantee as stipulated under 10 CFR 600.243.