

CHAPTER 14
FINANCIAL ASSISTANCE AND TECHNOLOGY INVESTMENT AGREEMENTS

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I. INTRODUCTION

Grants and cooperative agreements (awards) 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. Technology Investment Agreements are awards made under DOE's other transaction authority.

I.A. Purpose and Scope

This chapter provides requirements for the accounting and financial management of awards administered by DOE. This chapter complements the "DOE Guide to Financial Assistance" issued by the DOE Office of Policy (MA-61); government-wide financial assistance regulations contained in 2 CFR 200 (the "Uniform Guidance"); DOE-specific financial assistance regulations, contained in 2 CFR 910; and regulations for DOE Technology Assistance Agreements codified at 10 CFR 603.

This chapter does not address accounting for direct loans and loan guarantees managed by the DOE Loan Program Office, which are discussed in Chapter 22 of the *DOE Financial Management Handbook*, "Direct Loans and Loan Guarantees."

I.B. Applicability

This chapter applies to all Departmental elements. It does not apply to contractors.

I.C. Policy

DOE will account for and administer its awards in accordance with applicable statutory authority, applicable regulations including the Uniform Guidance, Department of the Treasury (Treasury) guidelines, and DOE policies and regulations governing such awards. References to specific external requirements are cited when applicable in the chapter.

I.D. Definitions

I.D.1 Financial Assistance Agreements

As used in this chapter, Financial Assistance Agreements include grants and cooperative agreements.

I.D.2 Grant Agreement

This chapter utilizes the definition contained in 2 CFR 200.1.

I.D.3 Cooperative Agreement

This chapter utilizes the definition contained in 2 CFR 200.1.

I.D.4 Technology Investment Agreement (TIA)

This chapter utilizes the definition contained in 10 CFR 603. Technology Investment Agreements are awards made under DOE's other transaction authority, as cited in 10 CFR 603.

I.D.5. Uniform Guidance

As used in this chapter, Uniform Guidance refers to the Government-wide financial assistance regulations codified at 2 CFR 200 and adopted by DOE in 2 CFR 910.

I.D.6. Revolving Loan Fund

DOE may provide funding through grants to states that allow the establishment of revolving loan funds. These arrangements are separate and distinct from the direct loans and loan guarantees managed by the Department's Loan Program Office.

As defined by 31 CFR 205.2, a revolving loan fund:

“...means a pool of program funds managed by a State. States 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. A Federal Program Agency may require that all income derived from a revolving loan fund be used for Federal assistance program purposes.”

A revolving loan fund is derived from financial assistance award(s) and managed by a recipient or a third-party administrator. As funds are repaid, they are used for new loans to other borrowers, allowing the fund to “revolve.”

I.D.7. Loan Loss Reserves

Loan loss reserves are used to provide partial risk coverage of third-party loans provided by a state under a DOE-funded revolving loan fund. DOE may provide funding for loan loss reserves under grant agreements with states.

II. ACCOUNTING REQUIREMENTS

II.A. Recording Obligations

Award obligations are incurred at the time a Contracting Officer (CO) signs the award document. The recipient accepting the award need not sign the award document for the obligation to be incurred and recorded. See Chapter 5 of the *DOE Financial Management Handbook*, “Accounting for Obligations,” for further guidance on obligations.

When an award is executed in the Department's procurement system (the Strategic Integrated Procurement Enterprise System [STRIPES]), the obligation is reflected directly in the Department's accounting system (the Standard Accounting and Reporting System [STARS]) through a direct interface between the two systems.

The Designated Financial Officer must ensure that obligations are recorded in STARS for any award not processed through STRIPES.

Prior to approval of the award and obligation of the funds, the CO must have certified funds that have been made available through issuance of a requisition in STRIPES. Funds are considered certified when the

requisition document is approved by a program review official and a designated budget approver in STRIPES, which results in a commitment of funds in the STARS accounting system.¹

II.B. Deobligations

Once funds have been obligated for an award, a modification or an amended award document signed by a CO is required to de-obligate funds. Deobligations must be recorded whenever the CO reduces the award amount or removes funding from an award.

When the award was issued through STRIPES, the reductions or withdrawals of funding from existing financial assistance agreements are processed through STRIPES, which records the resultant deobligation in STARS. Deobligation actions approved by the CO and processed through STRIPES are initiated through a deobligation requisition approved by the designated budget approver and the program review official.

Deobligations must be recorded in STARS for any funding reduction or withdrawal when an award is not processed through STRIPES.

Funding shall be reduced or removed from awards and deobligated in the following circumstances:

- II.B.1. When funds are removed from an award by the CO, consistent with the award provisions, including when appropriate as a remedy for non-compliance, consistent with provisions of 2 CFR 200.339 and Chapter 6.2.3 of the *DOE Guide to Financial Assistance*;
- II.B.2. When the period of performance has ended, and remaining funds are deobligated as part of closing the award;
- II.B.3. When the appropriation has been cancelled and is no longer available to make payments under current obligations (see Chapter 5 of the *DOE Financial Management Handbook*); or
- II.B.4. In other circumstances deemed appropriate by the CO in accordance with DOE policy.

II.C. Accounting For Costs Incurred

The Department shall maintain accurate accounting for awards, including the accrual of costs incurred, and shall reconcile DOE accounting records with recipient financial reporting as appropriate.

II.C.1. Financial Reporting to DOE By Award Recipients

The recipient's financial management systems are required to 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 award and 2 CFR 200.302.

Recipients must provide financial reports as specified by the award terms and 2 CFR 200.328.

II.C.2. Costs Incurred and Accruals

All awards are subject to the same accrual procedures as other procurement awards. Accruals shall be consistent with the requirements of the Federal Accounting Standards Advisory Board (FASAB) *Federal Financial Accounting Technical Release 12: Accrual Estimates for Grants Programs*.

Designated Financial Officers shall ensure the recording of cost accruals for awards and the review of automated accruals for awards with uncosted balances in excess of \$1 million are in accordance with the procedures set out in the Department's Cost Accrual Guide (provided by the CFO Office of Finance and Accounting).

Additional information on costs accrued but not paid can be found in Chapter 11 of the *DOE Financial Management Handbook*, "Liabilities."

II.C.2.i. Awards Paid Through Treasury's Automated Standard Application for Payments (ASAP) System

Costs for awards paid through ASAP are automatically recorded as costs as they are paid. (See section III.C. of this policy for a discussion of payment systems). Accruals are also recorded for these awards in accordance with the Cost Accrual Guide. Because ASAP payments may not reflect actual costs incurred for some awards, (i.e., they may reflect cash on hand), costs must be reconciled with drawdowns as necessary, consistent with the provisions of Section II.D. of this chapter).

II.C.2.ii Awards Not Paid Through ASAP

For awards that do not use ASAP for payment, Designated Financial Officers will ensure that accruals are recorded monthly in accordance with the procedures specified in the Cost Accrual Guide.

II.D. Reconciliations And Year-End Processes

Designated Financial Officers must ensure reconciliation of costs recorded in the STARS with costs and cash on hand balances reported by award recipients. Actual costs and cash on hand may be reported through the SF-425, SF-425A, or other required reports. When current recipient cost reporting is not available, year-end adjustments shall reflect the best information available, including current cost estimates. Reviews of automated accruals should follow the normal process

described in the Cost Accrual Guide maintained by the CFO Office of Finance and Accounting (CF-10).

II.E. Accounting for Government-owned Property

The Designated Financial Officer shall ensure proper accounting for Government-owned property held by recipients in DOE accounts in the same manner as for Government-owned property held by contractors. Property with a title conditionally vested with the non-Federal entity is not considered Government-owned property for the purposes of DOE accounting.

Section 4.5.4 of the *DOE Guide to Financial Assistance* and the referenced regulatory requirements contain detailed guidance regarding the ownership and disposition of property acquired under an award.

Chapter 10 of the *DOE Financial Management Handbook*, "Property, Plant, and Equipment," provides requirements for accounting for Government-owned property.

III. PAYMENTS AND CASH MANAGEMENT

III.A. Timing of Payments

The CO will determine the payment terms before the award is executed, consistent with the requirements of 2 CFR 200; 2 CFR 910; 10 CFR 603; and include the payment terms and other conditions in the award. The regulations permit three types of payment terms, as discussed in this section.

Additional procedures for payments are detailed in Chapter 6 of the *DOE Financial Management Handbook*, "Payments and Cash Management Activities" and the Treasury Financial Manual Volume 1, Part 4A-2000.

III.A.1 Advance Payments

Advance payments are the preferred payment mechanism for awards, consistent with the Uniform Guidance. Payments to the recipient may be made in advance of performance, consistent with the provisions of 2 CFR 200.305 and 2 CFR 910.354. For recipients to receive advance payments, the recipient must have a financial management system that meets the requirements specified in 2 CFR 200.302 and must not be a for-profit entity, as specified in 2 CFR 910.354.

Additional information regarding advance payments for TIAs can be found in 10 CFR 603.805.

Cash balances maintained at the recipient level are to be kept to the minimum amount necessary to meet immediate recipient disbursement needs. Thus, recipients are required to minimize the time elapsed between the transfer of funds from Treasury and the disbursement of the funds by the recipient. Recipients must maintain advance payments of Federal funds in insured,

interest bearing accounts unless an exception is applicable in accordance with 2 CFR 200.305(b)(7-8).

III.A.2. **Reimbursement**

Reimbursement is payment to a recipient, upon the recipient's request, of actual cash outlays by the recipient in performing activities under an award. For for-profit recipients, reimbursement is the preferred payment method in accordance with 2 CFR 910.354.

For all other recipients, reimbursement is the preferred method when the requirements in 2 CFR 200.305(b) cannot be met; when DOE sets a specific condition per 2 CFR 200.208; or when the recipient requests payment by reimbursement. Reimbursement shall be the payment method when the recipient does not meet the requirements for an advance payment as described in paragraph III.A.1. above.

Additional information regarding reimbursement payments for TIAs can be found in 10 CFR 603.805.

In the case of TIAs, a milestone payment schedule may be negotiated in accordance with 10 CFR 603.810.

Payments to recipients are not subject to requirements of the Prompt Payment Act or to interest penalty provisions. However, in accordance with 2 CFR 200.305 and 2 CFR 910, the payments must be made within 30 days of receipt of a valid request for reimbursement. Payments in this context does not refer to interest or penalty payments paid by recipients in their contracts with contractors as the Prompt Payment Act stipulates that Federal funds may not be used for these purposes.

III.A.3. **Working Capital Advance**

If a recipient cannot meet the criteria for advance payments as specified in 2 CFR 200.305 and the CO determines that reimbursement is not feasible because the recipient lacks sufficient working capital, DOE may provide funds as a working capital advance in accordance with 2 CFR 200.305(b)(4).

When authorized by the CO, working capital advances to the recipient are intended to cover the recipient's estimated cash disbursement needs for an initial period of time. The period of time is to be decided by the CO but should not normally exceed the recipient's disbursement cycle. Thereafter, payments are made to the recipient for actual cash disbursements. DOE shall use capital advances to ensure that the recipient complies with cash management policies provided in Section II.D of this chapter.

III.A.4 **Timing of Payments for Revolving Loan Funds, Loan Loss Reserve Funds, Interest Rate Buy-Downs, and Third-Party Loan Insurance¹**

III.A.4.i. Payments may be made to the recipient at the time the funds are obligated by the recipient. The Office of General Counsel has clarified that these authorities are contained in 31 CFR 205.25; 31 CFR 205.15; and 10 CFR 420.18(d).

III.A.4.ii. Revolving loan funds are considered obligated by the recipient in any of the following circumstances:

- Receipt of a loan application from potential borrowers;
- State or local requirements (regulatory, statutory, or constitutional) dictate that funds be available in advance;²
- The distribution account is operated by a third party; and³
- If a recipient establishes and operates a revolving loan fund, the fund would be considered obligated by the recipient upon submitting a letter to the project officer and receiving a confirmation response from the Project Officer.

The letter must provide the strategy for the revolving loan fund and identify the scope of the loan program.

III.A.4.iii. 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:

- For loan loss reserves supporting a funded program operated by the recipient, loan loss reserves are considered obligated by sending a letter to the Project Officer indicating the establishment of the loan loss reserve.
- For loan loss reserves supporting third-party loans, loan reserve funds are considered obligated when the recipient enters a signed agreement with the third party.

III.A.4.iv. 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:

- Receipt of a loan application from potential borrowers;
- Where state or local requirements (regulatory, statutory, or constitutional) dictate that funds be available in advance;
- When the recipient 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; and
- The distribution account is operated by a third party and the recipient enters an agreement with the third party.

III.B. Payment Methods

III.B.1. Disbursement of Advance Payments

When the CO determines that advance payments will be made for an award, Treasury's ASAP system must be used for processing the award payments unless the Designated Financial Officer (DFO) approves an exception to use the Department's Vendor Inquiry Payment Electronic Reporting System (VIPERS).

If the DFO approves an exception to the use of ASAP for processing advance payments, invoices must be submitted to the CFO payment processing center for payments to be made through Electronic Funds Transfer (EFT), using VIPERS.

III.B.2. Disbursement of Reimbursement Payments and Working Capital Advances

Awards that provide for reimbursement and awards that specify a working capital advance may be paid either by ASAP or by EFT via VIPERS.

Payments by EFT are processed by the Department's payment center located in Oak Ridge, Tennessee. Payments are approved by the invoice approving official. The award documentation provides instructions to the recipient for submitting invoices.

III.B.3. Withholding Payments

Payments will be withheld when specified by the CO. The CO will notify the appropriate DOE payment office so that the payment is withheld accordingly.

Consistent with the provisions of 2 CFR 200.305(b)(6) and 10 CFR 603.815, reasons for withholding payment include, but are not limited to:

- III.B.3.i A recipient has failed to comply with the project objectives or the terms and conditions of the award;
or
- III.B.3.ii The recipient or sub-recipient is delinquent on debt owed to the United States.

III.C. Cash Management for Recipients Receiving Advance Payments

The Designated Financial Officer shall coordinate with the CO to assess compliance by the recipient with the requirement that cash balances maintained at the recipient level are kept to the minimum amount necessary to meet immediate recipient disbursement needs.

III.C.1. Monitoring

The Designated Financial Officer (in coordination with the CO) shall use recipient financial reports and information available in the ASAP system to monitor the cash position of a recipient of a financial assistance award.

Recipient financial reports may include:

- Standard Form (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.

III.C.2. Completion or Termination

Upon termination or completion of the award and after cognizant CO notification, the Designated Financial Officer shall coordinate with the CO (as appropriate) to take prompt action to recover any remaining unused cash balances advanced to the recipient.

III.C.3. Revolving Loan Funds

A revolving loan fund may be administered by a recipient or a third party. Regardless of who is administering the revolving loan, if the fund does not loan out funds for eligible activities under the program, the Department may take an enforcement action against the recipient 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 take other allowable remedies against the recipient as stipulated under 2 CFR 200.339.⁴

Additional information regarding the revolving loan funds is contained in the Energy Efficiency Conservation Block Grant (EECBG) Policy Notice 09-202D.

III.D. Program Income

As defined in 2 CFR 200.307 program income is gross income earned by the recipient that is directly generated by a supported activity or earned because of the Federal award.

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.

Program income must be either retained by the recipient for authorized purposes or refunded to DOE, as appropriate.

III.D.1. Program Income Retained by the Recipient

Recipients are usually authorized to retain income in accordance with the terms and conditions of their award and the relevant regulations (2 CFR 200.307 or 10 CFR 603.835 for Technology Investment Agreements).

III.D.2. Refunds of Program Income

When recipients are not authorized to retain program income, the recipient is required to refund that income to DOE. The refund shall be processed as a collection in accordance with Chapter 13.2 of the *DOE Financial Management Handbook*, "Collections."

III.E. Earned Interest

III.E.1. Requirements

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 (31 USC 6501), the Treasury Financial Manual (TFM) Volume 1, Part 4A 2045.10.

However, the following recipient organizations are allowed to retain a portion of interest as follows:

- III.E.1.i. State and Local Governments may retain for administrative expenses up to \$500 in interest per year in accordance with 2 CFR 200.305(b)(9).
- III.E.1.ii. Institutions of Higher Education, Hospitals, Other Non-Profit Organizations may retain for administrative expenses up to \$500 in interest per year for awards in accordance with 2 CFR 200.305(b)(9).
- III.E.1.iii. Recipients for Revolving Loan Funds may use all interest earned on funds which have been drawn down may be used for program purposes, consistent with the provisions of 31 CFR 205.25.

III.E.2. Refunds of Interest Income

Interest income to be refunded to DOE shall be deposited to Treasury Account 089 1435, "General Fund Proprietary Interest Collections, Not Otherwise Classified" in accordance with the TFM Volume 1, Part 4A-2045.10. Interest earned on advances funded with the Nuclear Waste Fund (NWF) shall be returned to the NWF.

III.F. Refunds

Refunds received for active awards (one whose period of performance is current and not expired) are credited back to the award and may be expended for purposes consistent with the original obligation.

Refunds received for closed awards (ones whose period of performance has expired and/or are in close-out) are credited back to the award and then must be subsequently de-obligated. Recoveries of funds that were obligated in prior years must be reapportioned before they can be obligated. Additional guidance is provided in Chapter 5 of the *DOE Financial Management Handbook* and in detailed process guidance for Prior Year Adjustments (PYAs) provided by the Office of Finance and Accounting.

If the appropriation account is closed, refunds are treated as miscellaneous receipts and deposited to Treasury Account 089 3200, "Collections of Receivables from Canceled Accounts," (STARS Fund Code 02009) in accordance with 31 USC 1552(b). As necessary, the Designated Financial Officer 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, any refunds being made within 32 calendar days of the drawdown should be made using the ASAP return payment process as detailed in the ASAP system guidance provided by Treasury. For recipients receiving funds using EFT, refunds should be returned using the EFT refund process as provided in Chapter 4 of Department of the Treasury's *Green Book: A Guide to Federal Government ACH Payments*.

Checks should not be used to make refunds to DOE unless the other refund process methods have been exhausted. For instance, receiving a refund check may be the only viable option for a recipient to pay a refund after DOE closes out the award and the related ASAP account.

III.G. Adjustments

The CO may adjust the total amount of an award including any approved cost share or matching (if applicable) during the period of performance of the award in accordance with the terms and conditions of the award.

Adjustments shall be made through a modification or amendment to the award in STRIPES and will be reflected in STARS and ASAP (if applicable) through system interfaces.

Program income shall not be reflected as an adjustment to the amount of the award. When authorized by the award and included in the terms and conditions, program income may be used to meet the cost share requirement of the award. Any requirements governing the disposition of program income earned after the end of the period of performance of an award must be explicit in the terms and conditions of the award.

IV. CLOSEOUT

IV.A. General Requirements

Detailed closeout requirements and procedures, including recipient reporting requirements, are contained in Chapter 7 of the *DOE Guide to Financial Assistance*, “Closeout,” and 2 CFR 200.344.

All awards shall be promptly closed out when applicable administrative actions and required work under the award have been completed. Prompt closeout is particularly important for awards made using time-limited funds. Any remaining amounts due to the recipient for such awards shall be paid before the cancellation of the funds (normally five years after the expiration of the appropriation).

After cancellation of the funds, any remaining payments due to the recipient will need to be made from currently available funding. See Chapter 5 of the *DOE Financial Management Handbook*, “Accounting for Obligations,” for more information regarding time-limited funding.

Awards in closeout shall no longer be accrued through the STARS automated accrual process. Additional accruals may be recorded manually if needed for awards in closeout.

IV.B. Required Reporting of Expired Financial Assistance Awards

To promote timely closeout of awards, OMB Circular A-136 requires reporting on financial assistance awards that have expired but have not been closed. The CFO Office of Finance and Accounting leads DOE reporting efforts and may provide additional specific guidance as needed to meet current reporting requirements.

TIAs are not financial assistance awards and are not subject to the closeout reporting required by A-136.

1. The STRIPES Requisition record approval history (associated with the award) identifies both the designated budget approver and the program review official responsible for certifying the funds. The approval history of a STRIPES Requisition can be determined by accessing the subject requisition’s “Route History” or “Status History” detail that is in the STRIPES procurement system. The accounting string information in STRIPES must contain the proper appropriation and accounting classification data before the system permits execution of the award and the consequent recording of the

obligation. STRIPES performs various financial validations during this process and will reject any invalid accounting codes.

2. If a recipient requires a payment under these two circumstances, the recipient is to document the relevant requirements and provide that documentation to their Project Officer.
3. See Energy Efficiency Conservation Block Grant (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.
4. For awards issued before 12/26/14 that have not undergone a modification to apply current regulations to the award, the requirement is specified in 10 CFR 600.243.