



Department of  
**Finance &  
Administration**

# GRANTS WORKSHOP

Refunds and Advance Payments

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# AGENDA



Grants Updates



Cash Management Overview



Refunds and Rebates



Advance Payments

# GRANTS UPDATES

- ❖ Grant Reporting Efficiency and Agreements Transparency ([GREAT](#)) Act
  - This Act was signed by the President and became public law #116-103 on 12/30/2019.
  - Requires the establishment and use of data standards for information reported by recipients of federal grants.
- ❖ Rollout of the Unique Entity Identifier ([UEI](#))
  - Users of Grants.gov will see UEI instead of DUNS that was formerly labeled on an application starting in March 2020.
- ❖ Proposed revisions to [2 CFR](#) Guidance for Grants and Agreements
  - The public comment period is open now.
  - This revision sets the stage for enhanced result-oriented accountability (PMA) for grants.

# CASH MANAGEMENT OVERVIEW

## Objectives

1. Understand Federal Guidance for Cash Management, specifically for Refunds, Rebates & Advance Payments.
2. Understand the State's Implementation of Federal Guidance
3. Examples (Q&A)

# CASH MANAGEMENT OVERVIEW

## Applicable Regulations:

- Overarching Guidance
  1. Uniform Guidance [200.305 – Payment](#).
  2. [31 CFR part 205](#) and Treasury State Agreement.
  
- Refunds and Rebates
  1. Uniform Guidance [200.406 – Applicable Credits](#).
  2. F&A [Policy 2](#).
  3. Grants Accounting Manual – Part 8: Grant Recoveries and Refunds.
  
- Advance Payment vs. Reimbursement Payment
  1. Uniform Guidance [200.305\(b\)](#).
  2. CPO Policy [2013-007](#).

# CASH MANAGEMENT OVERVIEW

## Overarching Guidance:

- Uniform Guidance [200.305 \(a\)](#): payments are governed by Treasury-State CMIA Agreement (TSA) and procedures codified at 31 CFR Part 205 “Rules and Procedures for Efficient Federal-State Funds Transfers.”
- [31 CFR part 205](#) requires the State to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs (TN-\$60M).
  - ✓ Subpart A – Applicable to programs exceeding the \$60M threshold of Treasury-State Agreement.
  - ✓ Subpart B – Applicable programs below the \$60M threshold of Treasury-State Agreement.

# REFUNDS AND REBATES

## Federal Guidance:

- Uniform Guidance (UG) [200.406 - Applicable Credits](#) refers to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the Federal award.
  - ✓ Purchase Discounts
  - ✓ Rebates
  - ✓ Recoveries
  - ✓ Overpayment Adjustments

# REFUNDS AND REBATES

## Operational Guidance:

### ➤ F&A Policy 2 Overview:

1. Provides a framework to ensure proper accounting for Recoveries, Refunds, and Questioned Costs.
2. Claim for Refund Form and supporting documentation for refunds of \$10,000 or more should be sent to the Director of Statewide Accounting (Michelle Earhart) for approval - only applicable when returning with a voucher.



# REFUNDS AND REBATES

## Operational Guidance (Continued):

### ➤ F&A Policy 2 Definitions:

- 1. Refund:** A refund occurs when a State department returns previously received monies to the federal government, a third party, or another State department.
- 2. Recovery:** A recovery occurs when a State department receives previously expended monies.

# REFUNDS AND REBATES

## Practical Considerations:

1. Following F&A Policy 2 and the Grants Accounting Manual Part 8 will facilitate compliance with the Uniform Guidance.
  - ✓ Use of the proper accounting chartfields when processing refunds and rebates (if using the offset method) will reduce Federal draw amounts.
2. Programs subject to Subpart A of the TSA should develop a process to track the receipt and disbursement of refunds and rebates over \$50,000.
  - ✓ Information on refunds and rebates must be submitted to the Cash Management Office quarterly using the refunds template.
3. Enterprise Risk Assessment should include risk of noncompliance.

# REFUNDS AND REBATES

## Risk Assessment considerations:

1. Include objective surrounding compliance with 31 CFR Part 205 and Uniform Guidance as it pertains to efficient transfer of Federal funds.
2. Risk of Noncompliance:
  - ✓ Refunds and Rebates not identified.
  - ✓ Refunds and Rebates not properly recorded in Edison (e.g. Account code, project ID).
  - ✓ Refunds and rebates over \$50k not properly tracked for TSA Annual Report purposes.



Risk  
Assessment

# REFUNDS AND REBATES

## Risk Assessment considerations (Continued):

1. Sample Internal Control Procedures:
  - ✓ Implement procedures to identify refunds and rebates.
  - ✓ Training on compliance requirements of refunds and rebates.
  - ✓ Training on F&A Policy 2 and Grants Accounting Manual Part 8.
  - ✓ Implement necessary review procedures.



Recipients  
Control

# REFUNDS AND REBATES

## Risk Assessment Considerations – State is Pass-through Entity:

1. Include objective surrounding subrecipient compliance with Uniform Guidance as it pertains to the efficient transfer of Federal funds.
2. Risk of Noncompliance
  - ✓ Subrecipient unaware of compliance requirements.
  - ✓ Refunds and rebates not properly identified.



Pass-through  
Entity  
Control

# REFUNDS AND REBATES

## Risk Assessment Considerations – State is the Pass-through Entity (Continued):

1. Sample Internal Control Procedures:
  - ✓ Train subrecipient personnel on compliance requirements of refunds and rebates.
  - ✓ Monitor subrecipients to ensure their cash management procedures conform to the same standards of timing and amount that apply to the State agency.
  - ✓ Monitor subrecipients to ensure any rebates and refunds are applied to reimbursement requests or returned to the State.



Pass-through  
Entity  
Control

# REFUNDS AND REBATES

## ❖ **Example 1:**

The state agency received a \$100k recovery from Vanderbilt that was initially drawn down from Program A. When the state deposited the recovery, it was processed in Edison as a refund to Program B expenditures.

- a. Compliance
- b. Non-compliance

# REFUNDS AND REBATES

## ❖ **Example 2:**

The State Agency administers a program included in the TSA. Agency personnel implemented procedures that included tracking refunds and rebates. Refund and rebate transactions were tracked and provided to the Cash Management Office to calculate state interest liability for Annual Report.

- a. Compliance
- b. Non-compliance



# REFUNDS AND REBATES

## ❖ **Example 3:**

The state awarded ABC Nonprofit a reimbursement grant in the amount of \$50K. ABC Nonprofit had a rebate amount of \$20k (previously drawn for Program A) from drug company on 12/1/2019. ABC Nonprofit deposited this amount to the bank. ABC Nonprofit requested a reimbursement of \$10k from the State to pay for supplies for the Program A on 12/2/2019 before spending \$20K.

- a. Compliance
- b. Non-compliance

# ADVANCE PAYMENTS

## Federal Guidance:

1. UG Definition [200.3](#) Advance Payment: A payment that a Federal awarding agency or pass-through entity makes by any appropriate payment mechanism, including a predetermined payment schedule, before the non-Federal entity disburses the funds for program purposes.
  - ✓ Expense has been incurred.
  - ✓ Payment has not been disbursed.
2. Uniform Guidance [200.305 \(b\)](#): non-Federal entity other than states minimize the time between the transfer from the pass-through entity and disbursement of funds.
3. [Compliance Supplement](#): Cash Management section discusses advance payments in relation to grant awards.

# ADVANCE PAYMENTS

## Practical Considerations:

- ❖ Uniform Guidance [200.305 \(b\)](#) **State** Requirements:
  - ✓ Applicable when State makes award to subrecipient.
  - ✓ Ensure time between reimbursement to subrecipient and draw down of Federal funds is minimized.
  - ✓ Make advance payment if compliance with regulations is demonstrated by subrecipient.
  - ✓ Cannot mandate separate bank account for depositing of federal funds.
  - ✓ Process reimbursement in accordance with [Grant Accounting Manual Part 4](#): Customer (revenue) Contract Transactional Processing to facilitate compliance (as required by Policy 20).
  - ✓ Monitor subrecipient for compliance with Uniform Guidance.

# ADVANCE PAYMENTS

## Practical Considerations (Continued):

- ❖ Uniform Guidance [200.305\(b\)](#) **Subrecipient** Requirements:
  - ✓ Maintain written procedures to minimize the time elapsing between the request for reimbursement and disbursement of funds.
  - ✓ Maintain financial management systems that meet the standards for fund control and accountability.
  - ✓ Limit reimbursement request to minimum amounts needed and timed to meet immediate cash requirement for program.

# ADVANCE PAYMENTS

## Practical Considerations (Continued):

- ❖ Uniform Guidance [200.305\(b\)](#) **Subrecipient** Requirements:
  - ✓ Use program income, rebates, refunds, and other income before processing a reimbursement request from the state (if using the offset method).
  - ✓ Advance payment deposited into insured account.
  - ✓ Advance payment deposited into interest-bearing account (exceptions apply)
    - Retain interest < \$500 for program purposes.
    - Remit interest earned > \$500 to the State to be returned to the Federal Government.

# ADVANCE PAYMENTS

- ❖ UG 200.305 (b)(3): Reimbursement should be used when:
  - ✓ Specified State and Subrecipient requirements in guidance cannot be met.
  - ✓ Federal awarding agency sets a specific condition per UG 200.207 Specific conditions.
  - ✓ Non-Federal entity requests payment by reimbursement.

# ADVANCE PAYMENTS

## Operational Guidance:

- ❖ CPO Policy 2013-007: (currently under revision)
- Proposed Additions: In accordance with UG [200.305](#), advance payments must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the grantee (i.e. the grantee's disbursement of allowable costs incurred) in carrying out the purpose of the approved program or project.

# ADVANCE PAYMENTS

## Practical Considerations:

- 1. Prepaid:** the payment was sent to a subrecipient before the expenditures were incurred.
  - ✓ Example: State paid out funds to subrecipient for expenditures to be incurred in the future.
- 2. Advance payment:** the payment was sent to a subrecipient after the expenditures were incurred, but disbursement was not yet made.
  - ✓ Example: State paid out funds to subrecipient for expenditures invoiced, but not yet disbursed.
- 3. Reimbursement:** the payment was sent to a subrecipient after the expenditures were incurred and disbursement was made.
  - ✓ Example: State paid out funds to subrecipient for expenditures invoiced which they already disbursed these.



# ADVANCE PAYMENTS

## Risk Assessment Considerations:

1. Include objective surrounding subrecipient compliance as it pertains to advance payments.
2. Risk of Noncompliance:
  - ✓ State procedures for payment of subrecipient invoices are inadequate.
  - ✓ Payment made to subrecipients for expenditures not incurred.
  - ✓ Interest earned on advances is not properly remitted.



# ADVANCE PAYMENTS

## Risk Assessment Considerations:

### 1. Sample Internal Control Procedures.

- ✓ Review subrecipient documentation demonstrating costs for which reimbursement was requested were disbursed prior to the date of the reimbursement request.
- ✓ Establish reasonable procedures for review and approval of subrecipient reimbursement invoices.
- ✓ Monitor reimbursements to meet immediate need, not anticipation of future funding.
- ✓ Monitor the financial activity of subrecipients to ensure they remit the interest earned.



Pass-through  
Entity  
Control

# ADVANCE PAYMENTS

## ❖ **Example 1:**

ABC Nonprofit requested \$50K on 12/31/2019 to pay for salaries that will be incurred from 1/1/2020 through 1/15/2020. State paid out this amount on 1/1/2020 because agreement between State (pass-through entity) and a subrecipient allows advance payment method.

- a. Compliance
- b. Non-compliance

# ADVANCE PAYMENTS

## ❖ **Example 2:**

The state agency awarded Federal funds to ABC Nonprofit to support Program B. ABC Nonprofit does not maintain written procedures to minimize time between fund transfer and disbursement. Additionally, ABC nonprofit does not maintain financial management systems that meet fund control and accountability standards. State agency paid cash advances to subrecipient.

- a. Compliance
- b. Non-compliance

# Q & A



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