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# NASA Procedural Requirements

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2016**COMPLIANCE IS MANDATORY**

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## NASA's Management of Grants and Cooperative Agreements

**Responsible Office: Office of the Chief Financial Officer**

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# Preface

## P.1 Purpose

This NASA Procedural Requirement (NPR) provides criteria for the financial management of grants and cooperative agreements with regard to advance payments through letters of credit, suspension and termination of letters of credit, and requirements for recipient organizations.

## P.2 Applicability

- a. This NPR is applicable to NASA Headquarters and NASA Centers, including Component Facilities and Technical and Services Support Centers. This NPR applies to Jet Propulsion Laboratory, a Federally Funded Research and Development Center, other contractors, grant recipients, or parties to agreements only to the extent specified or referenced in the appropriate contracts, grants, or agreements.
- b. In this NPR, all document citations are assumed to be the latest version unless otherwise noted.
- c. In this NPR, all mandatory actions (i.e., requirements) are denoted by statements containing the term "shall." The terms: "may" or "can" denote discretionary privilege or permission, "should" denotes a good practice and is recommended, but not required, "will" denotes expected outcome, and "are/is" denotes descriptive material.

## P.3 Authority

- a. Chief Financial Officers Act of 1990, 31 U.S.C. § 902(a)(5).
- b. NASA Policy Directive (NPD) 9010.2, Financial Management.

## P.4 Applicable Documents and Forms

- a. Using Procurement Contracts and Grant and Cooperative Agreements, 31 U.S.C. §§ 6303-6305.
- b. Grants and Cooperative Agreements, 14 C.F.R. Part (Pt). 1260.
- c. Cooperative Agreements with Commercial Firms, 14 C.F.R. Pt. 1274.
- d. Office of Management and Budget (OMB) Circular No. A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations, relocated to 2 C.F.R. Pt. 215.
- e. Treasury Financial Manual (TFM), Volume I, Pt. 6, Ch. 2000, Cash Advances Under Federal Grant and Other Programs.
- f. NPR 1441.1, NASA Records and Retention Schedules.
- g. NPR 9010.3, Financial Management Internal Control.

## P.5 Measurement/Verification

Quality assurance reviews and analysis of financial reports and data submitted through the continuous monitoring program will be used to measure compliance with this NPR. Funds control will be in place as required by NPR 9010.3.

## **P.6 Cancellation**

NPR 9680.1, NASA's Managements of Grants and Cooperative Agreements, dated October 31, 2008.

/S/

Terry L. Bowie  
NASA Deputy Chief Financial Officer

# Chapter 1. NASA's Financial Management of Grants and Cooperative Agreements

## 1.1 Overview

1.1.1 The purpose of this chapter is to set forth requirements for NASA's financial management of grants and cooperative agreements with regard to advance payments using the letter of credit method as prescribed by OMB and the Department of the Treasury (Treasury). Other grant management and financial information is addressed in the Grant and Cooperative Agreement Handbook, 14 C.F.R. Pt. 1260.

## 1.2 Agency Requirements

1.2.1 NASA shall use payment methods that minimize the time elapsing between the transfer of funds from Treasury and the redemption of checks, warrants, or payment by other means. Specifically, this NPR applies to the Agency's advance payments through a letter of credit to recipients. The letter of credit method of financing is an advance funding method to provide payments of Federal funds to educational institutions, other public or private organizations, and state and local governments. The letter of credit method of financing enables the recipient organization to withdraw cash concurrently with disbursements.

1.2.2 The letter of credit method of financing shall be used by NASA for recipient organizations awarded grants or cooperative agreements with advance payment provisions when the recipient organizations have demonstrated a willingness to maintain:

(a) Written procedures that will minimize the time elapsing between the drawdown of funds and their disbursement.

(b) Financial management systems that meet the standards for fund control and accountability as established in 2 C.F.R. § 215.21. Appendix B contains a list of requirements for recipients' financial management systems.

1.2.3 The letter of credit method of financing is not applicable to commercial firms. Commercial firms are required to submit invoices, and payments shall be based on incurred costs if the commercial firm has a grant agreement or specific milestones if the commercial firm has a cooperative agreement, refer to 14 C.F.R. § 1260.4(b)(5) and 14 C.F.R. § 1274.904.

1.2.4 NASA shall use the Department of Health and Human Services Payment Management System (DHHS/PMS) to provide Federal funds to recipient organizations, which include educational institutions, other public or private organizations, and state and local governments. DHHS/PMS is a centralized grants payment and cash management system. The system's main purpose is to serve as the fiscal intermediary between awarding agencies and the recipients of grants and cooperative agreements with particular emphasis on: expediting the flow of cash between the Federal Government and recipients, transmitting recipients' disbursement data back to the awarding agencies, and managing cash flows to recipient organizations.

1.2.5 All letters of credit to the same recipient organization shall be combined into one letter of credit by the NASA Shared Services Center (NSSC)/Center Finance Office. The letter of credit will include all advance payments for grants, cooperative agreements, and contracts awarded to a

recipient.

1.2.6 All records created in the process of financial management of grants and cooperative agreements shall be maintained and disposed of in accordance with NPR 1441.1, NASA Records Retention Schedules.

## **1.3 Roles and Responsibilities**

1.3.1 The Agency Chief Financial Officer (CFO)/Deputy CFO (Finance) shall maintain policy on NASA's letter of credit requirements.

1.3.2 The Contracting/Grant Officers shall:

a. Comply with Federal laws when deciding the appropriate award instrument (i.e. grant, cooperative agreement, or contract). A grant or cooperative agreement is used only when the principal purpose of a transaction is to accomplish a public purpose of support or stimulation authorized by Federal statute. Title 31 U.S.C. §§ 6303 - 6305 governs the use of grants, cooperative agreements, and contracts.

b. Comply with NASA financial management and procurement policies, as well as the Federal Acquisition Regulation (FAR), TFM, and OMB regulations and guidance.

1.3.3 Recipient organizations shall comply with NASA and DHHS/PMS requirements for letter of credit financing of grants and cooperative agreements with NASA.

1.3.4 The NSSC or Center CFOs, when applicable, shall:

a. Comply with NASA financial management and procurement policies, as well as the FAR, TFM, and OMB regulations and guidance.

b. Ensure recipient organizations comply with DHHS/PMS requirements.

c. Serve as liaison between recipient organizations, DHHS/PMS personnel, and procurement, as required.

d. Assist DHHS with the establishment of accounts for new recipient organizations.

e. Receive recipient organizations' payment packages and forward to DHHS for processing.

# Chapter 2. Administering Letters of Credit

## 2.1 Overview

2.1.1 The purpose of this chapter is to define the administration of letters of credit by NASA in terms of requirements and responsibilities.

## 2.2 Agency Requirements

2.2.1 NASA shall use the DHHS/PMS method of payment when administering letters of credit. This method ensures timely payments to the recipients.

2.2.2 Recipient organizations shall submit requests for funds electronically through the DHHS/PMS system. Under NASA's policy, the DHHS will provide instructions to the recipient organizations for requesting funds through the PMS.

2.2.3 Upon receipt of a final Federal Financial Report (FFR), Standard Form (SF) 425, the NSSC/Center Finance Office shall reconcile the SF-425 report to NASA and DHHS/PMS financial systems and initiate in PMS the closing of the recipient's grant or cooperative agreement. The reconciliation is forwarded to the NSSC/Center Closeout Department to complete the closeout process.

2.2.4 Recipients are required to promptly refund any balances of undisbursed cash that are not authorized to be retained by the recipient for use in other projects. When outstanding undisbursed cash exists and is to be collected from recipients on completed grants, the amounts shall be reclassified as accounts receivable and the collection procedures set forth in 14 C.F.R. § 1260.173, "Collection of Amounts Due" are followed.

2.2.5 In general, a recipient's letter of credit account is closed if there are no plans for awarding additional grants or cooperative agreements to the recipient organization. The Contracting Officer or Grant Officer shall inform the NSSC Finance Office in writing when accounts need to be closed. The NSSC Finance Office initiates in PMS the closing process and notifies the Contracting Officer or Grant Officer in writing when the account is closed.

2.2.6 Upon written request from the Contracting Officer or Grant Officer, the NSSC Finance Office shall provide the necessary information in writing to the PMS Coordinator to reopen the closed account.

## 2.3 Roles and Responsibilities

2.3.1 The Agency CFO/Deputy CFO (Finance) shall:

- a. Review, update, and approve the annual service level agreement between NASA and DHHS.
- b. Ensure the Continuous Monitoring Program (CMP) grants control activities are completed and analyze and evaluate the results of the control activities.

2.3.2. Contracting/Grant Officers shall ensure recipients comply with the provisions of OMB Circular No. A-110, 14 C.F.R. Pt. 1260, NPR 9680.1, and the terms set forth in the grant, cooperative agreement, or contract.

2.3.3 Recipient organizations shall comply with NASA and DHHS/PMS requirements when utilizing letters of credit for grants and cooperative agreements with NASA.

2.3.4 The NSSC or Center CFOs, when applicable, shall:

- a. Review and comply with the responsibilities and requirements for handling letters of credit in this NPR.
- b. Monitor recipients to ensure compliance with requirements set forth in Appendix B of this NPR and DHHS/PMS letter of credit requirements.
- c. Work with DHHS/PMS personnel to establish letter of credit accounts.
- d. Assign letter of credit numbers.
- e. Monitor letter of credit drawdowns to ensure that the timing and amount of cash drawdowns are as close as administratively feasible to actual disbursements. NSSC Finance Office utilizes the inquiry capability of the PMS and the quarterly SF-425s submittal by recipient organizations to assist in the monitoring of recipients' drawdown activity.
- f. Reconcile drawdowns monthly by performing CMP control activities. Control activities completed by NSSC Finance Office are submitted to the Center CFO's office of responsibility for review.
- g. Review, analyze, and process Intermediate Document (IDOC) failures.
- h. Reopen recipients' grant accounts to process refunds for non-cancelled funds. Cancelled funds are posted to miscellaneous receipts and sent to Treasury by DHHS.
- i. Complete final SF-425 reconciliation to ensure obligations, drawdowns, and disbursements match in NASA and DHHS/PMS financial systems and forward final SF-425 and reconciliation to close-out team.

# Chapter 3. Administrative Reviews and Actions

## 3.1 Overview

3.1.1 This chapter provides NASA's requirements for suspension or termination of recipients' letter of credit when recipients are unwilling or unable to comply with cash management, financial systems, or financial reporting requirements.

## 3.2 Agency Requirements

3.2.1 When a recipient organization has demonstrated an unwillingness or inability to comply with cash management, financial management system, or financial reporting requirements, the NSSC/Center Finance Office may temporarily suspend payment to the recipient organization pending corrective action by the recipient or pending a decision to terminate the financing agreement. The NSSC/Center Finance Office shall promptly notify the Grant Officer or Contracting Officer of any such action.

3.2.2 Recipients shall comply with the non-financial reporting requirements and other terms of the grant, cooperative agreement, or contract. When recipients fail to comply with the terms and conditions of the grant, cooperative agreement, or contract, the letter of credit payments may be suspended or terminated by the Grant Officer or Contracting Officer.

3.2.3 Criteria for Suspension/Termination.

a. Recipient organizations shall withdraw funds to meet current requirements. If a recipient withdraws funds in excess of current requirements, subsequent requests for funds may be suspended until the situation is remedied. If the recipient organization continues to withdraw funds in excess of current needs, the letter of credit arrangement may be terminated, and the recipient organization will be required to finance its operations with its own working capital.

b. The letter of credit shall be suspended when a recipient organization is unwilling or unable to establish a financial management system that meets the requirements of advance financing as evidenced by an audit report or failure to comply with the requirements of this NPR. The NSSC/Center Finance Office may require submission of the recipients' written procedures or take other appropriate measures to validate recipients' compliance with these system requirements. The NSSC/Center Finance Office may also take reasonable steps to assist the recipient organization in establishing or improving its financial management system.

c. Recipient organizations shall submit quarterly SF-425 reports by established due dates. When a recipient fails to submit required financial management reports on a timely basis, DHHS/PMS suspends drawdowns until reporting requirements are met. The letter of credit is temporarily suspended when one quarterly report is late.

d. On a quarterly basis, DHHS, Division of Payment Management (DPM) provides NSSC Finance Office the Disbursement Return Status Reports, which provide the status of recipients who have and have not submitted the SF-425 reports. The NSSC Finance Office shall provide the NSSC Procurement Office a list of recipients who have submitted SF-425 reports late or not at all. The NSSC Procurement Office will review the list to determine if any termination action should be taken

against recipients who constantly file their SF-425 reports late or are unwilling to file required reports.

e. Recipient organizations shall establish procedures that will minimize the time elapsing between drawdown and related disbursements. When a recipient organization receiving letter of credit payments from the DHHS/PMS has demonstrated an unwillingness or inability to establish required procedures, the letter of credit may be suspended until procedures are established.

3.2.4 A decision to terminate the letter of credit shall be predicated upon a recipient organization's consistent demonstration of an unwillingness or inability to comply with cash management, financial management system, or financial reporting requirements. Under normal circumstances, the recipient organization should have been suspended two times before the letter of credit termination proceedings are initiated. If the severity of the violation warrants, the NSSC/Center Finance Office may begin letter of credit payment termination proceedings immediately by notifying the Grant Officer promptly. Upon termination of the letter of credit, the recipient organization is required to finance its operations with its own working capital and will be reimbursed by NASA. The NSSC/Center Finance Office or Procurement Office will promptly notify the recipient in writing of the determination, the reasons for termination, and the effective date.

3.2.5 A letter of credit arrangement shall also be terminated for either of the following reasons:

- a. The business relationship between NASA and the recipient organization is completed or terminated (except when follow-on awards are expected to be authorized).
- b. The cognizant NSSC/Center Finance Office determines progress is not satisfactory toward achievement of the cash management objective of the letter of credit method of financing.

3.2.6 Initiation of Suspension/Termination Action.

a. DHHS/PMS will suspend letter of credit drawdowns when a recipient organization has not met the quarterly financial management reporting requirements. The NSSC/Center Finance Office may initiate suspension or termination of letters of credit in cases involving other financial management issues and will notify the Grant Officer promptly of such actions. When the letter of credit includes contracts with educational institutions or non-profit organizations, the NSSC/Center Finance Office shall consult with all cognizant Contracting Officers before implementing a suspension or termination of a letter of credit applicable to contracts.

b. The Grant Office initiates suspension or termination of letters of credit to grantees and recipients of cooperative agreements in all other cases -- for instance, when the recipient organization has failed to comply with the non-financial terms and conditions of the grant. In such cases, the Grant Officer shall notify the NSSC/Center Finance Office and the recipient organization of the determination to suspend or terminate the financing arrangement. The NSSC/Center Finance Office shall take prompt action accordingly.

c. The Contracting Officer initiates suspension or termination of letters of credit to contractors. In such cases, the Contracting Officer shall notify the NSSC/Center Finance Office and the contractor of the Contracting Officer determinations to suspend or terminate the financing arrangement. The NSSC/Center Finance Office shall take prompt action accordingly.

3.2.7 A review shall be made of the grant, cooperative agreement, or contract and the statute under which the grant, cooperative agreement, or contract was negotiated to ensure that termination of a letter of credit is permitted. When the reimbursement method is not feasible, arrangements may be made whereby the operations of the recipient organizations are financed on a working capital advance basis. Under this basis, funds are advanced to the recipient organization to cover its estimated disbursement needs for a given initial period (not to exceed 30 calendar days). Thereafter,

payments will be made to the recipient for the amount of its actual cash disbursements. The amount of the initial advance should be computed to ensure that after the initial period, the payments are approximately equal to the average amount of the recipient organization's unreimbursed program payments.

3.2.8 Notification. Suspension, termination, and reinstatement of a letter of credit may be initiated by the NSSC/Center Finance Office or by the responsible Grant Officer or Contracting Officer, depending on the nature of the issue at hand. When the Grant Officer or Contracting Officer is the initiator, they shall notify the NSSC/Center Finance Office in writing, using the notification requirements outlined in (a) through (c) below, and the NSSC/Center Finance Office will take prompt action accordingly. When the NSSC/Center Finance Office is the initiator, they will notify the Grant Officer or Contracting Officer in writing, also using the notification requirements outlined in (a) through (c) below. When the letter of credit includes contracts with educational institutions or non-profit organizations, the NSSC/Center Finance Office will consult with all cognizant Contracting Officers before implementing a suspension or termination of the letter of credit applicable to contracts. The notification requirements are as follows:

- a. The initiator of suspension (that is, the NSSC/Center Finance or a Grant Officer or Contracting Officer, depending on the reason for suspension) shall provide prompt notice, in writing, to the recipient organization of the determination to temporarily withhold further payments pending corrective action by the recipient or pending a decision to terminate the letter of credit. In DHHS/PMS payment management process, a recipient's payments are automatically withheld when one quarterly financial report is not submitted on time by the recipient. The DHHS/PMS will notify the recipient via e-mail that the report is delinquent.
- b. The initiator of termination (that is, the NSSC/Center Finance or a Grant Officer or Contracting Officer, depending on the reason for termination) shall promptly notify the recipient and the cognizant Grant or Contracting Officer, in writing, of the determination, the reasons for termination, and the effective date.
- c. The initiator of reinstatement (that is, the NSSC/Center Finance or a Grant Officer or Contracting Officer, depending on the reason for the initial suspension or termination) shall promptly notify the recipient, in writing, of the determination that a previously suspended or terminated letter of credit arrangement is to be reinstated, including the reasons for the reinstatement and the effective date.
- d. The NSSC/Center Finance Office shall notify DHHS/PMS in writing of any determination to suspend, terminate, or reinstate a recipient's letter or credit.

### **3.3 Roles and Responsibilities**

3.3.1 The Agency CFO/ Deputy CFO (Finance) shall maintain policy on NASA and DHHS/PMS suspension and termination requirements.

3.3.2 The NASA Contracting/Grant Officer shall:

- a. Request the NSSC Finance Office to either suspend or terminate a recipient's letter of credit under circumstances where a recipient has otherwise failed to comply with the project objectives, the terms and conditions of the award, or NASA reporting requirements. The Contracting/Grant Officer may also withhold awarding new grants or modifying existing grants when recipients fail to timely comply with reporting requirements.
- b. Notify the Technical Officer of suspension/termination of a recipient's letter of credit.
- c. Request the NSSC Finance Office to resume letter of credit payments and release any previously

withheld drawdown when the recipient has taken corrective action that makes suspension or withholding no longer necessary. To release payment amounts that have previously been withheld, the Contracting/Grant Officer must send a memorandum to the Financial Management Office.

d. Exercise authority to suspend/terminate or impose additional requirements when recipient has a history of poor performance, is not financially stable, has a management system that does not meet the standards prescribed in 14 C.F.R. Pt. 1260, has not conformed to the terms and conditions of a previous award, or is not otherwise responsible.

3.3.3 Recipient organizations shall comply with NASA and DHHS/PMS requirements when receiving letters of credit for grants and cooperative agreements.

3.3.4 NSSC or Center CFOs, if applicable, shall:

- a. Monitor recipients' drawdown practices by using the inquiry capability of the PMS for letter of credit recipients and the quarterly SF-425 submittal by recipient organizations.
- b. Take action to suspend drawdowns or terminate letters of credit to the recipients, when required.
- c. Provide the cognizant Procurement Office a quarterly list of all recipients who have not submitted the quarterly financial reports by the required due date and whose payments have been withheld by DHHS/PMS.
- d. Coordinate suspension/termination action with the cognizant Procurement Office.
- e. Decide that the recipient demonstrates consistent unwillingness or inability to comply with financial requirements.
- f. Judge whether the recipients meet requirements for suspension or termination.
- g. Notify recipients that suspension and termination may be initiated for non-compliance with financial management requirements.

# Appendix A. Acronyms

CFO	Chief Financial Officer
C.F.R.	Code of Federal Regulation
CMP	Continuous Monitoring Program
DHHS	Department of Health and Human Services
DPM	Division of Payment Management
FAR	Federal Acquisition Regulation
FFR	Federal Financial Report
IDOC	Intermediate Document
JPL	Jet Propulsion Laboratory, (a Federally Funded Research and Development Center)
NASA	National Aeronautics and Space Administration
NPD	NASA Policy Directive
NPR	NASA Procedural Requirements
NSSC	NASA Shared Services Center
OMB	Office of Management and Budget
PMS	Payment Management System
SF	Standard Form
TFM	Treasury Financial Manual
U.S.C.	United States Code

# Appendix B. Letter of Credit Requirements for Recipients

B.1 This appendix provides the requirements that recipient organizations should follow to comply with NASA, DHHS/PMS, and Treasury's requirements on obtaining a letter of credit for grants and cooperative agreements.

B.2 Recipients operate under the following authority:

B.2.1 Advance Payments Authority-Grants. Advance payments to recipient organizations are an integral feature of NASA's grants made pursuant to 31 United States Code (U.S.C.) § 6304. Advance payments may be made without a Determination and Findings (D&F) document.

B.2.2. Advance Payments Authority-Contracts. The FAR, subpt. 32.4, establishes policy for advance payments on contracts. Subpt. 32.4 of the NASA FAR Supplement (NFS) establishes the NASA policy and requirements for advance payments on contracts; see NFS § 32.402 for approval authorities for advance payments on contracts. The statutory authorities for advance payments are 10 U.S.C. § 2307; 42 U.S.C. § 2473(c) (5); and Public L. No. 85-804 as implemented by Exec. Order No. 10789.

B.3 Recipients shall meet the following requirements in order to qualify for a letter of credit:

B.3.1 The recipient organization has demonstrated a willingness and ability to maintain procedures that will minimize time elapsing between the drawdown of funds and the disbursement of funds.

B.3.2 The recipient's financial management system provides for:

- a. Accurate, current, and complete disclosures of the financial results of each federally sponsored project or program in accordance with financial reporting requirements set forth in 2 C.F.R. § 215.52.
- b. Records that identify adequately the source and application of funds for federally sponsored activities.
- c. Effective control over and accountability for all funds, property, and other assets. Recipients must adequately safeguard all such assets and assure they are used solely for authorized purposes.
- d. Comparison of outlays with budget amounts for each award. Whenever appropriate, financial information should be related to performance and unit cost data.
- e. Written procedures to minimize time elapsing between the recipient's drawdown of funds and disbursement of funds.
- f. Written procedures for determining reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms of the grant, cooperative agreement, or contract with educational institutions or non-profit organizations.
- g. Accounting records, including cost accounting records that are supported by source documentation.
- h. Recipients' financial management systems must also adhere to:

(1) Grants. Standards for financial management systems as specified in OMB Circular No. A-110

and 14 C.F.R. § 1260.121.

(2) Contracts with educational institutions and non-profit organizations and generally accepted accounting principles and standards for financial management and reporting as specified in relevant contract clauses.

B.3.3 The recipient organization will be required to finance its operations with its own working capital when it has demonstrated that it is unwilling or unable to meet cash management requirements that will minimize cash balances or when its financial management system does not meet the standards for fund control, accountability, and financial reporting.

#### B.4 Financial Reporting Requirements.

B.4.1 Recipients are required to submit a SF-425, and, when applicable, a Continuation Sheet electronically to the DHHS/PMS. The SF-425 report shall be submitted within 30 days following the end of each Federal fiscal quarter (i.e., quarters ending on December 31, March 31, June 30, and September 30). One SF-425 is required to be submitted for all awards financed under a letter of credit for each NASA Center.

B.4.2 A final SF-425 shall be submitted within 90 calendar days after the expiration date of a grant or contract with educational institutions or non-profit organizations. The final SF-425 pertains only to the completed award and includes total disbursements from inception through completion. The report must be marked "Final" and include the total disbursements from inception through completion.

B.4.3 Recipients shall promptly refund any balances of undisbursed cash that NASA has provided to them that are not authorized to be retained by the recipient for use in other projects.

#### B.5 Erroneous Withdrawal of Excess Funds.

B.5.1 The letter of credit system is designed to make funds available to a recipient organization on the first business day following receipt of a request for funds. Recipient organizations are required to (a) request the minimum amount of funds needed; and (b) schedule such requests so that cash drawdowns coincide with actual, immediate cash requirements. Should funds be erroneously drawn in excess of actual needs, funds shall be promptly refunded. The only exceptions to the requirement for promptly refunding are when the funds involved:

- a. Will be disbursed by the recipient organization within seven calendar days.
- b. Are less than \$10,000 and will be disbursed within 30 calendar days.

B.5.2 Remittance of Erroneously Drawn Funds. If the request for funds was made erroneously, the recipient organization shall contact its financial institution and request that the payment be returned. However, if the payment has already been deposited or the excess drawdown is only part of the total payment, the recipient organization must promptly remit the excess funds to the DHHS, PMS, 7700 Wisconsin Avenue, 10th Floor, Bethesda, Maryland 20814 and indicate the recipient organization's EIN and reason, i.e., "Excess funds erroneously drawn." DHHS will report any interest collected on excess Federal funds to the NSSC/Center Finance Office and to the Treasury.

B.5.3 If the recipient organization continues to withdraw funds in excess of current needs or fails to submit reports on a timely basis, the letter of credit arrangement may be terminated, and the recipient organization shall then be required to finance its operations with its own working capital.

#### B.6 Cash Management.

B.6.1 Recipient organizations are required to request the minimum amount of funds needed and

schedule drawdowns to coincide with actual, immediate cash requirements. The NSSC/Center Finance Office monitors recipients' drawdown to ensure that minimal balances are being maintained.

B.6.2 Recipients shall maintain advances of Federal funds in interest bearing accounts, unless:

- a. They receive less than \$120,000 in Federal awards per year.
- b. The best reasonably available interest bearing account would not be expected to earn in excess of \$250 per year on Federal cash balances.
- 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.

B.6.3 Interest Earned on Advances.

B.6.3.1 Interest earned on advances deposited in interest bearing accounts in excess of \$250 per year shall be remitted annually to the Department of Health and Human Services, Division of Payment Management, 7700 Wisconsin Avenue, 10th Floor, Bethesda, Maryland 20814.

B.6.3.2 The remittance shall be made payable to DHHS and indicate the recipient organization's Entity Identification Number (EIN) and reason, i.e., "Interest earned." The recipient may retain interest amounts up to \$250 per year for administrative expenses. Recipients should refer to DHHS DPM Web site, <http://www.dpm.psc.gov/>, to obtain a complete address and additional methods for returning funds and interest.

B.7 Letter of Credit Procedures for Recipients.

B.7.1 Upon award of the grant, recipients shall be provided a financial package containing letter of credit instructions to establish their DHHS/PMS accounts and the DHHS/PMS Web address where recipients may access SF-425 reports.

B.7.2 Initial Authorization. A Direct Deposit Sign-up form (SF-1199A) and a Contact Information form must be on file before funds may be advanced. The recipient organization shall forward the original forms as soon as practicable, but no later than four weeks prior to implementation, to the NSSC Finance Office. DHHS will accept only forms with original signatures and no white-out corrections, facsimiles, or copies. Upon receipt of the completed SF-1199A form and the Contact Information form, the NSSC Finance Office will forward the original documents to DHHS/PMS. DHHS/PMS will forward an informational package to the recipient organization with instructions, an account number, and a password.

B.7.3 Reporting Changes in Recipient Organization Data. A revised Direct Deposit Sign-up form (SF-1199A) shall be submitted should any of the following occur:

- a. Change or termination of the official(s) authorized to sign the forms.
- b. Change in the name or address of the recipient organization.
- c. Change in the account or financial institution.

B.7.4 A Contact Information form shall be submitted should any of the following occur:

- a. Change or termination of the official(s) authorized to sign the forms.
- b. Change in the contact names or telephone numbers.

B.7.5 Letter of Credit - Amendments. Amendments shall be required for funding actions that result

in an increase or decrease in the authorized amount of the letter of credit. Amendments to the authorized amount are issued by the NSSC/Center Finance Office. Upon notification that a funding action has been taken, the NSSC/Center Procurement Office will advise the recipient organization of the amount, whether the total authorization has been increased or decreased, and the effective date of the change via the award document or award supplemental document.