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NASA Procedural Requirements

COMPLIANCE IS MANDATORY

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Subject: NASA's Management of Grants and Cooperative Agreements

Responsible Office: Office of the Chief Financial Officer

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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.

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