

CHAPTER 3**ADMINISTRATIVE REVIEWS AND ACTIONS**0301 REVIEWS

030101. Using the inquiry capability of the PMS for letter of credit recipients and the quarterly SF 272's submittal by all recipient organizations, Centers will monitor recipients' drawdown practices. If a recipient withdraws funds in excess of current requirements or fails to submit required reports on a timely basis, subsequent requests for funds may be suspended until the situation is remedied.

030102. If the recipient organization continues to withdraw funds in excess of current needs or fails to submit reports on a timely basis, the advance financing arrangement may be terminated and the recipient organization shall then be required to finance its operations with its own working capital. Note that FMR Volume 14 030402 lists specific circumstances under which the advance payments shall be suspended or terminated.

0302 SUSPENSION OR TERMINATION

030201. General. When a recipient organization has demonstrated an unwillingness or inability to comply with cash management, financial management system, or financial reporting requirements, the Center OCFO may temporarily suspend payment to the recipient organization pending corrective action by the recipient or pending a decision to terminate the advance financing agreement. The Center OCFO shall promptly notify the Grant Officer of any such action.

030202. When the Letter of Credit includes contracts, the Center OCFO shall consult with all cognizant Contracting Officers before implementing a suspension or termination of advance financing applicable to contracts.

030203. A decision to terminate the advance financing agreement 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 advance payment termination proceedings are initiated. If the severity of the violation warrants, the OCFO may begin advance payment termination proceedings immediately by notifying the Grant Officer promptly. Upon termination of the advance financing arrangement, the recipient organization shall finance its operations with its own working capital and the Center shall reimburse the recipient's cost.

030204. Criteria for Suspension/Termination. The Center OCFO shall take action to either suspend or terminate a recipient's advance financing arrangement, and shall promptly notify the Grant Officer when:

A. A recipient organization receiving advance payments from the DHHS/PMS 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 FMR Volume 14 Chapter 4. The OCFO may require submission of the recipients' written procedures or take other appropriate measures to validate the recipient's compliance with these system requirements. Centers may take reasonable steps to assist the recipient organization in establishing or improving their financial management system.

B. A recipient organization receiving advance payments from the DHHS/PMS is unwilling or unable to report, on an accurate and timely basis, cash disbursements or cash balances, as required by the Center (see FMR 040105). Advance financing shall be temporarily suspended when two (2) successive quarterly reports are late or when two (2) reports are late in a fiscal year. The OCFO may reinstate the advance financing upon corrective action by the recipient. During the temporary suspension period, the Center shall reimburse the recipient's cost (see paragraph a above).

C. A recipient organization receiving letter of credit payments from the DHHS/PMS has demonstrated an unwillingness or inability to establish procedures that will minimize time elapsing between drawdowns and related disbursements (see FMR Volume 14 050109).

030205. Initiation Responsibilities for Suspension/Termination. The responsibilities for initiating suspension or termination of advance payments are assigned as follows:

A. The Center OCFO is responsible for initiating suspension or termination of advance payments to grantees and recipients of cooperative agreements in cases involving financial management issues, and shall notify the Grant Officer promptly of such actions. When the Letter of Credit includes contracts, the Center OCFO shall consult with all cognizant Contracting Officers before implementing a suspension or termination of advance financing applicable to contracts.

B. The Grant Office is responsible for initiating suspension or termination of advance payments 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 Center OCFO and the recipient organization of the Grant Officer determinations to suspend or terminate advance payment, and the Center OCFO shall take prompt action accordingly.

C. The Contracting Officer is responsible for initiating suspension or termination of advance payments to contractors. In such cases, the Contracting Officer shall notify the Center OCFO and the contractor, of the Contracting Officer determinations to suspend or terminate advance payment, and the Center OCFO shall take prompt action accordingly.

030206. Preliminary Review. A review shall be made of the grant or contract and the statute under which the grant or contract was negotiated to ensure that termination of advance payments 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.

030207. Notification. As addressed in section 040103 above, Suspension, Termination, and Reinstatement of advance payments may be initiated by the Center OCFO 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 Center OCFO in writing, using the notification documents outlined in (2) (a) through (c) below, and the Center OCFO shall take prompt action accordingly. When the Center OCFO is the initiator, they shall notify the Grant Officer or Contracting Officer in writing, also using the notification documents outlined in (2) (a) through (c) below. When the Letter of Credit includes contracts, the Center OCFO shall consult with all cognizant Contracting Officers before implementing a suspension or termination of advance financing applicable to contracts. The notification documents are as follows:

A. The initiator of suspension (that is, a Center OCFO or a Grant Officer or Contracting Office, depending on the reason for suspension) shall provide reasonable 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 advance financing.

B. The initiator of termination (that is, a Center OCFO or a Grant Officer or Contracting Officer, depending on the reason for termination) shall promptly notify the recipient and the cognizant Grant or Contract officer, in writing, of the determination, the reasons for termination, and the effective date.

C. The initiator of reinstatement (that is, a Center OCFO 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 advance payment arrangement is to be reinstated, including the reasons for the reinstatement and the effective date.