

## Social Security Administration

## § 435.22

### § 435.21 Standards for financial management systems.

(a) *Introduction.* SSA requires recipients to relate financial data to performance data and develop unit cost information whenever practical.

(b) *Basic requirements.* Recipients' financial management systems must provide for the following:

(1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in § 435.52. If SSA requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient will not be required to establish an accrual accounting system. These recipients may develop such accrual data for its reports on the basis of an analysis of the documentation on hand.

(2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

(3) 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.

(4) Comparison of outlays with budget amounts for each award. Whenever appropriate, financial information should be related to performance and unit cost data.

(5) Written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means for program purposes by the recipient. To the extent that the provisions of the Cash Management Improvement Act (CMIA) (Public Law 101-453; 31 U.S.C. 6501) govern, payment methods of State agencies, instrumentalities, and fiscal agents must be consistent with CMIA Treasury-State Agreements or the CMIA default procedures codified at 31 CFR part 205, "Withdrawal of Cash from the Treas-

ury for Advances under Federal Grant and Other Programs."

(6) Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

(7) Accounting records including cost accounting records that are supported by source documentation.

(c) *Bonding and insurance requirements.* Where the Federal Government guarantees or insures the repayment of money borrowed by the recipient, SSA, at its discretion, may require adequate bonding and insurance if the bonding and insurance requirements of the recipient are not deemed adequate to protect the interest of the Federal Government.

(d) *Fidelity bond coverage requirements.* SSA may require adequate fidelity bond coverage where the recipient lacks sufficient coverage to protect the Federal Government's interest.

(e) *Obtaining bonds.* Where bonds are required in the situations described in paragraphs (c) and (d) of this section, the bonds must be obtained from companies holding certificates of authority as acceptable sureties, as prescribed in 31 CFR part 223, "Surety Companies Doing Business with the United States."

### § 435.22 Payment.

(a) *Introduction.* Payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities must be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR part 205.

(b) *Advance payment method and requirements.* (1) Recipients will be paid in advance, provided they maintain or demonstrate the willingness to maintain:

(i) Written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient, and

(ii) Financial management systems that meet the standards for fund control and accountability as established in § 435.21.

(2) Cash advances to a recipient organization will be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances must be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.

(c) *Advance payment consolidation and mechanisms.* Whenever possible, advances must be consolidated to cover anticipated cash needs for all awards made by SSA to the recipient.

(1) Advance payment mechanisms include, but are not limited to, Treasury check and electronic funds transfer.

(2) Advance payment mechanisms are subject to 31 CFR part 205.

(3) Recipients are authorized to submit requests for advances and reimbursements at least monthly when electronic fund transfers are not used.

(d) *How to request advance payment.* Requests for Treasury check advance payment must be submitted on SF-270, "Request for Advance or Reimbursement," or other forms that may be authorized by OMB. This form is not to be used when Treasury check advance payments are made to the recipient automatically through the use of a predetermined payment schedule or if precluded by special SSA instructions for electronic funds transfer.

(e) *Reimbursement method.* Reimbursement is the preferred method when the advance payment requirements in paragraph (b) of this section cannot be met. SSA may also use this method on any construction agreement, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal assistance constitutes a minor portion of the project.

(1) When the reimbursement method is used, SSA will make payment within 30 days after receipt of the billing, unless the billing is improper.

(2) Recipients will be authorized to submit a request for reimbursement at least monthly when electronic funds transfers are not used.

(f) *Working capital advance method.* If a recipient cannot meet the criteria for advance payments and SSA has determined that reimbursement is not feasible because the recipient lacks sufficient working capital, SSA may provide cash on a working capital advance basis. Under this procedure, SSA will advance cash to the recipient to cover its estimated disbursement needs for an initial period generally geared to the awardee's disbursing cycle. Thereafter, SSA will reimburse the recipient for its actual cash disbursements. The working capital advance method of payment will not be used for recipients unwilling or unable to provide timely advances to their subrecipient to meet the subrecipient's actual cash disbursements.

(g) *Requesting additional cash payments.* To the extent available, recipients must disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

(h) *Withholding of payments.* Unless otherwise required by statute, SSA will not withhold payments for proper charges made by recipients at any time during the project period unless paragraph (h)(1) or (2) of this section apply.

(1) A recipient has failed to comply with the project objectives, the terms and conditions of the award, or Federal reporting requirements.

(2) The recipient or subrecipient is delinquent in a debt to the United States as defined in OMB Circular A-129, "Managing Federal Credit Programs." Under such conditions, SSA may, upon reasonable notice, inform the recipient that payments will not be made for obligations incurred after a specified date until the conditions are corrected or the indebtedness to the Federal Government is liquidated.

(i) *Standards governing the use of banks and other institutions as depositories of funds advanced under awards.* (1) Except for situations described in paragraph (i)(2) of this section, SSA

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will not require separate depository accounts for funds provided to a recipient or establish any eligibility requirements for depositories for funds provided to a recipient. However, recipients must be able to account for the receipt, obligation and expenditure of funds.

(2) Advances of Federal funds must be deposited and maintained in insured accounts whenever possible.

(j) *Use of women-owned and minority-owned banks.* Consistent with the national goal of expanding the opportunities for women-owned and minority-owned business enterprises, recipients will be encouraged to use women-owned and minority-owned banks (a bank that is owned at least 50 percent by women or minority group members).

(k) *Use of interest bearing accounts.* Recipients must maintain advances of Federal funds in interest bearing accounts, unless paragraph (k)(1), (2) or (3) of this section apply.

(1) The recipient receives less than \$120,000 in Federal awards per year.

(2) The best reasonably available interest bearing account would not be expected to earn interest in excess of \$250 per year on Federal cash balances.

(3) 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.

(l) *Remittance of interest earned.* For those entities where CMIA and its implementing regulations do not apply, interest earned on Federal advances deposited in interest bearing accounts must be remitted annually to Department of Health and Human Services, Payment Management System, Rockville, MD 20852. Interest amounts up to \$250 per year may be retained by the recipient for administrative expense. State universities and hospitals must comply with CMIA, as it pertains to interest. If an entity subject to CMIA uses its own funds to pay pre-award costs for discretionary awards without prior written approval from SSA, it waives its right to recover the interest under CMIA.

(m) *Forms for requesting advances and reimbursements.* Except as noted elsewhere in this part, only the following forms are authorized for the recipients

in requesting advances and reimbursements. SSA will not require more than an original and two copies of these forms.

(1) *SF-270, Request for Advance or Reimbursement.* SSA has adopted the SF-270 as a standard form for all non-construction programs when electronic funds transfer or predetermined advance methods are not used. SSA, however, has the option of using this form for construction programs in lieu of the SF-271, "Outlay Report and Request for Reimbursement for Construction Programs."

(2) *SF-271, Outlay Report and Request for Reimbursement for Construction Programs.* SSA has adopted the SF-271 as the standard form to be used for requesting reimbursement for construction programs. However, SSA may substitute the SF-270 when SSA determines that it provides adequate information to meet Federal needs.

### § 435.23 Cost sharing or matching.

(a) All contributions, including cash and third party in-kind, will be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria:

(1) Are verifiable from the recipient's records.

(2) Are not included as contributions for any other federally-assisted project or program.

(3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.

(4) Are allowable under the applicable cost principles.

(5) Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.

(6) Are provided for in the approved budget when required by SSA.

(7) Conform to other provisions of this part, as applicable.

(b) Unrecovered indirect costs may be included as part of cost sharing or matching only with the prior approval of SSA.

(c) Values for recipient contributions of services and property will be established in accordance with the applicable cost principles. If SSA authorizes recipients to donate buildings or land for construction/facilities acquisition