



Missouri Office of Homeland Security

Division of Grants

Information Bulletin

OHS-GT-2012-002-03

Subject: Policy on Advance Payment and Cash Advances

Applicable To: SHSP/NSGP/UASI

Effective Date: July 1, 2020

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I. Introduction

The Missouri Office of Homeland Security (OHS), Division of Grants, is providing this information bulletin to assist local governments, state agencies and nonprofits in understanding federal and state requirements regarding advancing payments for grant funded expenditures. This policy was developed in compliance with Chapter 33 of the Missouri Revised Statutes and Title 1, Division 10, Chapter 3 of the Missouri Code of State Regulations.

This information bulletin replaces OHS-GT-2012-002-02 “Policy on Advance Payment and Cash Advances” dated September 18, 2018.

II. Definition of Terms

Advance Payment: For the purposes of this information bulletin, advance payment is defined as funds given to a subrecipient in advance of the subrecipient incurring the debt. For example, if a subrecipient orders a piece of equipment and requests reimbursement prior to paying the vendors’ invoice, receipt of funds would be considered an advance payment.

III. State and Federal Guidelines

While the Federal Emergency Management Agency (FEMA) does sometimes allow the draw down of grant funds up to one hundred twenty (120) days prior to expenditure/disbursement, the OHS chooses not to accept this option and does not seek reimbursement for grant funded activities until the costs have been incurred and vendors and subrecipients have been paid. While recognizing the benefit of having cash-on-hand to make these reimbursements, the OHS finds the benefits do not outweigh the federal requirements to track and remit interest earned from these funds between the time the state receives the advance payment and the funds are paid out.

Based on these requirements, the grants administered through the OHS for reimbursement cannot be made until the services have been performed, or the goods have been delivered and invoiced. For example, costs related to an exercise or training course cannot be reimbursed until the exercise or training has been completed and the vendor has submitted their invoice.

To ensure this requirement has been met, all claim requests submitted in WebGrants must be accompanied by:

- A signed packing slip, a receipt, or statement in writing indicating the goods or services have been received
- A vendor invoice
- A completed Equipment Detail Form in the WebGrants System, if applicable

IV. Advance Payment Request Requirements

The OHS will not provide advance payment to a subrecipient before costs have been incurred through an invoice from a vendor. However, the OHS does understand that in some situations local cash flow makes payment for large equipment items difficult. To help alleviate this situation, the OHS has agreed to accept requests for funds from subrecipients as soon as a vendor submits their invoice and the subrecipient has received goods or services. This practice has been reviewed by the Department of Public Safety, Deputy Director, and Legal Counsel and does not violate state law or regulation prohibiting advancing credit.

Consequently, the subrecipient does not have to pay the vendor before submitting the claim for reimbursement. The subrecipient must have incurred the debt prior to submitting a claim for reimbursement.

Claims reimbursement always have the highest priority and will be processed as quickly as possible. However, regardless of when the subrecipient receives the reimbursement funds from the state, the terms of the vendor invoice must be honored.

When seeking reimbursement prior to paying a vendor, the following cautions must be taken into consideration:

- If the subrecipient receives reimbursement from the state within the timeframe of the terms of the invoice, but does not pay the vendor within the invoice terms, the subrecipient may receive an audit finding for failure to meet cash management requirements. The subrecipient may also be required to pay interest on the funds if they were held in an interest bearing account or return the interest in excess of \$500 to the federal government
- If the subrecipient does not receive reimbursement from the state by the time the vendor's invoice is due, payment cannot be withheld to the vendor until state funds are received. Regardless of receipt of funds from the state, the subrecipient must honor their contractual obligation to the vendor. Failure to do so may result in an audit finding
- There is a \$2,500 minimum (\$25,000 UASI) for subrecipients requesting a reimbursement with an advance payment
- When requesting a reimbursement with an advance payment, subrecipients are required to submit proof of payment (i.e., copy of cancelled check or credit card statement) to the OHS within thirty (30) days from receipt of payment.

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V. Grant Contact Information

The OHS grant points of contact can be located at the following link:

<http://www.dps.mo.gov/dir/programs/ohs/grantstraining/?h=0>

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