

Grants Management Guidance 2014-001

SUBJECT: Receiving Refunds and Rebates for Grant Programs

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From time to time, subgrantees may receive a rebate or refund from a vendor after the grant period has expired. This guidance provides the proper treatment for a rebate or refund when received after a grant period has expired.

For purposes of this guidance, a rebate is defined as a payment made by a vendor which results from a price discount for goods or services for which the district has previously paid and refund is defined as a payment made by a vendor for goods or services which results from a returned item or an item which is no longer available for purchase and for which the district has previously paid.

“Applicable credits” is defined at [2 CFR §200.406](#) and states:

(a) Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the Federal award as direct or [indirect \(F&A\) costs](#). Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the [non-Federal entity](#) relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

(b) In some instances, the amounts received from the Federal Government to finance activities or service operations of the [non-Federal entity](#) should be treated as applicable credits. Specifically, the concept of netting such credit items (including any amounts used to meet [cost sharing or matching](#) requirements) must be recognized in determining the rates or amounts to be charged to the Federal award. (See [§§ 200.436](#) Depreciation and 200.468 Specialized service facilities, for areas of potential application in the matter of Federal financing of activities.)

If a district receives a rebate or refund after the grant period, the district may credit those funds to the fund where the purchase was made as a cost reduction or cash refund. The proceeds must be used for the valid purposes of the program and must be used not later than 90 days after the receipt of the rebate or refund. Sufficient and competent evidential matter must be maintained by the district to document the receipt of the refund or rebate, the reason why the refund or rebate was received by the district, the item(s) which are purchased with the proceeds, their relation to the approved program currently in operation at the district and the date the purchase occurred.

In situations where the funding has expired, and the program is no longer active, ODE will need to inquire with the Grantor agency for authorization to use of the expired grant funding. In these instances, ODE will provide additional guidance on a case-by-case basis to determine whether the rebate or refund can be used on allowable costs or if funds must be returned.

If possible, rebates for closed programs should be deposited into the expired fund using a special cost code that distinguishes the refund. If this is not possible, the refund/rebate should be deposited into fund 499 or 599 using a special cost code that tracks the refund separately.

Frequently Asked Questions:

The current fiscal year is 2014. A refund is received against an expenditure that was originally paid in fiscal year 2012 from Fund 516, Special Cost Center 9012. What grant period should the refund be posted against?

The refund should be deposited in fiscal year 2014 - fund 516 special cost center 9014 and expend on allowable costs within 90 days.

For federal and state grants in which the grant period has expired, i.e., IDEA, Title I, Parent Mentor, etc., can we record the refund in the current grant period and expend on allowable costs within 90 days?

All the grants listed are active grants in the current grant period. Record the refund in the current grant period and expend within 90 days on allowable costs of the respective program.

For expired and nonactive programs, i.e. Education Jobs, the guidance states that we need to wait for further direction. Until the direction is received, if the fund is already closed from our records, we can deposit into a 599?

Yes. In addition, be sure to use a special cost code that tracks the refund separately.