



**Missouri Office of Homeland Security**  
**Division of Grants, Local and State Assistance**  
**Information Bulletin**  
**OHS-GT-2012-002-01**

**Subject: Policy on Advance Payment and Cash Advances**

**Effective Date: November 1, 2016**

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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 “Policy on Advance Payment and Cash Advances” dated April 15, 2012.**

## 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 advance payment for that piece of equipment prior to paying the vendors bill for it, receiving the 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 120 days prior to expenditure/disbursement, 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, OHS finds the benefits do not outweigh 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, OHS requires that for grants administered through the Division of Grants, reimbursement cannot be made until the activity has been performed, or the equipment has 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 bill. Similarly, when purchasing goods and services or an equipment item, reimbursement cannot be made until the item has been received and the vendor has billed for the item.

For equipment purchases, to ensure this requirement has been met, all claim requests submitted in WebGrants must be accompanied by:

- A packing slip, a receipt, or statement in writing indicating the item has been received
- A completed Equipment Detail form. **Reimbursement for equipment will not be made until this requirement has been met.**

#### **IV. Advance Payment Request Requirements**

The OHS will not provide advance payment to its subrecipients before costs have been incurred through a bill from a vendor. However, Division of Grants 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 their subrecipients as soon as a vendor submits their bill and the subrecipient has obligated funds. 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 reimbursement request. The subrecipient must have incurred the debt prior to submitting the reimbursement request.

Reimbursement requests always have the highest priority at Division of Grants and any request for reimbursement 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 payment from the state by the time the vendor's bill 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 check or credit card statement) to the OHS, Division of Grants with 30 days.

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**V. Grant Contact Information**

The OHS grant points of contact can be found online at:  
<http://www.dps.mo.gov/dir/programs/ohs/grantstraining/?h=0>

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