

Volume No. 1 - Policies & Procedures	TOPIC NO.	20805
Function No. 20800 — Loans	TOPIC	LOANS
	DATE	April 1999

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Overview

Introduction

The Appropriation Act, in Section 4-3.02—*Treasury Loans*, describes the circumstances under which agencies and institutions may borrow funds from the State treasury.

Subject to appropriate authorization, loans may be used for the following:

- Authorized deficits, as described in Section 4-3.01 of the Act,
- Prefunding for capital projects,
- Operating funds in anticipation of federal revenues, and
- Operating funds in anticipation of other nongeneral fund revenues.

Note: For all funds recorded and maintained on the books of the Comptroller that are required to earn and retain interest on cash balances, such funds shall not earn interest on that portion of the fund’s cash balance that represents any outstanding loans.

The Secretary of Finance has delegated authority to the State Comptroller for the review and approval of **only short-term** loans in anticipation of **federal** and other **special** revenues for **program operations**. All requests for other types of loans should be addressed to the Director, Department of Planning and Budget.

This topic provides guidance to State agencies and institutions required to make payment for authorized operating expenses prior to the collection of nongeneral fund revenues.

Information is provided on the proper procedures for

- Requesting and repaying anticipation loans,
- Recording internal loans, and
- Processing and recording interest payments on interest-bearing loans.

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Overview, Continued

Policy

Documentation of Need

Agencies and institutions must demonstrate, through cash flow analyses and projections, that amounts requested in applications for anticipation loans for operating expenses are no greater than the minimum required to meet the projected expenditures.

Duration

The term of any loan shall not exceed twelve months.

Repayment

Loans shall not exceed the amount of anticipated available nongeneral fund revenue collections and shall be repaid only from such revenues when collected. Loans are to be repaid as soon as funds become available, but in no case later than the due date. Loans in anticipation of federal funds are to be repaid no later than two business days after the agency receives bank notification that the federal funds have been deposited.

Note: In the event of federal shutdown, no loans will be authorized to support either advance-funded or reimbursement type federal grant activities, including payment of personnel costs for furloughed staff, without prior written confirmation from the federal grantor agency that funds will be available to repay the loan. Exceptions to this policy must be approved in writing by the State Comptroller.

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Definitions—Anticipation Loan Types

Advance Funded Federal Grants or Contracts (Type 4) A loan may be authorized to provide for temporary use of state funds when federal funds are delayed, even though the federal award specifies advance funding.

Reimbursement Funded Federal Grants or Contracts (Type 2A) The federal government transfers federal funds to a state after the state has paid out its own funds for program purposes. This method of funding is prohibited after June 30, 1994, except where mandated by federal law. However, any program that requires an accounting submission with a drawdown request is treated as a reimbursement funded program in this topic.

Nonfederal, Nongeneral Fund Programs (Type 2B) Loans for programs supported by fees or other special revenues for which collections may be unevenly spread throughout the year while expenses require steady funding.

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Forms

What Are They? Three forms used to process Treasury loans in anticipation of federal or other nongeneral fund revenues are listed and displayed below.

DOA Form	Form Title	How Form is Used
TL-01	Treasury Loan Request	The agency head, as borrower, must submit this form to the Comptroller with appropriate documentation as outlined in "How To Request an Anticipation Loan."
TL-02	Treasury Loan Authorization	Upon approval of the request, the Department of Accounts (DOA) submits this form to the borrower, detailing the terms and conditions of the loan. If a loan request is not approved, DOA notifies the applicant by letter, stating the reasons for the denial.
TL-03	Acknowledgment of Loan Authorization and Request for Takedown	For a new or increased loan, the borrower receives this form attached to the TL-02. The form must be completed by the borrower and returned to DOA's Financial Analysis and Services Unit in order to confirm acceptance of the terms of the loan and request that DOA's General Accounting Unit make the appropriate entry in the Commonwealth Accounting and Reporting System (CARS). DOA records the loan as a liability to the agency involved and a receivable to the State.

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**TREASURY LOAN REQUEST
DOA FORM TL-01**

Agency Name: _____ **Agency Code:** _____

Loan Requested in Anticipated of ___ **Federal Revenues (Specify Revenue Source Code** _____ **)**
 ___ **Special Revenues**

Borrower: _____ **Title:** _____

Loan Amount Requested: \$ _____

Loan Needed From _____ **to** _____

Program/Project Code: _____ **Fund/Detail** _____

Program/Project Name: _____

Purpose of Loan: _____

Repayment Source: _____

Timing of Repayment: _____

Additional Information/List of Attachments: _____

For Loan Requests in Anticipation of Federal Funds:

Grant/Contract Title: _____

Total Annual Grant/Contract Award: \$ _____

Federal Grantor Agency/Contact Person/Telephone Number: _____

Borrower's Signature: _____ **Date:** _____

DOATL01.237(Revised)

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[THIS FORM IS TO BE COMPLETED BY DOA UPON APPROVAL OF LOAN REQUEST]
Treasury Loan Authorization
DOA Form TL-02

Agency Name: _____ **Agency Code:** _____

Type of Loan: _____ **Cash Advance:** Available
 Not Available

Authorization Number: _____ **Amount:** _____ **Loan Terms:** With
 Without Interest

Effective Date: _____ **Date to Be Repaid** _____

Program/Project Code: _____ **Fund/Detail:** _____

Program/Project/Grant Title: _____

Purpose of Loan: _____

Repayment Source/Schedule: _____

Reference: _____

Remarks/Conditions: For all funds recorded and maintained on the books of the Comptroller that are required to earn and retain interest on cash balances, such funds shall not earn interest on that portion of the fund's cash balance that represents any outstanding loans.

Authority: Section 4-3.02(b) Appropriation Act and delegation of authority signed by the Secretary of Finance.

Distribution: [Borrower]
DOA Financial Analysis and Services

Approval:

State Comptroller

Date

Attachment:
DOA Form TL-03

TL02REV.196

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THIS FORM IS TO BE COMPLETED BY DOA UPON APPROVAL OF A NEW LOAN OR INCREASE]
**ACKNOWLEDGMENT OF LOAN AUTHORIZATION
AND REQUEST FOR TAKEDOWN AUTHORIZATION**
DOA FORM TL-03

Agency Name: _____ **Agency Code:** _____

Type of Loan: Anticipation of _____ Revenues (Type ___)

=====
Part A. LOAN AUTHORIZATION

DOA Authorization Number: _____

Program/Project/Grant Title: _____

Appropriation Code (Program/Fund Detail): _____

Loan Authorization Amount: \$ _____ **Loan Authorization Date:** _____

=====
PART B. AGENCY TAKEDOWN REQUEST AND ACKNOWLEDGMENT:

I acknowledge (a) receipt of advice of the loan authorization referenced above and the conditions attached thereto; (b) responsibility to adhere to said conditions and arrange repayment of the loan made on such authorization by the date specified therein; and (c) request for the current takedown as listed below.

Total Loan Authorization: _____

Current Takedown Request: _____

Previous Takedowns _____

Total Takedowns: _____

Loan Authorization Balance: _____

Takedown Number: _____ **Date:** _____

By Borrower: _____

Title: _____

=====
PART C. POSTING

Department of Accounts, General Accounting

Recorded: _____

Date: _____ **Reference Number** _____

Loan Fund Code: _____

By _____

Title: _____

Distribution:

Financial Analysis and Services Unit, DOA (Original)

TL03REV.196

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How to Request an Anticipation Loan

Timeframe Requests for Treasury loans should be submitted to the Comptroller **no less than six weeks** before the money is needed to ensure timely processing.

Advance Funded Grants or Contracts A State agency or institution may request a loan for a federally, advance-funded grant or contract provided that a continuing resolution is not authorized, or— if authorized— the funding authority has been delayed by the federal grantor agency.

A loan may be requested six weeks in advance of the federal fiscal year upon the assumption that the funding delay(s) of the prior year will be repeated.

Agency Responsibility

The State agency or institution is responsible for immediately notifying the State Comptroller of any change in the timing and amount of federal receipts, and for the early full or partial repayment of the loan if federal funds are received earlier than expected.

Repayment

Repayment should be made not later than two business days after the bank notifies the State agency or institution that the federal funds have been deposited.

Fund Delay Circumstances under which federal funds may not be available at the onset of the grant or contract period include—but are not limited to—

- Delayed congressional action on the federal budget at the beginning of the federal fiscal year,
 - Conditions placed on the award that result in a portion of the funds being withheld until the end of the grant period, and
 - Processing of awards through several tiers of administration, as with regional offices and pass-through agencies.
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How to Request an Anticipation Loan, Continued

Loan Request A loan may be requested for one or more federal grants or contracts pending the receipt of federal reimbursements, provided the applicant has previously attempted to receive advance funding.

The loan request should be limited to the minimum amount required to provide sufficient cash to successfully process current disbursements in CARS in advance of federal receipts.

Loan Repayment The loan must be repaid, in accordance with the terms of the loan, from the same federal grant(s) or contract(s) for which the loan was approved. A subsequent loan cannot be used to repay a current loan. Unless specified otherwise in the terms of the loan, or in a subsequent loan modification, the loan must be repaid on the due date, or not later than two business days after bank notification of the receipt of the final reimbursement under the grant or contract, whichever is the earliest.

Note: In the event of federal shutdown, no loans will be authorized to support either advance-funded or reimbursement type federal grant activities, including payment of personnel costs for furloughed staff, without prior written confirmation from the federal grantor agency that funds will be available to repay the loan. Exceptions to this policy must be approved in writing by the State Comptroller.

Nonfederal, Nongeneral Fund Programs A loan may be requested when an agency experiences seasonal fluctuations in revenue collections from nongeneral fund sources such as fee collections, or when enterprise operating expenses exceed revenues over the short term. The Comptroller does not have the authority to review and approve long term working capital loans or lines of credit. Such requests should be referred to the Department of Planning and Budget (DPB).

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How to Request an Anticipation Loan, Continued

Federal or Special Funds General Requirements

In addition to the application form (DOA Form TL-01), the applicant must provide the following information to document the need for a loan in anticipation of either **federal** or **special** funds:

- Cash Flow Analysis, providing documentation that the amount requested is the minimum needed to cover the period from expenditure to reimbursement. This includes, at minimum:
 - Prior year monthly revenue and expenditure reports,
 - Projected monthly revenues for the next twelve months without a Treasury loan,
 - Projected monthly expenditures for the same period, and
 - Copies of any contracts, agreements or other relevant documents used in developing the projections.
- Full explanation of the purpose of the loan and the specific impact on the agency or the program if the loan is not authorized (additional pages attached, if necessary).
- Confirmation that the loan is being requested for only those programs for which advance funds are not currently available.
- An outline of the agency's plan, in specific terms, for improving the flow of funds to the agency, including any planned meetings with grantor agencies so that DOA has the option to send representatives.

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How to Request an Anticipation Loan, Continued

Federal Funds Specific Requirements

- For loans in anticipation of **Federal** funds, including funds passed through another State agency, the following information must be included:
- Copies of most recent awards notices,
 - Confirmation that the contact person, as shown on the TL-01, of each federal or State grantor agency has been approached, regarding the availability of advance funding,
 - The results of such inquiries, including any special requirements an agency must meet in order to qualify for advance funding,
 - Names and telephone numbers of all individuals contacted at the grantor agency,
 - An explanation of drawdown techniques currently employed by the agency, including a time line showing frequency of requests for advances or reimbursements and average time elapsed until funds are received, and confirmation that requests are being submitted according to the most frequent time schedule allowed,
 - Confirmation that current technology for requesting and receiving funds (e.g., SMARTLINK, ACH, EFT) is being used to the fullest extent available, and
 - Confirmation that indirect costs, which may be used as an Internal Loan, are being recovered to the fullest extent possible on a timely basis.

Loan Modifications

Except when otherwise noted on a specific loan authorization, agency requests for modification—including renewal, extension, or changes in the loan amount—will be assessed under the same criteria as is used for an original loan request. Modifications will be treated as new loan requests. All steps required in the original loan process must be repeated, and all documentation updated.

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How to Request an Anticipation Loan, Continued

Repayment of Treasury Loans

After approval of the loan request, the agency will receive a copy of the Treasury Loan Authorization (DOA Form TL02 or DPB Form 023). This form shows the due date for the outstanding loan. The agency is responsible for initiating repayment action prior to the due date.

To repay a loan, the agency must submit a written request to the Comptroller, in care of DOA's Treasury Loan Coordinator, Financial Analysis and Services Unit. E-mailed repayment requests are acceptable. The request should describe the loan by giving the authorization number, the fund/fund detail number, and the project number, if applicable. It should also state the amount to be repaid and as of what date the loan should be repaid. This request should be received by DOA at least two work days prior to the requested repayment date. If no date is indicated, the loan will be repaid upon receipt of the request.

By submitting a repayment request, the agency is certifying that sufficient funds will be available to cover the loan amount on the repayment date.

Unable to Repay a Loan?

Anticipation Loan

The agency must submit the request for an extension to the Comptroller at least six weeks before the required repayment date. It is the agency's responsibility to ensure that loans are repaid by the due date or that a loan modification has been authorized. Top priority for loan repayment must be given by the agency once revenues are received.

Deficit and Construction Loans

If an agency is unable to repay a loan on the required repayment date as specified on the Treasury Loan Authorization the agency must submit a request for an extension of the repayment date to the Department of Planning and Budget. Also, a copy is to be sent to the Comptroller.

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How to Request an Anticipation Loan, Continued

Interest Payment Process

Loans made from the Treasury to agencies and institutions in anticipation of the sale of authorized debt for non-general funded capital projects are interest-bearing loans. Interest payments will be made quarterly for all interest-bearing loans. The Comptroller calculates quarterly interest payable based upon the quarterly interest rate established by the State Treasurer.

The process by which the agency will be notified of the amount due and the method by which interest payments must be made is as follows.

Stage	Description												
1	<p>The Comptroller calculates and records the interest payable in the agency's accounts in CARS. Two general ledger accounts (GLA's) have been established for this purpose:</p> <table border="0"> <thead> <tr> <th><u>GLA Number</u></th> <th><u>Name</u></th> </tr> </thead> <tbody> <tr> <td>581</td> <td>Accrued Interest Expense Treasury Loans</td> </tr> <tr> <td>580</td> <td>Interest Payable Treasury Loans</td> </tr> </tbody> </table> <p>The entry to record the interest payable is:</p> <table border="0"> <tr> <td style="padding-right: 40px;">Accrued Interest Expense Treasury Loans</td> <td style="text-align: right;">xxx</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Interest Payable Treasury Loans</td> <td></td> <td style="text-align: right;">xxx</td> </tr> </table> <p>Transaction code 930 creates this entry and appears on the CARS ACTR0401 report (Weekly Report of Transactions Posted) under "DOA Journal Entries" when the entry is recorded.</p>	<u>GLA Number</u>	<u>Name</u>	581	Accrued Interest Expense Treasury Loans	580	Interest Payable Treasury Loans	Accrued Interest Expense Treasury Loans	xxx		Interest Payable Treasury Loans		xxx
<u>GLA Number</u>	<u>Name</u>												
581	Accrued Interest Expense Treasury Loans												
580	Interest Payable Treasury Loans												
Accrued Interest Expense Treasury Loans	xxx												
Interest Payable Treasury Loans		xxx											
2	<p>At the end of the quarter, the agency receives a memo from the Treasury Loan Coordinator detailing the amount of interest owed.</p> <p>The CARS ACTR0402 report, <i>Trial Balance of General Ledger Accounts by Agency/Fund Detail</i> for the month following the close of the quarter will show a balance in GLA 580 with an offsetting balance in GLA 581. The interest payment must be made during the first month of the quarter for the preceding quarter's liability. However, for the quarter ended in June, the payment must be made as a June transaction, between the preliminary and the final year-end closings.</p>												

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How to Request an Anticipation Loan, Continued

Interest Payment Process (continued)

3	<p>Decentralized institutions of higher education may send interest payments to DOA by check in care of the Treasury Loan Coordinator. For nondecentralized institutions of higher education and other agencies the payment is made via an Interagency Transfer Invoice (IAT). The agency making the payment ("charge agency") must complete two lines on the IAT (one for the charge agency and the other for the credit agency).</p> <p>The codes needed for the "credit agency" (Department of Treasury - Statewide Activities) line are:</p> <ul style="list-style-type: none"> • Transaction Code 933 • Agency Code 996 • Fund/Fund Detail 0100 • Revenue Source 07108 <p>For the charge agency side of the entry, the agency codes the appropriate expenditure information using transaction code 932. This transaction code creates the following entry in the agency's accounts:</p> <table style="margin-left: 40px;"> <tr> <td>Interest Payable Treasury Loans</td> <td style="text-align: right;">xxx</td> <td></td> <td></td> </tr> <tr> <td>Expenditures</td> <td style="text-align: right;">xxx</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Accrued Interest Expense Treasury Loans</td> <td></td> <td style="text-align: right;">xxx</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Cash</td> <td></td> <td></td> <td style="text-align: right;">xxx</td> </tr> </table> <p>This transaction code has the same requirements as those for other expenditures, including the use of a program/project code and object code <i>3131</i> for interest payments.</p>	Interest Payable Treasury Loans	xxx			Expenditures	xxx			Accrued Interest Expense Treasury Loans		xxx		Cash			xxx
Interest Payable Treasury Loans	xxx																
Expenditures	xxx																
Accrued Interest Expense Treasury Loans		xxx															
Cash			xxx														
4	<ul style="list-style-type: none"> • Upon completion of the IAT, the agency should handle the batch according to their normal processing procedures. • A copy of the IAT should be submitted to the Trust Accounting Manager in the Department of Treasury. • In accordance with year-end close procedures, the June transaction must be submitted prior to year end cut off date to the Treasury Loan Coordinator, Financial Analysis and Services Unit, Department of Accounts, to ensure processing in the correct fiscal year. 																

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Records Retention

Time Period

- Records of fiscal activity related to loan authorizations, records of takedowns and repayments, and other supporting documentation, should be retained for a period of at least three years. The retention period generally starts at the close of the fiscal year covered by the loan.
- For pending, ongoing, or unresolved litigation, audits or claims, retain documentation until completion, resolution, or negotiation of settlements and retain according to standard schedules.

Destruction of records must be in accordance with policies and procedures of the Records Management Section, The Library of Virginia.

Contacts

DOA Contact

Director, General Accounting

 (804) 225-2244

 gacct@doa.virginia.gov

Subject Cross References

References

CAPP Topic No. CAPP Topic No. 20605, *Federal Grants Management*

CAPP Topic No. 20705, *Indirect Cost Recovery*
