Handling Vendor Refunds from a Prior Year

Last Updated 6/11/2024

When a refund of federal funds is made after accounts for a fiscal year are closed

Action: Subrecipient pays for services or materials using federal grant funds.

Situation: The subrecipient receives a "refund" for these services or materials in a fiscal year following the original action and accounts have been closed out.

- Scenario 1: Vendor reconciles final bill and the agency receives a refund for overpayment made during a prior fiscal year.

- Scenario 2: Agency receives a rebate for materials purchased in a prior fiscal year or a refund due to the cancellation of a subscription.

- Scenario 3: Agency returns equipment purchased in a prior fiscal year.

Required Steps:

1. If the amount of federal funds from a single grant refunded to the subrecipient is **greater than $500**, the subrecipient must return the federal funds to DPI. If it is less than $500, it must still be recorded as a refund but no check needs to be sent to DPI.

2. If federal funds must be returned, the final grant claim from the year the expenditure was claimed must be amended to reflect actual final claimed costs. All refunds must be recorded on the subrecipient's ledger, and that information pushed to WISEdata Finance.

3. If the funds are still available per the Tydings amendment or other Federal program guidelines, the amount will be added to the sub-recipient's carryover. If it is outside the period of availability, DPI will return the funds to the awarding agency (US Department of Education).

Code the return of funds to DPI as an expenditure in the current fiscal year under Fund 27:

> **DR - 27E-492000-971-019**
> **CR - 27B 711000 (cash)**

Next, code as revenue in the current fiscal year under Fund 27:

> **DR - Revenue to source 730**
> **CR - Function 715500 - Due from State Government**

If IDEA formula grant funds do not need to be returned to DPI (less than $500), the vendor refund transaction can be recorded in Fund 10 rather than Fund 27.

Impact on IDEA's Maintenance of Effort (MOE): Source code 971 is pulled in as a revenue to offset project 011 and 019 expenditures. The return of federal funds to DPI will have no impact on MOE compliance if the revenue has an offsetting expenditure documenting the return.

Notifying DPI of a federal fund return:

IDEA Return of Funds: http://goo.gl/poz6Uo or ESEA Return of Funds: https://goo.gl/ssjxSD