

POLICY AND PROCEDURE
Processing Rebates
November 20, 2007
Revised November 19, 2010

This policy relates to rebates received to state government entities including billed services. **The OMB Circular A-87 (http://www.whitehouse.gov/omb/circulars_a087_2004/)** definition of “billed central services” means “central services that are billed to benefited agencies and/or programs on an individual fee-for-service or similar basis. Typical examples of billed central services include computer services, transportation services, insurance, and fringe benefits.

Rebates are a type of applicable credits. **OMB Circular A-87** defines applicable credits as “those receipts or reduction of expenditure type transactions that offset or reduce expense items allocable to federal awards as direct or indirect 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.” A-87 also states, “To the extent that such credits accruing to or received by the government unit are related to allowable costs, they will be credited to the federal award either as a cost reduction or cash refund, as appropriate.”

Rebate Policy

The federal government must be allocated their portion of any rebate received by state agencies and universities. The federal portion is based on the participation by the federal government in the particular program that generated the rebate. Each agency and university will be responsible for calculating the federal share of the rebate received by either using the method included in policies and procedures released by the State Controller or any other method by which an agency or university chooses which results in a more precise rebate allocation to the federal and state governments. The Office of the State Controller (OSC) rebate procedures must be executed in a timely manner upon receipt of rebates.

Agency Procurement Card Procedure:

- Deposit rebates in the budget code from which the original expenditure was made.
- Record rebates in the North Carolina Accounting System (NCAS) as a credit to revenue account 437127-Rebates.
- Determine federal financial participation (FFP) rate.
- Calculate the amount of the federal portion of rebate by multiplying total amount of cash rebate received by the calculated FFP rate for the agency.
- Transfer in the Cash Management Control System (CMCS) the federal portion of the rebate through screen 13. Record the transfer to department/division 4174, budget code 24172 OSC-Central Accounts. Submit on same day to OSC a schedule supporting the calculation of the federal rebate percentage and amount.
- Record in NCAS the transfer of the rebate to OSC by debiting revenue account 437127.

Billed Services (ex: ITS, Motor Fleet Management, Surplus Property) Rebate Procedure-

- Deposit rebates in the budget code from which the original expenditure was made.
- Record rebates in the North Carolina Accounting System (NCAS) as a credit to revenue account 437127-Rebates.
- Determine federal financial participation (FFP) rate.

- Calculate the amount of the federal portion of rebate by multiplying total amount of cash rebate received by the calculated FFP rate for the agency.
- Transfer in the Cash Management Control System (CMCS) the federal portion of the rebate through screen 13. Record the transfer to department/division 4174, budget code 24172 OSC-Central Accounts. Submit on same day to OSC a schedule supporting the calculation of the federal rebate percentage and amount.
- Record in NCAS the transfer of the rebate to OSC by debiting revenue account 437127.

OSC Procurement Card and Billed Services Rebate Procedure:

- Record in CMCS the transfer received to budget code 24172.
- Record in NCAS the transfer received as a credit to revenue account 437127-Procurement Card Rebates.
- Remit to the U.S. Department of Health and Human Services, Division of Cost Allocation (DCA) the federal portion of the rebate for the State of NC. Amount transferred is initiated based on a demand letter from DCA for the amount of the rebate that has been negotiated and agreed to by the OSC and DCA. (The US Department of Health and Human Services, Division of Cost Allocation is the cognizant agency for negotiating and accepting the federal government's portion of cash rebates received from the use of procurement cards by state agencies.)
- Monitor agency and university compliance with this policy and procedure.

OSC Approved Method to Calculate the Federal Financial Participation (FFP) Rate:

- Total agency SEFA program expenditures for SFY XXXX / Total agency BD701 expenditures for SFY XXXX Budget Codes with any federal revenues = Agency FFP rate.
- Source for calculation amounts:
- The Single Audit Report is published each March following the close of the state fiscal year. The Schedule of Expenditures of Federal Awards (SEFA) is a part of the annual Single Audit Report. Link: <http://www.osc.nc.gov/financial/index.html>
 - BD701's are on Xptr and DSS.

Agency Rebate Procedure for non - Procurement Card and non Billed Services rebates :

- Deposit rebates in the budget code from which the original expenditure was made.
- Record rebates in the North Carolina Accounting System (NCAS) as a credit to revenue account 437127-Rebates.
- Determine federal financial participation (FFP) rate.
- Calculate the amount of the federal portion of rebate by multiplying total amount of cash rebate received by the calculated FFP rate for the agency.
- Submit the federal share along with documentation to the Federal granting agency from which the services were originally charged or apply to the program.