

Cash Management of Federal Funds

Authority

2 C.F.R. Part 200, §200.305(b) *“For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance of redemption of checks, warrants, or payment by other means.”*

2 C.F.R. Part 200, §200.302(b)(6) *“Written procedures to implement the requirements of §200.305 Payment.”*

Reimbursement

Subrecipients of grants awarded by DPI are paid on allowable expenditures incurred by the LEA and submitted for reimbursement on a PI-1086 claim form. The reimbursement method ensures that expenditures have been both obligated and liquidated by the time the funds are transferred from DPI to the LEA. The reimbursement method is the most common method used and reduces the risk associated with advancing funds which relies solely on the LEA’s written procedures and financial management systems for fund control and accountability.

Advance Payments

Advance payment means a payment that DPI would make to the LEA “in advance” of expenditures being made. This situation is seldom used for Federal grants that are passed through DPI. A situation where an advance might be made is summer payroll. This would occur if an LEA obligates July and August payroll but submits a final claim in early July and receives Federal funds prior to the July and August salaries being paid by the LEA. This situation is in compliance with the Uniform Grant Guidance, which directs that advance payments must be limited to the minimum amounts needed by the subrecipient and be timed to cover the actual, immediate cash requirements in carrying out the grant program.

Advance Payments of Federal Funds:

1. Must be deposited and maintained in insured accounts whenever possible
2. Must be maintained in interest-bearing accounts, unless the following apply:
 - a. The District receives less than \$120,000 in Federal awards per year
 - b. The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances
 - c. Interest earned amounts up to \$500 per year may be retained by the LEA for administrative expense. If the LEA earns any additional interest on Federal advance payments deposited in interest-bearing accounts, contact DPI or follow procedures stated in 2 C.F.R. Part 200, §200.305(9)
 - d. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources

Written Procedures

Written procedures such as required per 2 C.F.R. Part 200, §200.302(b)(6) should not be a reiteration of the federal requirements or the policies or goals. Rather, procedures are the step by step process that is used to obtain the goal or the steps that are necessary to be in compliance with the federal requirement. Written procedures should answer questions such as: who determines that the cash management procedures are being followed; how is it determined the procedures are followed; when the steps are performed; what is being verified.

A subrecipient's Cash Management written procedures must address both advance payments and cost reimbursement. The written procedures should include steps involved in the obligating, liquidating, and claiming of federal funds.

The following is a list of questions to consider when documenting procedures. This is not an all inclusive list but rather to be used in guidance when writing the step by step procedures. These questions represent the types of information DPI would look for in the subrecipient's written procedures if selected for monitoring.

Written procedures regarding the obligation of Federal funds:

Purchase orders for goods or services

- Who has authority to generate a purchase order (PO)?
- How is a purchase order generated? What steps are involved?
- Who approves purchase orders?
- Who has authority to approve contracts?
- Who determines the purchase is an allowed cost on a federal grant?
- What information is used to make the determination it is an allowed cost?
- Who verifies the goods or services have been budgeted on the Federal grant?

Payroll

- Who identifies each staff person with a status of single cost objective or multiple cost objective?
- How is this status determined?
 - How often is this information reviewed and updated?
 - Where is this information stored?
 - How is this communicated between areas?
- Who sets up the account coding of personnel claimed on the grant?
- Who verifies that the salaries charged to the grant are for individuals approved on the grant?

Regarding staff with multiple cost objectives:

- Who approves time worked on a federal program / project?
- Who verifies charged amounts against supporting time and effort documentation prior to a claim being made?
 - How is this communicated between areas?

For short-term work such as substitute staffing, extended school year, stipends, etc.:

- Who verifies the short-term work is completed by licensed individuals (if required)?
- Who verifies the work was completed prior to submitting a claim?
 - Does the time sheet identify the Federal funding source or cost objective?
 - How is this communicated between areas?

Credit card purchases

- Who has access to the subrecipient's credit card?
- What purchases are allowed to be made by credit card?
- Who reconciles credit card bill to actual expenditures?
- What supporting documentation is required for payment of an expenditure?

Written procedures regarding the liquidation of Federal funds:

Receipt of goods or service performed

- Who verifies the goods have been received or service performed?
 - How is the verification done?
- Who determines the goods are being put into use in the federal program/project? How is it determined?
- Who determines the service was timely performed and how is it verified?
- If assets (such as computing devices) were purchased, how are these being tracked per Federal program?
- If assets are lost, stolen or damaged, what is the process for reporting and documenting?
- If assets are no longer needed, what is the process for reporting and documenting?
 - How is this communicated between areas?

Payment Process

- How is an invoice approved for payment? Who gives final approval?
- What is the payment process?
- What supporting documentation is required prior to payment?

Written procedures regarding the claiming of Federal funds:

- How are expenditures tracked?
- Who prepares the claim for expenditure reimbursement?
- Who verifies that the expenditure report includes only expenditures that have been obligated and liquidated in the requested reimbursement amount?
- Who verifies the expenditure report includes costs that are on an approved budget and have been determined allowable?
- How is it determined if an expenditure claimed has been both obligated and liquidated?
- Who approves the claim prior to submission?
- When do expenditure claims get filed during the year? (*monthly, quarterly*)
- Who ensures the final expenditure claim is filed no later than September 30th following the fiscal year ended June 30th?
 - Who determines whether an amount claimed has been liquidated within 90 days of year end?
 - How are costs at year end determined to be obligated and not liquidated?
- Who verifies that the final expenditure report ties to the general ledger accounts?
- Who performs the cash reconciliation?
- Is there separation of duties between who approves and disburses the funds from who performs the reconciliation?