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Necessary to minimize the timing between receipt and disbursement of Federal funds at the grant and subrecipient levels

Need to understand the types of payments and required payment processes

Need to reduce improper payments and boost efforts in collection of such payments

Bus passes, debit cards, gift cards, and vouchers are subject to the same accountability and safeguarding measures as cash

Cash Management

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A diagram with a magnifying glass icon. On the left, three colored boxes (red, green, yellow) list topics: "General Principles of Cash Management", "Payments From DOL to Direct Recipients", and "Payments from PTEs to Subrecipients". On the right, a red arrow-shaped box contains three bullet points: "Identify the standards contained in the Uniform Guidance and DOL exceptions related to managing cash and other assets", "Identify the DOL process for payments to recipients", and "Identify the payment options for the pass-through entity's payment system".

- General Principles of Cash Management
- Payments From DOL to Direct Recipients
- Payments from PTEs to Subrecipients
- Identify the standards contained in the Uniform Guidance and DOL exceptions related to managing cash and other assets
- Identify the DOL process for payments to recipients
- Identify the payment options for the pass-through entity's payment system

Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Lesson Overview & Module Objectives

Other Cash-Like Items

Common Mistakes

- Identify how to manage other cash-like items
- Identify common mistakes and how to avoid them

Cash Management 4

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by **circling** the appropriate number in the middle column of the sheet, labeled Pre-Training, for each of the statements.

?

- When to use working capital fund advances
- How to handle interest earnings on uncashed checks
- Cash flow statements by program
- The importance of using Federal cash for authorized Federal purposes
- The system for advances to subrecipients for immediate disbursements

Cash Management 5

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## General Principles of Cash Management

Learning objectives for this section

- Identify the standards contained in the Uniform Guidance and the DOL exceptions related to managing cash and other assets
- Identify and distinguish among the types of payments

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## 2 CFR 200.302

### Financial management

Financial management system must provide for:

- (b)(4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See 200.303 Internal Controls.
- (b)(6) Written procedures to implement the requirements of 200.305 Payment.




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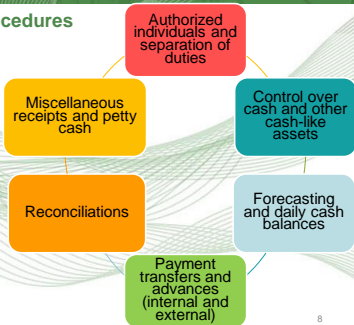
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## Cash management procedures must be written

Should address the method for payments issued and received:




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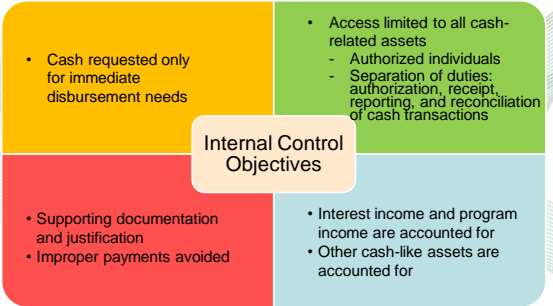
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## Standards for Cash Depositories

### 200.305(b)(7)

Cannot require separate depositories or establish any eligibility requirements for depositories



Maintained in insured accounts whenever possible

Separately account for receipt, obligation, and expenditure of funds by award or fund source

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## Interest-Bearing Accounts

### 200.305(b)(8)

Advances must be placed in an interest-bearing account except when:

- Less than \$120,000 in Federal awards per year
- Best available account would earn less than \$500 per year
- Requirement for an average or minimum balance so high that it would be infeasible
- Prohibited by a foreign government

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## Interest Income

States: Cash Management Improvement Act

[https://www.fiscal.treasury.gov/tsservices/gov/rcnColl/cmias/rvnColl\\_cmia.htm](https://www.fiscal.treasury.gov/tsservices/gov/rcnColl/cmias/rvnColl_cmia.htm)

Recipients and Subrecipients

- Remit annually through the appropriate method specified in 200.305(b)(9)
- Interest amounts up to \$500 per year may be retained for administrative expenses

WIA 20 CFR 667.200(a)(7) and WIOA 194(7)(B)(iii)

- Interest income included in program income

*Interest expense is generally not allowable*

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Mandatory Timely Payments to Contractors

### 200.305(b)(1)

- The non-Federal entity must make timely payments to contractors in accordance with contract terms



Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Status Check

Are the statements true or false?

-  Non-Federal entities receiving Federal funds must have written cash management procedures.
-  Cash on hand must be limited to immediate disbursement needs.
-  Federal funds must, with some exceptions, be deposited in interest-bearing accounts.
-  WIOA recipients and subrecipients must remit interest income to the Federal Treasury.

Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Advance Payments

### 2 CFR 200.305(b)(1)

Non-Federal entity must be paid in advance provided it maintains written procedures minimizing time elapsing between receipt and disbursement, as well as financial management standards for fund control and accountability

Limited to the minimum amounts needed

Be timed in accordance with the actual, immediate cash requirements of the non-Federal entity

Cash Management

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**SMART FINANCIAL GRANTS MANAGEMENT 2015**

## Reimbursement Basis

Specific conditions authorized at 200.207 for reimbursement payments

DOL exception 2900.6 on advance payments

- Due to risk assessment
- Becomes a special condition of the grant

Cash Management 16

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**SMART FINANCIAL GRANTS MANAGEMENT 2015**

## Liquidation of Advances

**LIQUIDATION**

In addition to Uniform Guidance provision at 200.305(b)(2)

DOL exception at 2900.7

- Non-Federal entity should liquidate existing advances before it requests additional advances and disburse available cash balance of program income prior to drawing down additional grant funds

Cash Management 17

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**SMART FINANCIAL GRANTS MANAGEMENT 2015**

## Working Capital Advance

**When to use working capital advance**

- Entity cannot meet the criteria for advance payments
- Reimbursement not feasible because entity lacks sufficient capital

**Advance process**

- Disbursement needs for an initial disbursement cycle
- Advance is liquidated with actual disbursements
- Subsequent reimbursements only for actual cash disbursements of the advance payment

**Must not use working capital advances because of unwillingness or inability to provide timely advances**

Cash Management 18

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**SMART FINANCIAL GRANTS MANAGEMENT 2015**

## Cash Forecasting System

 Develop disbursement schedule	 Cash on hand <b>MUST</b> be used prior to requesting additional cash.
 Forecast cash needs by fund source	 Include transaction cycle time in the timing of cash request
 Track daily cash balances by fund source	 These systems must be internally and externally monitored and adjusted as necessary

Cash Management 19

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**SMART FINANCIAL GRANTS MANAGEMENT 2015**

## Reimbursement Basis

**200.305(b)(3)**

### Reimbursement

- Possible consequence for failure to comply with cash advance requirements
- Payments must be made within 30 calendar days after receipt of billing
  - Unless request is improper



Cash Management 20

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**SMART FINANCIAL GRANTS MANAGEMENT 2015**

## Payments from DOL to Direct Recipients



Learning objectives for this section

- Identify the DOL process for payments to recipients

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SMART FINANCIAL GRANTS MANAGEMENT 2015

# Payment Management System

HHS Payment Management System (PMS)  
<http://www.dpm.psc.gov/>

- Funds available by grant number
- If requested by 2 P.M., funds are deposited the next day
  - Before grants can be closed out, cash receipts, disbursements and expenditures must equal



Meets the requirement that non-Federal entities must be paid in advance of disbursement [200.305(b)(1)]

Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

# States' CMIA Requirements

U.S. Treasury-State Cash Management Improvement Act (CMIA) agreements and default procedures codified at 31 CFR Part 205



Major programs—meeting a certain dollar threshold (varies state to state)



Governs transfer of funds between US Treasury and States



Provides techniques to manage funds



Interest earned by States

Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

# Consolidating Cash for Federal Programs

## 2 CFR 200.305(b)(2)

- Whenever possible, advance payments must be consolidated to cover anticipated cash needs for all Federal awards made by the Federal awarding agency to the recipient.



Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Payments from Pass-Through Entities (PTEs) to Subrecipients

Learning objectives for this section

- Identify the payment options for the pass-through entity's payment system

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SMART FINANCIAL GRANTS MANAGEMENT 2015


## PTE Cash Systems (1 of 2)

 Should be centralized and secure

 Subrecipients **must be paid in advance** of disbursement if they maintain effective cash management system [200.305(b)(1)]

 Frequency of payments must coincide with timely disbursement

- Electronic fund transfer system: no limit
- No electronic fund transfer system: at least monthly

 Reimbursement basis possible if failure to comply

Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## PTE Cash Systems (2 of 2)

 Pass-through entities and subrecipients must separately account for receipt, obligation, and expenditure of funds by award or fund source

 For subawards, the pass-through entity must identify the dollar amount made available under each award and the CFDA number at time of disbursement (200.331)(a)(1)(xi)

Cash Management

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**SMART FINANCIAL GRANTS MANAGEMENT 2015**

## Withholding of Payments (1 of 2)


Payments must not be withheld at any time during the period of performance unless:

- The entity failed to comply
- The entity is delinquent in a debt to the United States
- Reasonable notice

Payments withheld must be released upon subsequent compliance

Suspended awards

Adjustments per 200.342



Cash Management 28

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**SMART FINANCIAL GRANTS MANAGEMENT 2015**

## Withholding of Payments (2 of 2)

**200.305(b)(6)(iv)**

Payments must not be made to a non-Federal entity for amounts withheld by the non-Federal entity from payments to contractors until satisfactory completion of work

Payments must be made when the non-Federal entity actually disburses the withheld funds to the contractor or to an escrow account established to assure satisfactory completion of the work

Cash Management 29

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**SMART FINANCIAL GRANTS MANAGEMENT 2015**

## Status Check

Are the statements true or false?

- ? Pass-through entities are generally required to advance cash to their subrecipients to meet their immediate disbursement needs.
- ? As a result, pass-through entities may never put their subrecipients on a cash reimbursement basis.
- ? Non-Federal entities must use existing advances and available program income before requesting additional cash advances.
- ? A cash forecasting system is a helpful tool to determine the amount and timing of cash requests.

Cash Management 30

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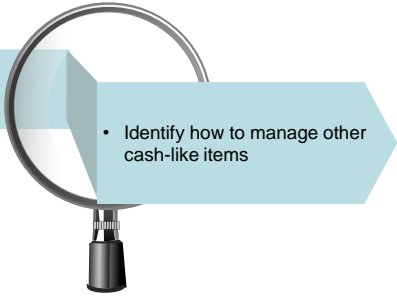
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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Other Cash-Like Items

Learning objectives for this section



- Identify how to manage other cash-like items

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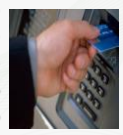
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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Cash-Like Items

- ATM PINS and PINS to checking accounts
- Passwords to sensitive accounts
- Credit cards and/or gas cards
- Debit cards
- Purchase cards
- Blank check stock
- Check-signing machines
- Bus tokens and passes
- Gift cards



Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Control Over These Assets

Written internal control procedures

- Petty cash
- Inventory of tokens, passes, cards, etc.
- Monitoring of subrecipients' cash-like assets

Access limited to authorized individuals

- Secure storage
- Passwords secured and changed regularly
- Separation of duties

Periodic review and reconciliation

Logs for issuing bus tokens, passes, gift cards

Cash Management

33

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Common Mistakes

Learning objectives for this section



- Identify common mistakes and how to avoid them

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Common Mistakes (1 of 3)

-  Inadequate separation of duties
-  Cash receipts/deposits recorded in the wrong revenue account or for the wrong amount
-  Unreconciled cash balances—cash on hand not identified with particular funding sources and reconciled to bank statements
-  Excessive cash on hand and poor forecasting of cash needs

Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Common Mistakes (2 of 3)

-  Advances of Federal funds used for non-Federal purposes
-  Use of temporary checks that are out of the current check number sequence and not reflected in the revenue account or check register
-  Delayed deposit or receipts
-  Miscellaneous receipts not deposited in a timely manner or accounted for
-  No action or closing of long outstanding checks
-  Use of Federal funds to pay overdraft fees or other penalties

Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Common Mistakes (3 of 3)



Excess inventory of bus passes, etc.



No logs documenting the issuance of bus tokens and passes, petty cash, etc.



Petty cash, blank checks, check-signing equipment, credit and debit cards, passwords, tokens and passes not securely stored



Checks issued but never mailed or released



Failure to recognize the grant's share of interest earned in joint accounts

Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Status Check

Are the statements true or false?



The requirement to have written internal control procedures for managing cash does not apply to cash-like items.



The WIOA-funded grant's share of interest earned on Federal funds deposited with other non-Federal funds in the same bank or treasury account must be treated as program income to the grant.



Since cash is fungible, Federal cash receipts may be used for non-Federal purposes as long as the Federal funds are eventually reimbursed.

Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Quiz

1. Working capital advances may be used rather than advances to subrecipients in order to save time.
2. As long as I only maintain a cash balance below \$120,000, I am in compliance with the Uniform Guidance.
3. The Uniform Guidance requires recipients to always keep federal cash in interest-bearing accounts.
4. If there have been no problems reported for cash management, I do not have to monitor cash on-site or internally.

Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Quiz

5. If misappropriation of funds is found during monitoring, I do not have to report this to the Office of Inspector General.
6. All non-federal entities must have written cash management policies.
7. The safeguarding of and accountability for gift cards, bus tokens and/or gas cards are not required under the Uniform Guidance.

Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Key Concepts

 <p>Cash on hand must be limited to the amount needed for immediate disbursement</p>	 <p>All non-Federal entities must have written cash management policies and adequate internal controls over cash and cash-like assets including improper payments</p>	 <p>Identify the situations when payments may be withheld or when advances are not possible</p>	 <p>Subrecipient cash balances should be monitored for compliance with the Federal requirements</p>
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Cash Management

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SMART FINANCIAL GRANTS MANAGEMENT 2015

## Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by **circling** the appropriate number in the column of the sheet, labeled Post-Training, for each of the statements.

- When to use working capital fund advances
- How to handle interest earnings on uncashed checks
- Cash flow statements by program
- The importance of using Federal cash for authorized Federal purposes
- The system for advances to subrecipients for immediate disbursements

Cash Management

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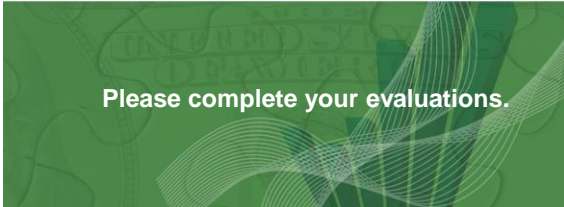
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**THANK YOU!**



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