Why This Session Is Needed

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.

Lesson Overview & Module Objectives

- 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.
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

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

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
Financial management system must provide for:

- 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.

- Written procedures to implement the requirements of 200.305 Payment.

Cash management procedures must be written

- Authorized individuals and separation of duties
- Control over cash and other cash-like assets
- Forecasting and daily cash balances
- Payment transfers and advances (internal and external)
- Reconciliations
- Miscellaneous receipts and petty cash

Internal Control Objectives

- Cash requested only for immediate disbursement needs
- Access limited to all cash-related assets
- Authorized individuals
- Separation of duties: authorization, receipt, reporting, and reconciliation of cash transactions
- Supporting documentation and justification
- Improper payments avoided
- Interest income and program income are accounted for
- Other cash-like assets are accounted for
**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.

**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.

**Interest Income**

States: Cash Management Improvement Act
https://www.fiscal.treasury.gov/services/gov/ncoll/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.
Mandatory Timely Payments to Contractors

200.305(b)(1)

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

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.

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.
Reimbursement Basis

- Specific conditions authorized at 200.207 for reimbursement payments
- Due to risk assessment
- Becomes a special condition of the grant

DOL exception 2900.6 on advance payments

Liquidation of Advances

- 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

DOL exception at 2900.7

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 Forecasting System

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

Reimbursement Basis

200.305(b)(3)

- 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

Payments from DOL to Direct Recipients

- Identify the DOL process for payments to recipients
Cash Management

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)]

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)
Governors transfer of funds between US Treasury and States
Provides techniques to manage funds
Interest earned by States

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.
Learning objectives for this section

• Identify the payment options for the pass-through entity’s payment system

PTE Cash Systems (1 of 2)

Should be centralized and secure

Subrecipients must be paid in advance of disbursement if they maintain an 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

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)
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. Payments withheld must be released upon subsequent compliance. Suspended awards. Adjustments per 200.342. Payments withheld must be released upon subsequent compliance. Suspended awards. Adjustments per 200.342. 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. 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.

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.
**Other Cash-Like Items**

- Identify how to manage other cash-like items

**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

**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
Learning objectives for this section

• Identify common mistakes and how to avoid them

Common Mistakes

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

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

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

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.

Status Check

Are the statements true or false?

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.

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.

Key Concepts

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

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
THANK YOU!

Please complete your evaluations.