



TO: Grant Recipients
Administrative Entities

FROM: Craig E. Hartzer
Commissioner

DATE: September 22, 1998

SUBJECT: DWD COMMUNICATION 1998-11
Cash Management Policy

RE: All Funding Sources Administered by DWD

Frank O'Bannon, Governor
Alan D. Degner, Commissioner

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Purpose

To amend state policy and provide a policy that addresses the essential aspects of Cash Management for all Federal and State funds of the Department of Workforce Development (DWD). Interest earned on USDOE funds (i.e., Perkins) by DWD's grantees must be returned to DWD.

References

- a) U.S. Treasury Circular No. 1075.
- b) U.S. Department of the Treasury 31 CFR 205, Federal Funds Transfer, Cash Management Improvement Act of 1990.
- c) U.S. Department of the Treasury 20 CFR 626.
- d) JTPA Regulation, Section 627.430.
- e) 34 CFR, Part 80, is entitled Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments and is a part of EDGAR (Education Department General Administrative Regulations)
- f) JTPA Financial Tag, January 1995.

Rescission

DETS Communication C95P-2161 dated April 20, 1995.

Content

A. General

This Policy contains Federal and State requirements considered essential to effective Cash Management. Currently, The Cash Management Improvement Act (CMIA) of 1990 applies only to those entities, such as the State, receiving funds directly from federal sources. However, the general concept of CMIA is applicable to all organizations receiving funding from DWD.

References cited provide federal policy guidance for cash advances, effect of Program Income and other miscellaneous receipt of funds, cash-on-hand and working capital advance payment process.

DWD application of this cash management policy focuses on the monthly forecasting of cash needs (Cash Needs Calendar) and reporting the Status of Funds. In addition, this policy addresses the need for grant recipients to perform an AER (Accrued Expenditure Report) versus Cash Draw comparison by grant and fund on a monthly basis, DWD will perform a monthly "desk top" review by grant, fund year and fund.

Annually, each grant recipient must perform a cash draw analysis identifying cash draws, transfers, and refunds by specific year and fund, and compare it to the AER on the Annual Settlement and/or Closeouts for June 30, of each year for all grants. The analysis must also be done at the time of each grant closeout at the time of submission.

B. FEDERAL POLICY WITH DWD IMPLEMENTATION INSTRUCTIONS FOLLOWS:

B.1. CASH ADVANCE

Each grant recipient may receive cash advances via TFFIS on any State workday. All requests should be entered prior to 10:00 a.m. in order to be processed that day by DWD. These cash advances may be received by the Grant Recipient provided it maintains or demonstrates the willingness and ability to maintain procedures that are in accordance with the Department of the Treasury regulations at 31 CFR Part 205. Grant Recipient advance payments will be made by the State via Electronic Funds Transfer (EFT).

Cash draws will be used only for DWD issued grants. Under no circumstances, without advance written approval from DWD, will a Grant Recipient use DWD issued cash for non-DWD issued grants; e.g. DWD issued cash CANNOT be issued to fund the IMPACT program pending receipt of Fixed Unit priced payments by FSSA.

B.2. EFFECT OF PROGRAM INCOME AND OTHER MISCELLANEOUS RECEIPTS OF FUNDS

Each grant recipient and subrecipient shall disburse program income, rebates, refunds, contract settlements, audit recoveries, and interest earned which is now considered as Program Income on such funds before requesting additional cash payments. (20 CFR, Part 627, Subpart D, Section 627.430(F))

B.3 CASH-ON-HAND

Reference "a" establishes the Cash Management criteria for all recipients of Federal Funds. Section 205.4 (A) states in part "...advance to recipient organizations shall be limited to the minimum amount needed and shall be timed to be in accordance only with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program project. The timing and the amount of cash advance shall be as close as is administratively feasible to actual disbursement by the recipient organization for direct program costs and the proportional share of any allowable indirect cost."

DOL, in its Cash Management Compliance Review, has established one (1) day or less of cash-on-hand as being "minimum". DOL, in its Compliance Review will use whatever method is deemed appropriate to calculate cash-on-hand.

The U.S. Department of Education requires its recipients (Grantees and Subgrantees) to minimize the time between receipt of funds and their subsequent disbursement. The U.S. Department of Education has specified that cash on hand in excess of three days is excessive. The U.S. Department of Education requirement for maintaining minimal cash on hand (three days or less need) applies to Carl D. Perkins Vocational and Applied Technology Education Act of 1990 funds (i.e., Single Parents, Displaced Homemakers, and Single Pregnant Women Funds).

B.4. WORKING CAPITAL ADVANCE PAYMENTS (WCAP)

Section 627.430 of the JTPA Regulations states... "if a sub-recipient or contractor cannot meet the criteria for advance payments, and the awarding agency has determined that reimbursement is not feasible because the sub-recipient or contractor lacks sufficient working capital, the awarding agency may provide cash to the sub-recipient or contractor to cover its estimated disbursement needs for an initial period, geared to the sub-recipient's or contractor's disbursing cycle and in no event may such an advance exceed 20 percent of the awarded amount. The awarding agency shall reimburse the sub-recipient or contractor for its actual cash disbursements. The working capital advance payment (WCAP) method of payment shall not be used by recipients or sub-recipients if the reason for using such method is the unwillingness or inability of the recipient or sub-recipient to provide timely advances to the sub-recipient to meet the subrecipient's actual cash disbursements." This means that grantees should not automatically award 20% of a contract as a WCAP. The regulation states that up to 20% is allowed. Grantees are to document which contractors received WCAP and the reason why WCAP was granted.

C. DWD's POLICY

C.1. WCAP

A letter to DWD with accompanying documentation will be provided within 30 days of each WCAP transaction. This WCAP letter of notification must be sent to the attention of Craig W. Thompson, Deputy Controller. This documentation should be retained and made available for review by the Compliance Review Team and/or Auditors.

C.2. CASH NEEDS CALENDAR(CNC)

Monthly, each SDA will estimate its cash needs for the coming month. The estimate may be updated at any time up to the week PRIOR to said request.

C.3. AER VS. CASH DRAW COMPARISON

Since July 1, 1993, the State has been operating under the U.S. Department of the Treasury's requirements cited at Reference "b". This means that extremely close cash management practices will be enforced by DWD in all program years to assure minimal levels of cash on hand for each funding source. Monthly, the grantee will complete a reconciliation between cash drawn versus AER to assure a reasonable balance between cash and accrued expenditures. DWD in its monthly desk top review will conduct a cash analysis of each grant compared to expenditures. The analysis will be based on EFT data as of the end of the month. To be in compliance, the cash drawn on authorized cash advance grants will not be greater than 5% of AER. This is applicable to all grants except any grant with a total budget of \$250,000 or less. These grants may be 10% or less of reported AER. For U.S. Department of Education Funds (i.e., Single Parents, Displaced Homemakers, and Single Pregnant Women Funds), grant recipients need to minimize the time between receipt of the funds and their subsequent disbursement. The U.S. Department of Education has specified that funds on hand up to three days need meets the requirement of minimizing the time between receipt of funds and their subsequent disbursement. Cash on hand in excess of three days need is excessive.

Cash Reimbursement contracts will be processed via claim voucher and will not be included in this comparison.

C.4. CASH DRAWS BETWEEN PROGRAM YEARS

A separation will be maintained by the Grantees for audit purposes of all cash draws after the program year ends June 30, or September 30, as appropriate. This process allows the Grantees/DWD/AUDITORS to "track" the flow of cash between program years.

C.5. CASH DRAWN RECONCILIATION TO AER

An annual reconciliation of cash drawn to accrued expenditures reported will be completed by all grant recipients. This annual reconciliation will occur at the time of submission of the Closeout and Annual Settlement.

Each grant recipient must perform an annual cash draw analysis identifying cash drawn to a specific program year and fund, and compare it to the AER on the Annual Settlement and/or Closeouts for June 30, of each year for all grants. The analysis must also be done at the time of each grant closeout at the time of submission.

C.6. STATUS OF FUNDS

All funds received from the DWD that are disbursed for expenditures will be tracked. The grantees will maintain on-site a separation of funds from other funds received. The reasoning for an on-site separation is that each fund's Compliance Review Team (monitors) have a need to see how its own fund is complying with references. DWD's Compliance Review Team will always use the ledger balance to calculate cash-on-hand and will review the bank balance and make comments as appropriate concerning the bank balance. For example, the team will determine if deposits on bank statements have been recorded in the general ledger as of the date of deposit and that checks written have cleared within 60 days. Any checks that are over 60 days old must be investigated and determined why the checks have not been processed. Any check that is over 2 years old must be cancelled and processed through the belated cost and refunds policy.

D. JTPA FINANCIAL MANAGEMENT TECHNICAL ASSISTANCE GUIDE (TAG)

Grant Recipients of JTPA funds should reference the JTPA Financial Management TAG's Chapter on CASH MANAGEMENT for procedural guidance in compliance with this policy's requirements.

Effective Date

October 1, 1998

Action

All Administrative Entities and/or Grant Recipients should inform appropriate staff of the contents of this Communication Policy. Any questions regarding this policy may be directed to Craig W. Thompson, Deputy Controller at 317/232-1787.