
DWD Policy 2024-10: Federal Grant Award Cash Management

To: DWD Staff and Indiana's Workforce System
From: Indiana Department of Workforce Development (DWD)
Date: May 14, 2025

PURPOSE

To provide sound cash management for all Federal grants awarded to, used by, and passed through DWD.

RESCISSION

DWD Communication 1998-11 *Cash Management Policy*

REFERENCES

- 2 CFR Part 200 and 2900 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
- DWD TA 2022-07: *Internal Control Standards*
- 20 CFR 683.200(b)(8)
- 31 CFR Part 205 *Rules and Procedures for Efficient Federal-State Funds Transfer*
- Cash Management Improvement Act (CMIA) of 1990
- DWD Policy 2024-11: *Allowable Costs for Federal Grant Awards*
- Public Law 107-300, *Improper Payments Information Act of 2002*

DEFINITIONS

Allowable Cost: A cost to a particular award or other cost objective, if the goods or services involved are chargeable or assignable to the award or cost objective.¹

Award: Also referred to as “grant” in this document. Any money, loans, or non-cash assistance granted to the State from the Federal government — or granted by the State to a subrecipient—to support a program authorized by law.

Expenditure: Charges made by a recipient or subrecipient to a project or program for which a Federal award was received.²

Non-Federal Entity: A state, local government, Indian tribe, institution of higher education, or non-profit organization that carries out a Federal award as a recipient or subrecipient.³ **NOTE:** This may include local areas as established by the Workforce Innovation and Opportunity Act.

¹ See selected items of cost in 2 CFR 200.420 for specific examples. See 2 CFR 200.431 for fringe benefits compensation. See 2 CFR 200.439 for equipment and other capital expenditures.

² 2 CFR 200.1.

³ 2 CFR 200.1.

CONTENT

Background

It is the policy of DWD that appropriate internal controls⁴ and accepted best practices be used in the handling, receiving, safeguarding, transporting, depositing, and accounting of cash instruments.

DWD's financial management system and the financial systems of any of DWD's subrecipients must provide effective control over, and accountability for, all funds, property, and other assets. All assets must be adequately safeguarded and used only for authorized purposes.⁵

DWD and subrecipients may draw down from the grant award account as needed, but the amount of advances (drawdowns) requested must be based on actual and immediate cash needs to minimize Federal cash on hand in accordance with policies established in 2 CFR 200 and the Treasury-State Cash Management Improvement Act (CMIA). Federal grant award payments are governed by the CMIA agreements and default procedures codified at 31 CFR part 205.

The CMIA provides rules and procedures for the efficient transfer of Federal financial assistance between the Federal agencies and the state. The implementing regulations are in 31 CFR Part 205. The general provisions of the Act are as follows:

1. Federal agencies must make timely fund transfers and grant awards to state agencies.
2. State agencies must minimize the time between the deposit of Federal funds in the state's account and the disbursement of funds for program purposes.⁶
3. With some exceptions, the state is entitled to interest from the Federal government from the day the state pays out its own funds for Federal assistance program purposes to the day Federal funds are credited to the state bank account.
4. With some exceptions, the Federal government is entitled to interest from the state from the day Federal funds are credited to the state's account to the day the state pays out the Federal funds for Federal assistance program purposes.
5. The state must enter into a Treasury-State Agreement (TSA) with the U.S. Department of the Treasury Financial Management Service (FMS) to set forth terms and conditions for implementing the CMIA.

The Office of Financial Management (OFM), with the assistance of all affected state agencies, negotiates the TSA with FMS. The TSA outlines the program, the funding technique, and the clearance pattern the state will use to draw down funds from the Federal government.

Generally, conformance with the TSA assures that the state does not owe the Federal government, or is not due from the Federal government, interest liability on its drawdown.

⁴ DWD Technical Assistance 2022-07: *Internal Control Standards*.

⁵ 2 CFR 200.303.

⁶ 31 CFR 205.33.

Amendments to the TSA may be proposed by either the state or the Federal government at any time during the duration of the contract.

The responsibilities of the state agencies that administer CMIA applicable programs are to:

1. Request Federal funds in accordance with the approved funding technique described in the TSA and in amounts needed for immediate payments.⁷
2. Document the amount of Federal funds requested and when Federal funds are deposited in the state's account. If Federal funds are not available when required per the TSA, process the request. This will document that Federal funds were properly requested by the state in accordance with the TSA.
 - a. For the Federal draw systems that reject requests when Federal funds are not available in the system, make the request and print the rejection notice as evidence of the state's conformance with the TSA. If necessary, make appropriate phone calls to Federal agencies to notify them that Federal funds are not available per the TSA. Document efforts to request Federal funds per the TSA.
 - b. When Federal funds are not available per the TSA, maintain documentation of the amount of state funds expended, the dates of these expenditures, the date Federal funds were requested, and the date Federal funds were received. Maintain this documentation for use in calculating Federal interest liability on late Federal funds.
 - c. **NOTE:** In most cases, the state cannot calculate a Federal interest liability unless the state has made a request through a Federal draw system and either received a rejection or has notified the applicable Federal agency that Federal funds are not available per the TSA.
3. Calculate the state and Federal interest liabilities by program and any associated direct costs.
4. Notify OFM, Accounting Division, of changes to the funding techniques and clearance patterns. DWD shall not make a change until it is reviewed and approved by OFM and FMS.
5. Certify to OFM that CMIA applicable programs conform to the drawdown methods described in the TSA. OFM requests this certification in December of each year.

Payment Process Requirements

DWD's payment process and the payment processes of any DWD subrecipients of Federal grant funds must:

- Be centralized and secure.
- Have cash forecasting capabilities.
- Track cash balances by fund source.
- Limit cash on hand to the amount needed for immediate disbursement.
- Liquidate all Federal cash on hand, including program income earned under an award/subaward before requesting additional Federal cash for that award/subaward.

⁷ 31 CFR 205.11.

- Be monitored and adjusted as needed.

DWD staff and the staff of any DWD subrecipients of Federal grant funds must be aware of the following payment risks:

- Advances of Federal funds used for non-Federal purposes.
- Cash receipts/wrong deposits recorded in the wrong 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.
- Delayed deposits or receipts.
- Failure to recognize the grant's share of interest earned in joint accounts.

Cash Forecasting

Cash forecasting estimates are the expected flow of cash entering and exiting DWD or any of DWD's subrecipients. Cash forecasting must be used to anticipate payments and must contain:

- Projected date of payments;
- Expected payment amounts;
- Expected costs; and
- Projected date for incurring those costs.

Income

Interest Income

Recipients and subrecipients must remit interest income annually through the method described in 2 CFR 200.305(b) for any interest income amount that exceeds \$500. Interest amounts up to \$500 per year may be retained for administrative expenses. Interest income earned on WIOA and Wagner-Peyser funds must be included as program income.

Program Income

Program income is income generated because of allowable activities. Program income must be used during the financial period in which it was earned and be spent before requesting cash drawdowns of grant funds. As a result, the grant recipient, or subrecipient, must:

1. Record and report income at the time it is earned.
2. Record and report the expenditure of that program income as soon as it is used.
3. Use the cash proceeds generated from program income to pay for grant-related costs before drawing down additional grant cash.

Accounting for Grant Funds and Reconciliation

DWD and all DWD subrecipients must disburse and account for the Federal award funds in accordance with state laws and procedures for expending and accounting for funds.

Accounting systems must contain sufficient codes of revenue and expenses to adequately

track spending of grants. Additionally, the accounting system must track grant activities that have an expenditure cap or threshold.

The financial management systems of the state and any DWD subrecipient, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

DWD and any DWD subrecipients must keep records showing that Federal grant award costs are allowable, necessary, reasonable, and allocable. The records may include fully executed contracts, agreements, leases, invoices, bank statements, time and attendance records, eligibility for stipends, written approvals, and justification for needs-related payments. The records must explain or support the cost classification that DWD or the subrecipient used. For DWD, the agency's account codes and their general description/use are the basis for this support.

Additionally, the documentation must show allocation to the appropriate Federal award. The records may include information regarding Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by source documentation listed in the paragraph above. For DWD, the agency's general ledger records and Negotiated Indirect Cost Rate are the basis for this support.

Accounts must be reconciled at least quarterly. The reconciliation must be reviewed by someone independent of the cash handling or recording functions and their approval evidenced by their signature and date. Reconciliation allows staff to early identify and correct any deficiencies or errors.

Improper Payments

During the reconciliation process, DWD and subrecipient staff should detect and address improper payments. Improper payments are any payment that should not have been made and payments made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.⁸ Examples include:

- Overpayments to subawards and contractors.
- Disallowed costs.⁹
- Participant payments erroneously awarded.
- Uncollected tuition refunds.
- Double payments.
- Payments paid at the wrong rate.
- Unauthorized charges on fees and penalties paid in error.
- Overpayments on blanket purchase orders.

⁸ Public Law 107-300, *Improper Payments Information Act of 2002*.

⁹ See DWD's *Allowable Costs for Federal Grant Awards* policy for more information.

Internal Controls

Internal controls¹⁰ are processes designed and implemented by grant recipients to provide reasonable assurance that operations are reliable, effective, efficient, and comply with applicable laws, regulations, and guidance. Sound cash management internal controls must be in place to track all assets, liabilities, revenues, and expenses of the grant. These internal controls must ensure:

- Cash is requested only for immediate disbursement needs.
- Supporting documentation and justification are created and kept.
- Improper payments are avoided.
- Access to cash and cash equivalent items is limited.
- Secured access.
- Tracking and reconciliation is periodically performed.
- Accounting reports are accurate and consistent.

Cash management is controlled by limiting access to DWD's financial system. Before performing any new cash management activity, the Chief Administrative Officer or their designee must approve the activity. Once approval has been granted, the Finance Department must work with the Controller to demonstrate how the operation or activity will be accounted for and tracked.

Access to cash management is achieved by limiting and controlling access to DWD's financial system. The State Comptroller's Office has established user-level permission rights within the financial system, which DWD utilizes for segregation of duties. Annual audits of those permissions are reviewed by DWD Finance management with oversight by the State Comptroller's Office.

There must be a segregation of duties to safeguard DWD's assets and reduce risk of error and fraud. The responsibilities of receiving cash, recording cash, depositing cash, and the reconciliation of the deposit must be separated and performed by different individuals. In no instance should the individual accepting the cash be the same individual responsible for making the deposit and/or performing the reconciliation. Responsibility over transaction proceeds must be clearly delineated and assigned to specific individual(s) to ensure accountability. The following responsibilities must be separated, and authorized individuals must review each transaction.

- Oversight – a person who initiates a transaction,
- Authorization – a person who authorizes or approves the transaction,
- Record-keeping – a person who records the transaction in the official records, and
- Reconciliation – a person who reconciles the transaction.

All cash handling units must maintain written procedures of their cash handling, recording, and reconciliation processes. DWD signatory authority is limited to the Chief Administrative Officer or their designee.

¹⁰ DWD Technical Assistance 2022-07 *Internal Control Standards*.

It is the responsibility of subrecipients to develop their own internal control standards in accordance with this guidance and 2 CFR 200. This includes establishing signatory authority in their local policies and procedures.

ACTION

All DWD staff must familiarize themselves with and adhere to this guidance. Subrecipients are expected to update their policies and procedures to align with this guidance.

EFFECTIVE DATE

Immediately.

ENDING DATE

Upon rescission.

ADDITIONAL INFORMATION

Questions regarding the content of this publication should be directed to policy@dwd.in.gov.