 **Payments and Cash Management**

**SMART 3.0 Training**  
Dallas, TX  
May 29-31, 2019

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 **Today's Speakers**



**Charlie Watts**  
Accountant, DFMAS  
U.S. Department of Labor – Region 4  
Dallas, TX  
[Watts.Charles@dol.gov](mailto:Watts.Charles@dol.gov)



**Tom DiLisio**  
Senior Accountant, DFMAS  
U.S. Department of Labor – Region 6  
San Francisco, CA  
[Dilisio.Thomas@dol.gov](mailto:Dilisio.Thomas@dol.gov)

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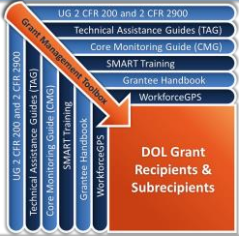
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 **Grant Management Toolbox**



UG 2, CFR 200 and 2, CFR 2900  
Technical Assistance Guides (TAG)  
Core Monitoring Guide (CMG)  
SMART Training  
Grantee Handbook  
WorkforceGPS

**DOL Grant Recipients & Subrecipients**

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Grant Management Toolbox References

- SMART Training
- Core Monitoring Guide
- Technical Assistance Guides
- ETA Grantee Handbook
- WorkforceGPS Resources



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Module Overview

- Uniform Guidance standards and DOL exceptions related to managing cash and other assets
- Interest income and program income
- DOL payments process to recipients
- Payment options for the pass-through entity's payment system
- Manage other cash equivalent items
- Common mistakes and how to avoid them



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Financial Management System Standards

**2 CFR 200.302** 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 [2 CFR 200.303](#) Internal Controls.
- (b)(6) Written procedures to implement the requirements of [2 CFR 200.305](#) Payment.

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✓ Written Procedures

- ✓ Cash management procedures must be written
- ✓ Should address the method for payments issued and received:
  - ▶ Authorized individuals and separation of duties
  - ▶ Miscellaneous receipts and petty cash
  - ▶ Control over cash and other cash equivalent assets
  - ▶ Reconciliations
  - ▶ Forecasting and daily cash balances
  - ▶ Payment transfers and advances (internal and external)

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✓ Internal Control Purpose

- ✓ Cash requested only for immediate disbursement needs
- ✓ Supporting documentation and justification
- ✓ Improper payments avoided
- ✓ Access limited to all cash-related assets
- ✓ Interest income and program income are accounted for
- ✓ Other cash equivalent assets are accounted for

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✓ Internal Controls – Cash & Cash Equivalent Items

- Written policies and procedures
- Segregation of Duties
  - Authorization of a transaction
  - Receipt and custody of the asset
  - Recording and reporting activity related to that asset
  - Taking periodic inventory and reconciling balances
- Access limited to all cash-related assets
  - Passwords and PINs to bank deposit accounts
  - Agency credit cards, debit cards, gas cards
  - Transit cards or bus passes
  - Gift cards

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✓ **Compensating Controls**

- ✓ Having managers or staff from the program offices perform specific cash-related functions.
- ✓ Requiring two authorizing signatures on checks issued.
- ✓ Requiring supervisory approval of each use of cash and cash equivalent assets.
- ✓ Verifying usage and balances of logs through management information system reports.
- ✓ Sharing fiscal responsibilities with neighboring local workforce areas or other grant recipients.

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✓ **Standards for Cash Depositories**

**2 CFR 200.305(b)(7)**

- ✓ Cannot require separate depositories or establish any eligibility requirements for depositories
- ✓ Separately account for receipt, obligation, and expenditure of funds by award or fund source
- ✓ Maintained in insured accounts whenever possible

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✓ **Interest-Bearing Accounts**

**2 CFR 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](#)
- ✓ Recipients and Subrecipients
  - ▶ Recipients and Subrecipients Remit annually through the appropriate method specified in [2 CFR 200.305\(b\)\(9\)](#)
  - ▶ Interest amounts up to \$500 per year may be retained for administrative expenses
- ✓ WIOA [20 CFR 683.200\(b\)\(8\)](#) - interest income earned on WIOA and Wagner-Peyser funds must be included as program income

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✓ Program Income

**Income generated as a result of allowable grant activities**

Program income must be:

- Expended during the financial reporting period in which it was earned
- Disbursed before requesting cash drawdowns of grant funds

Which means the non-Federal entity must:

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

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✓ Payments to Contractors

[2 CFR 200.305\(b\)\(1\)](#) The non-Federal entity must make timely payments to contractors in accordance with contract terms



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✓ Knowledge Check – Questions

**True or False?**

1. Non-Federal entities receiving Federal funds must have written cash management procedures?
2. Cash on hand must be limited to immediate disbursement needs?
3. Federal funds must, with some exceptions, be deposited in interest-bearing accounts?
4. Non-Federal entities must maintain separate depositories for their Federal cash.
5. WIOA recipients and subrecipients must remit interest income to the Federal Treasury?
6. Program Income can be set aside for special projects?

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✓ Knowledge Check – Answers

1. Non-Federal entities receiving Federal funds must have written cash management procedures? **True**
2. Cash on hand must be limited to immediate disbursement needs? **True**
3. Federal funds must, with some exceptions, be deposited in interest-bearing accounts? **True**
4. Non-Federal entities must maintain separate depositories for their Federal cash. **False**
5. WIOA recipients and subrecipients must remit interest income to the Federal Treasury? **False**
6. Program Income can be set aside for special projects? **False**

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✓ Payment Management System

**HHS Payment Management System (PMS)**

- ✓ 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 [2 CFR 200.305\(b\)\(1\)](#)

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✓ States' CMIA Requirements

- ✓ 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

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✓ 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.

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✓ 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

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✓ Reimbursement Basis

- ✓ [2 CFR 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
- ✓ Specific conditions authorized at [2 CFR 200.207](#) for reimbursement payments
- ✓ DOL exception [2 CFR 2900.6](#) on advance payments:
  - ▶ Due to risk assessment
  - ▶ Becomes a special condition of the grant

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✓ 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 advance

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✓ Liquidation of Advances

**DOL exception at [2 CFR 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



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✓ 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

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✓ PTE Cash Systems

- ✓ Should be centralized and secure
- ✓ Subrecipients must be paid in advance of disbursement if they maintain effective cash management system [\[2 CFR 200.305\(b\)\(1\)\]](#)
- ✓ Frequency of payments must coincide with timely disbursement
  - ▶ No electronic fund transfer system: at least monthly
  - ▶ Electronic fund transfer system: no limit
- ✓ Reimbursement basis possible if failure to comply
- ✓ 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 [\[2 CFR 200.331\(a\)\(1\)\(xi\)\]](#)

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✓ Withholding of Payments

[2 CFR 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

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✓ Withholding of Payments (cont.)

- ✓ 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 [2 CFR 200.342](#)

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✓ Improper Payments

- ✓ Public Law 107-300
- ✓ Requires program agencies with over \$500 million annual expenses to recover
- ✓ Provides agencies to recover any associated expense from amounts recovered
- ✓ Requires Agency reporting
- ✓ Every organization must have an improper payments recovery policy and procedures

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✓ Improper Payment Examples

- ✓ Over-payments to subawards and contractors
- ✓ Disallowed costs
- ✓ 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 P.O.s
- ✓ ...more

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✓ Knowledge Check (2) – Questions

**True or False?**

1. Pass-through entities are generally required to advance cash to their subrecipients to meet their immediate disbursement needs?
2. As a result, pass-through entities may never put their subrecipients on a cash reimbursement basis?
3. A cash forecasting system is a helpful tool to determine the amount and timing of cash requests?
4. Non-Federal entities are not responsible for actively recovering overpayments.

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✓ Knowledge Check (2) – Answers

1. Pass-through entities are generally required to advance cash to their subrecipients to meet their immediate disbursement needs? **True**
2. As a result, pass-through entities may never put their subrecipients on a cash reimbursement basis? **False**
3. A cash forecasting system is a helpful tool to determine the amount and timing of cash requests? **True**
4. Non-Federal entities are not responsible for actively recovering overpayments. **False**

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✓ Cash Equivalent 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

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✓ Control Over These Assets

- ✓ Written internal control procedures:
  - ▶ Petty cash
  - ▶ Inventory of tokens, passes, cards, etc.
  - ▶ Monitoring of subrecipients' cash equivalent assets
- ✓ Access limited to authorized individuals:
  - ▶ Secure storage
  - ▶ Passwords secured and changed regularly
  - ▶ Separation of duties
- ✓ Logs for issuing bus tokens, passes, gift cards

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✓ Common Mistakes

- ✓ 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

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✓ Common Mistakes (2)

- ✓ 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

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✓ Common Mistakes (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

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✓ Knowledge Check (3) – Questions

**True or False?**

1. The requirement to have written internal control procedures for managing cash does not apply to cash equivalent items.
2. Non-Federal entities must use existing advances and available program income before requesting additional cash advances.
3. 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.
4. Since cash is fungible, Federal cash receipts may be used for non-Federal purposes as long as the Federal funds are eventually reimbursed.

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✓ Knowledge Check (3) – Answers

1. The requirement to have written internal control procedures for managing cash does not apply to cash equivalent items. **False**
2. Non-Federal entities must use existing advances and available program income before requesting additional cash advances. **True**
3. 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. **True**
4. Since cash is fungible, Federal cash receipts may be used for non-Federal purposes as long as the Federal funds are eventually reimbursed. **False**

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**Core Monitoring Guide – Objective 3.c. Payment and Cash Management**

- ✓ **Indicator 3.c.1: Cash Disbursements**
  - ▶ What is the mechanism or tool used by the grant recipient to determine the amount of cash to draw down? How often is it performed and reviewed?
- ✓ **Indicator 3.c.2: Payment and Cash Management**
  - ▶ Does the grant recipient have policies and procedures in place to identify and recapture improper payments?
- ✓ **Indicator 3.c.3: Deposit Insurance**
  - ▶ Are DOL's Federal dollars deposited in a deposit account and not in an investment account?

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**SMART Checklist**

- ✓ **Cash Management and Payments**
  - Install or update the control system to limit access and reasonably safeguard Federal funds, program income, revenues and cash equivalent assets such as credit cards, bus tokens, transit cards, debit cards, and gift cards from theft, loss, or damage.
  - Install a process or procedure to monitor cash and payments of a subrecipient or contractor deemed at 'risk' or at high risk.
  - Conduct periodic reconciliations of all Federal funds, cash-equivalent assets, and items with a tangible monetary value (e.g., bus cards, gift cards, gas cards).
  - Install compensating controls or reasonable separation of duties in key functions or processes that pose a risk for misuse, mishandling, or theft in this area.
  - Develop or update procedures to ensure that grant funds or cash drawdown requests and disbursements are conducted timely in order to minimize cash on hand. Such procedures would liquidate any existing program income before requesting additional Federal funds.

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**SMART Checklist (cont.)**

- Develop or update instructions that provide cash advances and/or working capital to subrecipients.
- Develop or update procedures to monitor the cash requests and expenses reported by subrecipients to ensure that cash on hand is minimal.
- Develop or update policies to ensure the daily cash balances of the organization's bank accounts are within the FDIC insured limits. In instances where daily balances exceed the insured limits, policies would address how additional collateral or steps have been taken with the bank to minimize risk of loss.
- Install a process or procedure to track, report, and collect improper payments. [[2 CFR 200.305](#)]

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**Module Review**

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

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**ETA and Uniform Guidance Resources**

- ✓ [Core Monitoring Guide](#)
  - ▶ [Objective 3.c Payment and Cash Management](#)
- ✓ [Grant & Financial Management Technical Assistance Guide](#)
  - ▶ [Chapter 3: Cash Management and Payments](#)
- ✓ Department of Labor Uniform Guidance Exceptions [2 CFR Part 2900](#)
  - ▶ [2 CFR 2900.6](#)
  - ▶ [2 CFR 2900.7](#)
- ✓ Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards [2 CFR Part 200](#)
  - ▶ [2 CFR 200.207](#)
  - ▶ [2 CFR 200.302](#)
  - ▶ [2 CFR 200.303](#)
  - ▶ [2 CFR 200.305](#)
  - ▶ [2 CFR 200.331](#)
  - ▶ [2 CFR 200.342](#)
- ✓ WIOA Provisions [20 CFR Part 683](#)
  - ▶ [20 CFR 683.200](#)

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**Web Resources**

- ✓ What is the best way to find your local American Job Center (AJC)?
  - ▶ See DOL's [Service Locator](#)
- ✓ Want More Information?
  - ▶ [DOLETA.gov/Grants](#)
    - › [Funding Opportunities](#)
    - › [How to Apply](#)
    - › [Manage Your Awarded Grant](#)
    - › [Resources and Information](#)
      - [ETA Grantee Handbook](#)
      - [Annual Grant Terms Template](#)
      - [Core Monitoring Guide](#)
      - [Technical Assistance Guides](#)
      - [Uniform Guidance Quick Reference Sheet](#)
- ✓ Want More Training?
  - ▶ [Workforce GPS's Grants Application and Management Community of Practice](#)
    - › [Financial Reporting](#)
    - › [Subrecipient Management and Oversight](#)
    - › [Indirect Cost Rates](#)
    - › [Policies and Procedures](#)
    - › [Procurement and Performance-Based Contracts](#)
    - › [Capital Assets and More](#)
  - ▶ [WorkforceGPS](#)

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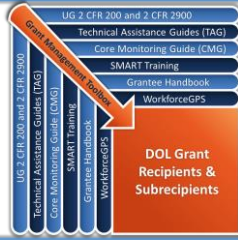
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Remember the Grant Management Toolbox!



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Questions?



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Please complete your evaluations.



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