



Accountability and Grants Management: Connecting the Dots



Cash Management



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Presenter



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Outline

- Basic requirements
- Key structural components
- Interest income
- Other considerations
- Common compliance findings

Basic Requirements

- Minimizing the time between the receipt and disbursement of cash
- Methods
 - Payment in advance
 - Reimbursement method
 - Working capital advances



Requirements

- Direct grantees
 - Non-Governmental - 29 CFR Part 95.22
 - Governmental - 29 CFR Part 97.21
- Sub grantees
 - Follow 29 CFR Part 95 or 97 as applicable

Requirements – Non- governmental Grantees

Funds must be in an interest-bearing account unless:

- Receive $< \$120,000$ in Fed funds/year,
- Interest from account would not be $> \$250$ /year, or
- Average or minimum balance required for interest-bearing account not feasible within Federal and non- Federal cash resources

Additional Requirements – Non-governmental Grantees

- Not necessary to maintain a separate bank account for federal funds (however, certain federal agencies may require it)
- Tracking of funds must be consistent with fund accounting (GAAP)
- Strongly encouraged to use minority/women-owned banks

Key Components of a Cash Management Structure

- Segregation of duties
- Reconciliation
- Security & safeguarding

Segregation of Duties

Separate the following functions:

- **Handling**

- Receiving deposits and refunds; mailing or handing out checks

- **Recording**

- Posting to the general ledger and making journal entries

- **Access**

- Limiting access to PINs, checks, and keys to lock boxes/safes

Segregation of Duties

What if I don't have the staff?

- Institute compensating controls
 - Managers from other departments should play a key role in the segregation of duties
 - Request suggestions from your auditors

Reconciliation

- Person responsible for recording and posting revenues should NOT be the same person reconciling cash accounts
- Must be performed on a routine basis
- All adjustments should be adequately supported and explained
- Managers should periodically test reconciliation process

Security & Safeguarding

Who is minding the store?

- Items that need to be securely stored are:
 - Signature stamps
 - Check register (destroy temporary checks)
 - Credit cards
 - Petty cash fund
 - Client debit cards
 - Bus tokens/passes
 - Gift cards
 - PINs
 - Keys



Earned Interest Income

- For Non-WIA Title I programs
 - Non-governmental grantees
 - Retain \$250 per year for expenses
 - Excess of \$250 earned must be remitted annually through PMS. Sub grantees remit to grantees. (29 CFR 95.22(l)(1))
 - Governmental grantees
 - Retain \$100 per year for expenses
 - Excess of \$100 must be remitted through PMS. Sub grantees remit to grantees. (29 CFR 97.21(h)(2)(i))
 - May require adherence to the Treasury-State CMIA Agreement



Earned Interest Income

- For WIA programs
 - Non-governmental grantees & governmental grantees
 - Earned interest income is considered program income and must be reported on the quarterly expenditure report and be used to provide additional program services (WIA 195(7)(A) and (7)(B))
(20 CFR §667.200(a)(5) thru (7))



Other Considerations

- Improve Internal Control Structure of a Cash Management System by:
 - Recording transactions promptly and with sufficient original documentation
 - Training all existing and new staff
 - Periodically updating policies
 - Using serially numbered forms for checks, payment requests, and purchase orders

Other Considerations

- Improve internal control structure of a cash management system by:
 - Installing regular or surprise reviews of cash management activities
 - Limiting cash advances and liquidating before releasing any new funds
 - Including an expiration date on checks
 - Adhering to the unclaimed property (Escheat) laws in your state

FDIC Consideration

Why is FDIC Insurance Important?

- Any deposits currently residing in Federal Deposit Insurance Corporation (FDIC) covered banks are insured up to \$100,000 including grant funds.
 - However, if you are maintaining a daily or monthly balance in excess of \$100,000, a separate insurance policy or collateral agreement must be negotiated with your bank, otherwise grant funds may be in jeopardy.



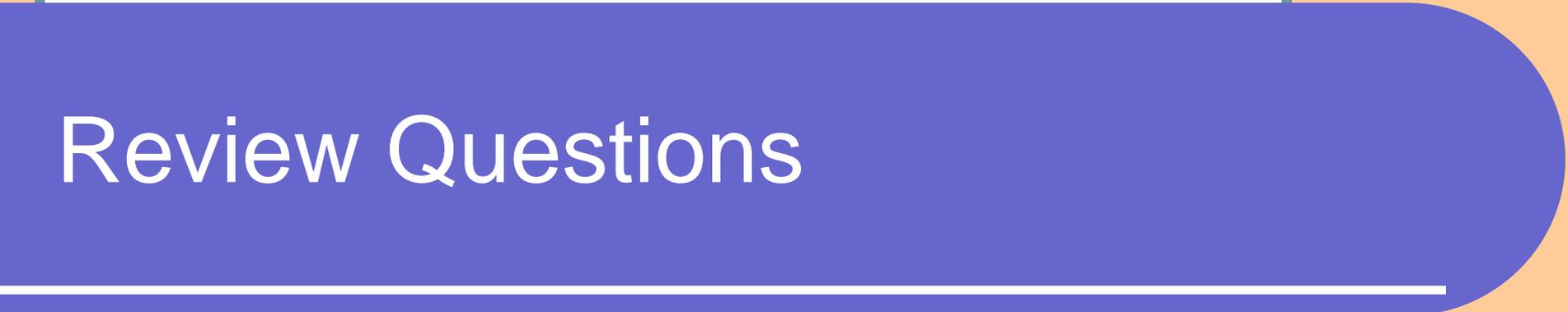
Common Compliance Findings

- Cash deposits in bank statements are recorded in the general ledger for an amount less than actually received
 - Violates the federal standards for financial management systems that require effective control over and accountability for all funds, property and other assets.
- Use of federal funds to pay NSF, overdraft fees, or other penalties
 - Violates the OMB Circulars on Cost Principles that prohibit the use of federal funds for the payment of fines and penalties



Common Compliance Findings

- A grantee earned over \$9,500 in a fiscal year from federal funds.
 - Violates the standards for financial management systems that require an agency to minimize the time elapsed from transfer to disbursement.



Review Questions

Question #1

When opening a checking account with a new bank, an agency closes its existing account with \$3,200 in outstanding checks. The balance of the unclaimed checks was then deposited into the new account. Is the grantee in compliance with federal and state cash management requirements?

YES or NO



Question #1: Answer

NO: The agency needs to contact the State agency responsible for handling unclaimed property to ensure that the monies rightfully owed to the payees is forwarded.

Question #2

- A cash advance of \$20,000 was issued to a service provider at the start of operations and it was not liquidated nor recovered prior to its contract termination.

Which of the following statements is true?

- A. The value of the cash advance is questioned and subject to disallowance if not recovered by the grantee.
- B. A weakness in the internal control structure prevented this defect from being detected.
- C. The grantee erroneously reported the cash advance as an outlay or expenditure which resulted in an overstatement of expenditures. The grantee is required to submit a revised quarterly report to DOL .

Question 2: Answer

Each statement is true.

- A. The value of the cash advance is questioned and subject to disallowance if not recovered by the grantee.
- B. A weakness in the internal control structure prevented this defect from being detected.
- C. The grantee erroneously reported the cash advance as an outlay or expenditure which resulted in an overstatement of expenditures. The grantee is required to submit a revised quarterly report to DOL.

Lessons in Life

A TURKEY WAS CHATTING WITH A BULL. "I WOULD LOVE TO BE ABLE TO GET TO THE TOP OF THAT TREE," SIGHED THE TURKEY, "BUT I HAVEN'T GOT THE ENERGY."

"WELL, WHY DON'T YOU NIBBLE ON SOME OF MY DROPPING?" REPLIED THE BULL. "THEY'RE PACKED WITH NUTRIENTS."

THE TURKEY PECKED AT A LUMP OF DUNG AND FOUND THAT IT ACTUALLY GAVE HIM ENOUGH STRENGTH TO REACH THE FIRST BRANCH OF THE TREE.

THE NEXT DAY, AFTER EATING SOME MORE DUNG, HE REACHED THE SECOND BRANCH. FINALLY AFTER A FOURTH NIGHT, THERE HE WAS, PROUDLY PERCHED AT THE TOP OF THE TREE. SOON HE WAS SPOTTED BY A FARMER, WHO SHOT THE TURKEY OUT OF THE TREE.

- **Management Lesson: BS might get you to the top, but it won't keep you there.**



QUESTIONS?





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THANKS!

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