

## Cash Management

**SUBJECT:** Cash Management

**REFERENCE:** Workforce Investment Act of 1998, Sec. 184 and Sec. 195; 29 CFR 97.21; 31 CFR Part 205; 29 CFR 95.22; 20 CFR 667.200; and the One-Stop Comprehensive Financial Management Technical Assistance Guide.

**BACKGROUND:** Cash management involves minimizing the time between the transfer of federal funds and the payment of bills generated by the grant. Governmental agencies are required to follow 29 CFR 97.21 cash management requirements. States are also subject to the cash management regulations at 31 CFR Part 205 implementing the Cash Management Improvement Act of 1990. Institutions of higher education (not a part of State government), hospitals and other nonprofit organizations, and commercial entities are bound by the cash management requirements of 29 CFR 95.22.

**POLICY:** This policy addresses issues in Nebraska's subgrantee payment system.

### Minimize Cash on Hand

- Subgrantees shall disburse repayments to and interest earned on a revolving fund before requesting additional cash payments for the same activity.
- Subgrantees shall disburse program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.
- Subgrantees must demonstrate that they maintain procedures to support federal cash management requirements.

### Cash Advances

- Subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures that are in accordance with Department of Treasury regulations at 31 CFR Part 205. These procedures identify funding techniques that effectively minimize cash on hand. If this standard is not met, then reimbursement is the preferred method.
- Cash advances shall be limited to the minimum amounts needed.
- To the maximum extent feasible, subgrantees shall be provided advance payments via electronic funds transfer (EFT). This procedure has substantially reduced the time needed to receive cash.
- For WIA Title I programs, interest is treated as program income.

### Reimbursement Method

- Reimbursement is the method of payment to be used when the subgrantee is unwilling or unable to comply with the specified cash management practices.
- Each subgrantee shall be paid as promptly as possible after receipt of a proper request for reimbursement.

### Working Capital Advance Method

- If it is determined that the subgrantee lacks sufficient working capital, this method may be used in place of the reimbursement method. It is a method for advancing funds to a subgrantee to cover its estimated disbursement needs for an initial period. Thereafter, the awarding agency shall reimburse the subgrantee for its actual cash disbursements.
- The working capital advance method of payment shall not be used by grantees or subgrantees if the reason for using such method is the unwillingness or inability of the grantee to provide timely advances to the subgrantee to meet the subgrantee's actual cash disbursements.

### **Cash Depositories**

- Subgrantees are encouraged to use minority banks (a bank which is owned at least 50 percent by minority group members).
- A subgrantee shall not be required to maintain a separate bank account, but shall separately account for each funding source.
- Subgrantees must deposit federal funds in an institution with federal deposit coverage.
- Funds shall be held in interest bearing accounts unless the depository requires an average or minimum balance so high that it is not feasible.

### **Withholding Payments**

- Unless otherwise required by federal statute, awarding agencies shall not withhold payments for proper charges incurred by subgrantees unless the subgrantee has failed to comply with grant award conditions or the subgrantee is indebted to the United States.
- Cash withheld for failure to comply with grant award condition, but without suspension of the grant, shall be released to the subgrantee upon subsequent compliance.

### **Monitoring Local Cash Management Practices**

- State monitors shall review daily cash balances as part of their regularly scheduled cash management review process. If potential problems are noted, corrective action shall be required.