

State of Alaska Department of Labor and Workforce Development							
Divisions: All Divisions and Grantees	Guidance No. 04-01						
Subject: Cash Management Policy for Grant Recipients	Pages: 4						
Reference: 29 Code of Federal Regulations (CFR) 97.21; 31 CFR Part 205; 29 CFR 95.22; 20 CFR 667.200; 34 CFR part 80; U.S. Office of Management and Budget (OMB) Circulars A-87 and A-133; Workforce Investment Act (WIA) of 1998, Sec. 184 and Sec. 195; WIA One-Stop Comprehensive Financial Management Technical Assistance Guide; Alaska Administrative Manual; Procurement Regulations, Sections 81-82; 2 Alaska Administrative Code (AAC) 45.010; Alaska State Unified Plan.	Effective Date: 11/24/2004						
	Revised:						
<table style="width: 100%; border: none;"> <tr> <td style="width: 30%;">Approved: _____</td> <td style="width: 40%; text-align: center;">Signed</td> <td style="width: 30%; text-align: right;">_____</td> </tr> <tr> <td style="text-align: center;">Greg O'Claray, Commissioner</td> <td></td> <td style="text-align: right;">01/05/2005 Date</td> </tr> </table>		Approved: _____	Signed	_____	Greg O'Claray, Commissioner		01/05/2005 Date
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Greg O'Claray, Commissioner		01/05/2005 Date					

1. **Parties Affected**

- a) Grant Recipients of the Alaska Department of Labor and Workforce Development
- b) Alaska Department of Labor and Workforce Development divisions and subunits that issue grants.

2. **Purpose**

Provided herein are guidelines for cash management of grant awards, including the minimization of cash on hand through cash advances, reimbursements and working capital advances. Grantees of state and federal funding received through the department must observe all applicable laws and regulations governing cash management, including, but not limited to, the Code of Federal Regulations (CFR), the Office of Management and Budget (OMB) circulars and the Alaska Administrative Code (AAC).

Cash management involves minimizing the time between the transfer of funds and the payment of bills generated by the grant. Governmental agencies that receive funds originating from the US Department of Labor (USDOL) are required to follow 29 CFR 97.21 cash management requirements. Institutions of higher education (not a part of state government), hospitals, nonprofit organizations and commercial entities receiving USDOL funds, are bound by the cash

management requirements of 29 CFR 95.22. Recipients of funds from Department of Education (ED) are required to follow 34 CFR part 80. As noted in the above referenced CFRs, grant recipients are subject to the cash management regulations at 31 CFR Part 205 which includes guidelines for implementing the Cash Management Improvement Act of 1990.

3. **Definitions**

Grants are cash awards by a departmental agency that procure and provide specific services to the general public.

Working Capital Advance is a method for advancing funds to a grantee to cover estimated disbursement needs for an initial period.

4. **Guidelines**

a) **Minimize Cash on Hand**

Requested funds will be paid in a lump sum not more than three days in advance of the grantee issuing checks or initiating Electronic Fund Transfer (EFT) payment.

Grantees must:

- i) Disburse funds received before requesting additional cash payments;
- ii) Disburse program income, rebates, refunds, and contract settlements before requesting additional cash payments;
- iii) Demonstrate that they maintain written procedures in keeping with federal cash management requirements.

b) **Cash Advances**

i) Grantees may 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.

(1) Review of cash management standards may include the grantee's estimated clearance, average clearance, or other models. These models are described in several locations including the *USDOL One Stop Comprehensive Financial Management Technical Assistance Guide* and 31 CFR part 205.12.

(2) Grantees will be provided cash advances no more frequently than twice a month unless agreed to prior to the execution of the grant agreement.

ii) To ensure costs are allowable, allocable, reasonable and documented:

(1) Governmental entities must meet the financial management standards contained in 29 CFR 97.20 for USDOL funds and 34 CFR part 80.20 for ED funds as well as OMB A-87

(2) Non-profit and commercial organizations must meet the financial management standards contained in 29 CFR 95.21 for USDOL funds and 34 CFR part 80.20 for ED funds as well as OMB A-122

iii) Cash advances must be limited to the minimum amounts needed.

- iv) To the maximum extent feasible, grantees will be provided advance payments via (EFT). This procedure substantially reduces the time needed to receive cash.
 - v) For WIA Title I programs, interest is treated as program income. For other USDOL funded programs, the grantee may retain \$250 of the interest income for grant activities, interest over that amount must be returned to the state. For ED funded programs grantees must remit interest, in excess of \$100 per year to the state on at least a quarterly basis. For state funded programs, interest income must be returned to the state.
 - vi) The attached Grant Cash Report and its accompanying instructions should be used by grantees when the cash advance payment method is used.
 - vii) Grant Cash Reports will be submitted to the grant administrator five working days prior to the requested cash receipt. The grant administrator will have two days to approve the cash advance and forward the information to Administrative Services. Within three days of receipt, Administrative Services will have prepared the EFT or check; whichever is appropriate for the grantee.
- c) **Reimbursement Method**
- i) Reimbursement is the method of payment to be used when the grantee is unwilling or unable to comply with the specified cash management practices.
 - ii) Each grantee shall be paid as promptly as possible after receipt of a proper request for reimbursement.
- d) **Working Capital Advance Method**
- i) If it is determined that the grantee lacks sufficient working capital, a working capital advance may be used in place of the reimbursement method. After the initial period the awarding agency will provide payments under the cash advance or reimbursement method for the grantee's cash disbursements.
 - ii) The department may approve working capital advances if the total advance covers a period not to exceed the period between advances. A grantee on a bi-monthly advance schedule would be limited to a working capital advance not to exceed fifteen days of estimated expenditures.
 - iii) The department may approve a subsequent working capital advance if the grantee demonstrates extraordinary working capital expenses.
 - iv) Additional items for the approval of working capital advances are:
 - (1) A demonstrated need which could include first-time grant status, low cash-on-hand, or grants comprising a significant portion of all funds received by the grantee, and,
 - (2) A schedule, prepared by the grantee of estimated cash requirements submitted to the grant administrator for approval. Estimated costs could include such items as leases, payroll, supplies, capital assets or other costs allowable to the grant. Future grant payment will be increased or decreased by differences between the estimated and actual costs.
 - v) Working capital advances will be expended prior to additional payments being authorized to the grantee.

e) **Withholding Payments**

- i) Unless otherwise required by federal statute, awarding agencies (divisions or subunits) must not withhold payments for proper charges incurred by grantees unless the grantee has failed to comply with grant award conditions or the grantee is indebted to the United States or the State of Alaska.
- ii) Cash withheld for failure to comply with grant award condition, but without suspension of the grant, shall be released to the grantee upon subsequent compliance.
- iii) Payment requests involving questioned costs will result in payments net of any questioned costs until resolved.

f) **Monitoring Cash Management Practices**

- i) The department may monitor cash balances as part of its regular cash management review process. If potential problems are noted, corrective action may be required.