

The letters S, M, A, R, and T are stacked vertically, each inside a circle. The circles are connected by a dashed line that forms a path from the top to the bottom. The background of the slide features a pattern of overlapping circles in light blue and orange.

S
M
A
R
T

Strategies

Monitoring

Accountability

Risk Mitigation

Transparency

Payments and Cash Management

SMART 4.0

Hosted by the Office of Grants Management
Division of Compliance Assistance and Policy
Employment and Training Administration
U.S. Department of Labor.

SMART 4.0 Training Series

- The training modules are focused on: **S**trategies for sound grant management that includes **M**onitoring, **A**ccountability, **R**isk mitigation and **T**ransparency.
- **4.0 focuses on Risks Identification and SMART Practices.**

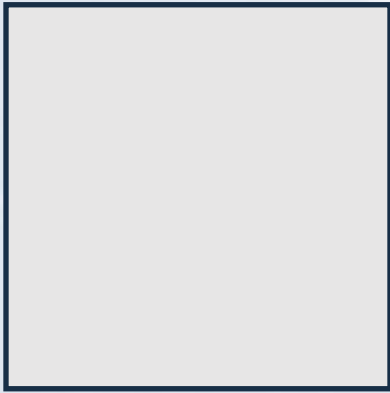


Disclaimer

SMART 4.0 is part of the catalog of SMART grant management tools. This conference and its materials should be viewed primarily as a support resource. It is not intended to be comprehensive but rather to provide an understanding of 2 CFR 200, 2 CFR 2900, and the management of ETA grants. The use of these SMART 4.0 modules does not ensure compliance. Any omission of an applicable Federal requirement does not waive a grant recipient or subrecipient's responsibility to comply with that requirement.

If, in any instance, there appears to be a conflict with the program statute, Federal regulations, or OMB guidance, such conflict must be resolved in favor of the statute, Federal regulations, or OMB guidance. All the information in the SMART 4.0 modules may not be reproduced or distributed for a fee or profit.

Today's Speakers



First Last

Occupation/Title
Company Name

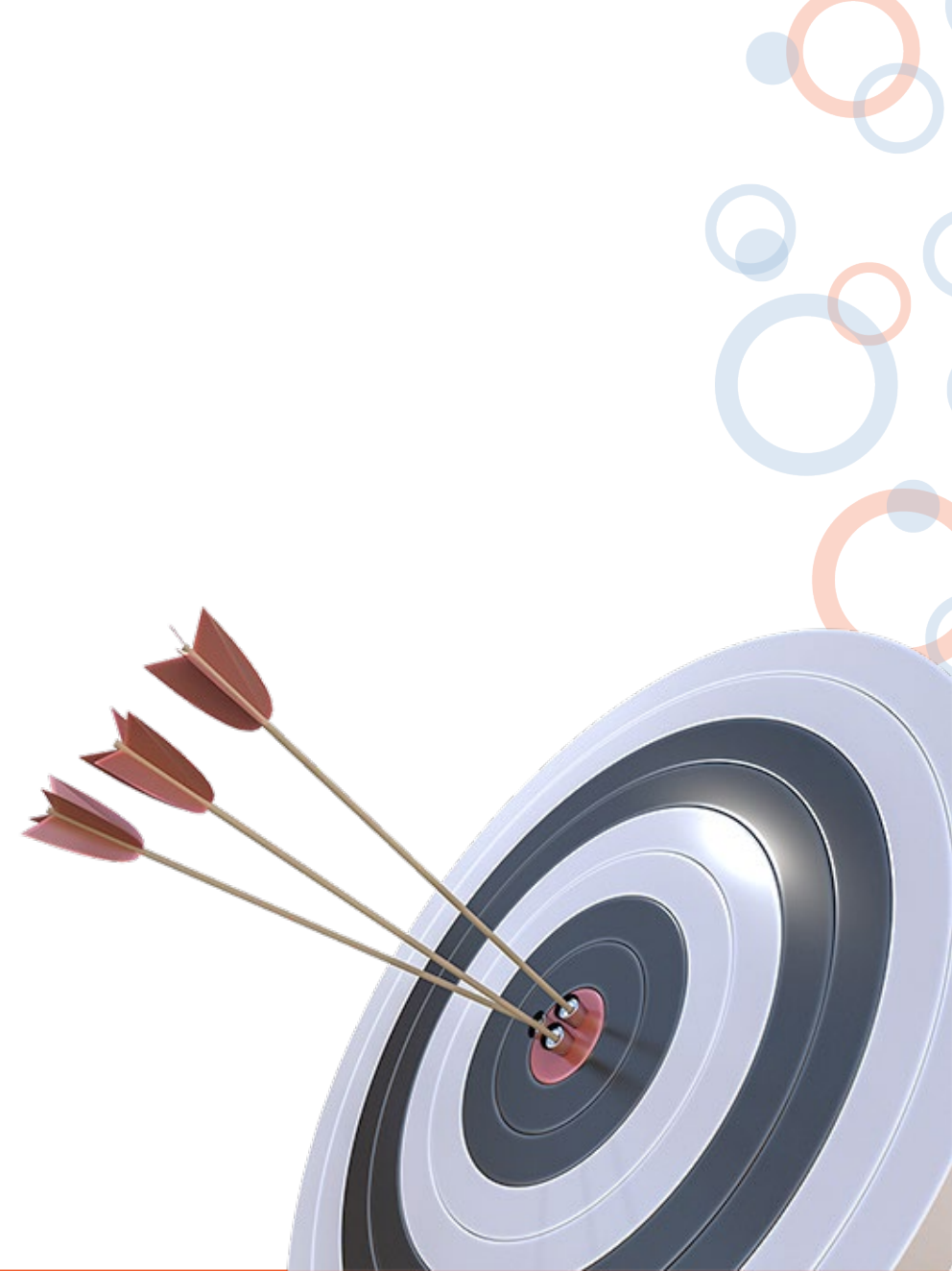


First Last

Occupation/Title
Company Name

Module Overview

- Payments.
 - DOL-ETA Payment Process to Award Recipients.
 - Pass-Through Entity (PTE) Payment Process to Subrecipients and Contracts.
 - Types: Advance Payments, Reimbursement, and Working Capital.
- Cash Management.
 - Standards.
 - Cash Equivalent Items.
 - Internal Controls.
- Risk and SMART Practices.



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Payments



DOL-ETA Payment Process to Award Recipients

Payment Management System

DOL uses HHS Payment Management System (PMS) to release funds to award recipients.

- Funds are available by PMS PIN and 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.

Grant recipients have full and immediate access to all grant funds the first day it hits the PMS account.



<https://pms.psc.gov>

Payments to States (1)

[2 CFR 200.305](#)

- Certain programs managed by the State must follow their Treasury-State agreement and the Cash Management Improvement Act (CMIA).
 - Also applicable to the District of Columbia, Puerto Rico, American Samoa, Commonwealth of the Northern Mariana Islands, Guam, and the Virgin Islands.
 - 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.

Payments to States (2)

Transferring funds between the Federal government and States for Federal assistance programs. [31 CFR PART 205.](#)

- The following applies:
 - States must adhere to Federal Program Agency disbursement schedules when requesting funds. [31 CFR 205.14\(c\).](#)
 - States must time fund drawdowns so that it does not create Federal interest liability.
 - A State must minimize the time elapsing between the transfer of funds from the United States Treasury and the payout of funds.
 - Fund transfer must be limited to actual and immediate cash needs.
 - Cannot draw down funds from its account in the Unemployment Trust Fund (UTF).
- A draw down means a process in which a State requests and receives Federal funds.
 - Interest earned by States.

Payments to Other Award Recipients

Transferring funds between United States Treasury to other grant recipients ([2 CFR 200.305\(b\)](#)).

- The following applies to DOL payments made to grant recipients:
 - Minimize time elapsing between transfer of funds is made by electronic fund transfer, or issuance or redemption of checks, warrants, or payments.
 - Develop written procedures to implement the requirement of Federal payments ([2 CFR 200.302\(b\)\(6\)](#)).



PTE Payment Process to Subrecipients and Contractors

Payments to Subrecipients (1)

Transferring funds between the PTE and Subrecipient

- Pass-through entities must:
 - Establish a payment system that tracks the funds and minimizes the time elapsing between transfers or the receipt to the disbursement of funds to subrecipients.
 - Track the handling of grant funds to subrecipients, contractors, and participants.
 - Separately account for receipt, obligation, and expenditure of funds by award or fund source.

Payments to Subrecipients (2)

- Pass-through entities must:
 - Have a cash request form and process.
 - Identify individuals who are authorized to sign cash requests.
 - Maintain a cumulative record of all cash advanced.
 - Employ efficient and effective measures to limit the amount of improper payments.

Payments to Subrecipients – Advances

- Subrecipients must be paid in advance of disbursement if they maintain effective cash management system ([2 CFR 200.305\(b\)\(1\)](#)).
 - Frequency of advances payments must coincide with timely disbursement.
 - There are no limits on electronic fund transfer systems.
 - Recipients must submit at least monthly request [2 CFR 200.305\(b\)\(2\)\(ii\)](#).
- For subawards, the PTE must identify the dollar amount made available under each award and the Assistance Listing Number, formally known as CFDA number, at time of disbursement ([2 CFR 200.332\(a\)\(1\)\(xi\)](#)).

Payments to Subrecipients – Reimbursement

- Reimbursement basis is possible if the subrecipient demonstrates a failure to comply.
- Subrecipients must submit reimbursement requests at least monthly.
- Pass-through entity must make payment within 30 calendar days after receipt of the billing.

Payments to Subrecipients- Liquidation of Advances

2 CFR 2900.7 “Federal payment.”

- In addition to the guidance set forth in 2 CFR 200.305(b), for Federal awards from the Department of Labor, the non-Federal entity should liquidate existing advances before it requests additional advances.
- For DOL grant/programs only.

Payments to Contractors

Transferring funds between PTE to Contractors.

[2 CFR 200.305\(b\)\(1\)](#) The recipient and the subrecipient must make timely payments to contractors in accordance with contract terms.



Payment Process – Considerations

- Should be centralized and secure.
- Should have cash forecasting capabilities.
- Must limit cash on hand to the amount needed for immediate disbursement.
- Must liquidate all Federal cash on hand, including program income earned under an award/subaward prior to requesting additional Federal cash for that award/subaward.

Cash Forecasting

- Cash forecasting estimates the expected flow of cash coming in and out of your organization, across all areas, over a given period of time.
- Grant recipient can use cash forecasting to anticipate payments to subrecipients and contractors.
- Cash forecasting should contain project date of payments, expected payment amount, expected costs and project date for incurring those costs.

Cash Forecasting

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

**Types:
Advance
Payments,
Reimbursement,
and Working
Capital**

Advance Payments

[2 CFR 200.305\(b\)\(1\)](#)

- Grant recipients and subrecipients must be paid in advance.
- Advance payments must be limited to the minimum amounts needed.
- Be timed to be in accordance with the actual, immediate cash requirements.
 - Timing and amount of advance payments must be as close as is administratively feasible the actual disbursements.

Liquidation of Advances

DOL exception at [2 CFR 2900.7](#)

PTE should establish a process to begin liquidating existing advances before new requests are made.

A tracking system should be in place to ensure that all advances are accounted for prior to closeout and do not exceed terms or authorized amount of the agreement.



Depository Accounts

[2 CFR 200.305\(b\)\(7\)](#)

Use of banks and other institutions as depositories of advance payments.

- Cannot require separate depositories or establish any eligibility requirements for depositories.
 - However, the grant recipients and subrecipients must be able to account for funds received, obligated, and expended.
- Separately account for receipt, obligation, and expenditure of funds by award or fund source.
- Advance payments of Federal funds must be deposited and maintained in insured accounts whenever possible.
 - FDIC limit of \$250,000 needs to be considered.

Interest-Bearing Accounts

[2 CFR 200.305\(b\)\(8\)](#)

Advances must be placed in an interest-bearing account except when:

- Less than \$250,000 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 or banking system.

Consolidating for Federal Programs

[2 CFR 200.305\(b\)\(2\)](#)

- **Advance payments must be consolidated to cover anticipated cash needs.**
 - Advance payment mechanisms include, but are not limited to, Treasury checks and electronic funds transfer.
- Must comply with applicable guidance in [31 CFR part 208](#).
- Must be authorized to submit requests for advance payments and reimbursements at least monthly.

Reimbursement Basis

- Possible consequence for failure to comply with cash advance requirements as specified by [2 CFR 2900.6](#).
- [2 CFR 200.305\(b\)\(3\)](#) Reimbursement:
 - Payments must be made within 30 calendar days after receipt of billing.
- Specific conditions authorized at [2 CFR 200.208](#) does allow the use of a reimbursement basis for payments. Once the specific condition is corrected or fulfilled, advance payments can be used.

Working Capital Advance

- When using 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.
- Working capital advance method of payment requires PTE to provide timely advance payments to subrecipients.

Withholding of Payments (1)

- 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 200.343](#).

Withholding of Payments (2)

[2 CFR 200.305\(b\)\(6\)\(iv\)](#)

- Payments must not be made for amounts withheld by the grant recipient from payments to contractors until satisfactory completion of work.
- Payments must be made when the grant recipient or subrecipient disburses the withheld funds to the contractor or to an escrow account established to assure satisfactory completion of the work.

Check Your Knowledge in 60 Seconds

Answer True or False

1. Cash on hand must be limited to immediate disbursement needs.
2. Federal funds must, with some exceptions, be deposited in interest-bearing accounts.
3. Grant recipients must maintain separate depositories for their Federal cash.
4. As a result, pass-through entities may never put their subrecipients on a cash reimbursement basis.



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Cash Management

Standards

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 grant recipient and subrecipient 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.

Interest Income

- 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.
- States: [Cash Management Improvement Act](#) and [31 CFR PART 205](#).
 - WIOA [20 CFR 683.200\(b\)\(8\)](#) - interest income earned on WIOA and Wagner-Peyser funds must be included as program income.

Program Income

Income generated as a result of allowable 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 grant
recipient and
subrecipient
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.

Improper Payments (1)

- 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.

- Examples include:
 - 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 purchase orders.

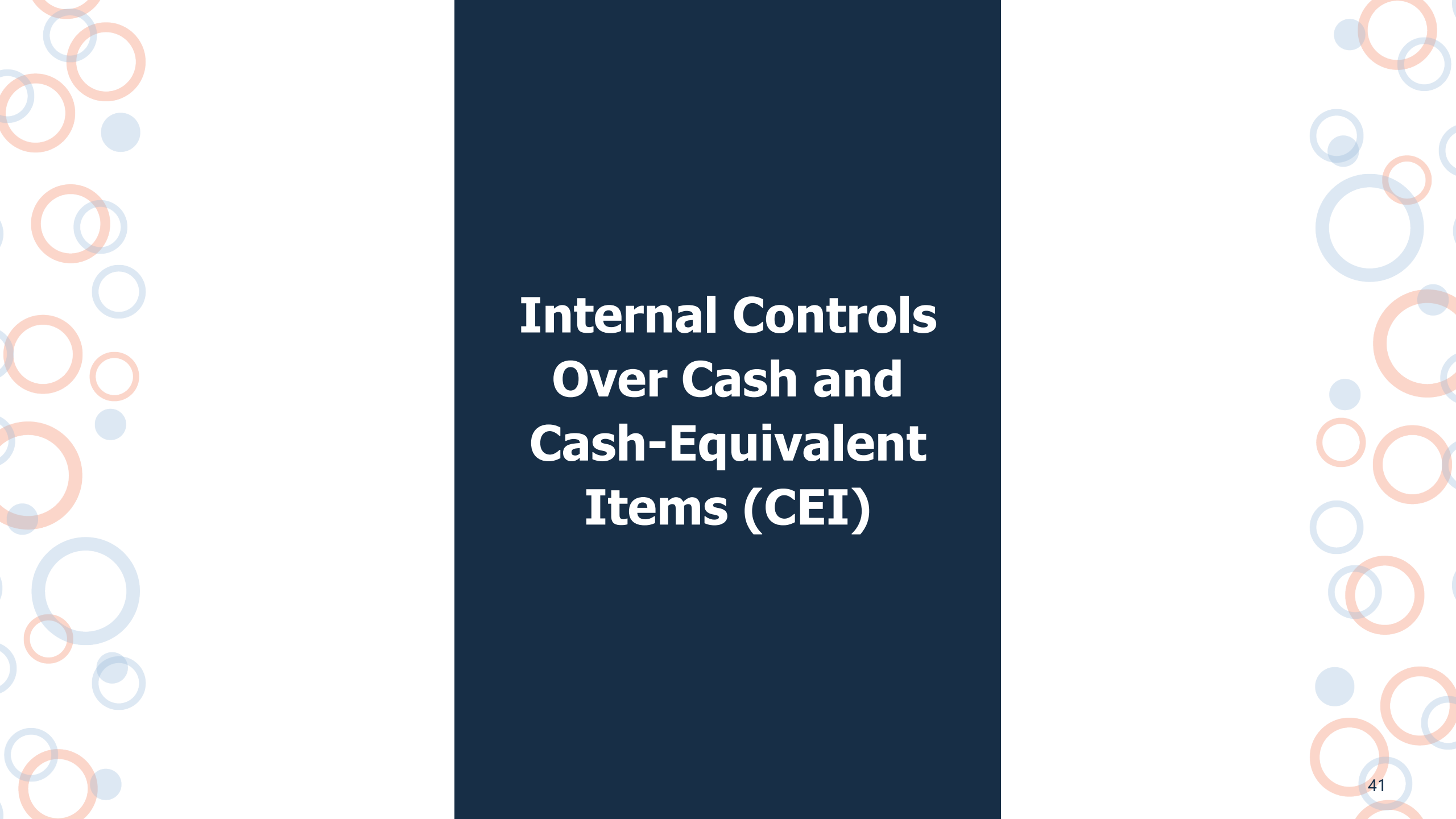
Improper Payments (2)

- 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 Federal awarding agency reporting.
- Every organization must have an improper payments recovery policy and procedures.

Improper Payment (related to UI benefits)

ETA strongly encourages the use of these tools, resources to address improper payments.

- All States are required to Implement SIDES as quickly as feasible.
 - SIDES is a web-based system that allows the electronic transmission of UI claims information between UI agencies and employers [UIPL No. 23-20](#).
- Effective use of cross match strategies: National Directory of New Hires (NDNH) and State Directory of New Hires (SDNH) to assist in preventing and detecting improper payments [TEGL No. 05-20](#).
- The Integrity Data Hub (IDH).
 - A multi-state data system that allows participating state UI agencies to submit claims for cross-matching and analysis [TEN No. 04-20](#).



Internal Controls Over Cash and Cash-Equivalent Items (CEI)

Cash Equivalent Items

Credit cards
and/or gas
cards

Debit cards

Purchase
cards

Blank check
stock

Bus tokens
and passes

Gift cards

TIP - Grant recipients and subrecipients must have proper internal controls to limit access to cash equivalent items and monitor their use.

Internal Controls - Purpose

- Cash requested only for immediate disbursement needs.
- Supporting documentation and justification.
- Improper payments avoided.
- Access limited to cash and cash equivalent items
- Secured access is ensured.
- Tracking and reconciliation is periodically performed.

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, PINs, check stock and bank deposit accounts.
- Agency credit cards, debit cards, gas cards.
- Transit cards or bus passes.
- Gift cards.

Written Procedures

- Cash management procedures must be written and address the following:
 - 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).

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.

Check Your Knowledge in 60 Seconds

Answer True or False.

1. WIOA recipients and subrecipients must remit interest income to the Federal Treasury.
2. The requirement to have written internal control procedures for managing cash does not apply to cash equivalent items.
3. Grant recipients must use existing advances and available program income before requesting additional cash advances.
4. 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.
5. Since cash is fundable, Federal cash receipts may be used for non-Federal purposes as long as the Federal funds are eventually reimbursed.
6. Grant recipients are not responsible for actively recovering overpayments.





Risks and SMART Practices

Common Risks (1)

Payments

- Advances of Federal funds used for non-Federal purposes.
- 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.
- Delayed deposit or receipts.
- Checks issued but never mailed or released.
- Failure to recognize the grant's share of interest earned in joint accounts.

Common Risks (2)

Cash Management

- Excess inventory of CEIs such as 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.

SMART Practices

- Install update the control system to limit access and reasonably safeguard Federal funds, program income, revenues and cash equivalent and minimize improper payments.
- 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).
- Develop or update procedures to ensure that grant funds or cash drawdown requests and disbursements are conducted timely.
- Develop or update policies to ensure the daily cash balances of the organization's bank accounts are within FDIC insured limits.

Any Questions?



Testing For Compliance - Core Monitoring Guide

The purpose of ETA monitoring is to assess for compliance using the Core Monitoring Guide (CMG). Here is a list of indicators that were discussed during the module's topic.

- **Objective 3.c. Payment and Cash Management.**
- The grant recipient has a payment and cash management system in place to accurately track the receipt, disbursement and recording of funds between the awarding agency and grant recipient. Such systems should readily track the handling of grant funds to subrecipients, contractors, and participants.
 - › Indicator 3.c.1: Cash Disbursements.
 - › Indicator 3.c.2: Payment and Cash Management.
 - › Indicator 3.c.3: Deposit Insurance.
- Also, consider utilizing the entire **Core Monitoring Guide** as a resource.

Payments and Cash Management Resources

- [Core Monitoring Guide](#)
- Improper Payments Information Act of 2002 Public Law 107-300
- Treasury-State Cash Management Improvement Act (CMIA)
 - 31 CFR part 205
 - 31 CFR part 208
- Department of Labor Exceptions [2 CFR Part 2900](#)
 - 2 CFR 2900.6
 - 2 CFR 2900.7
- Department of Advisories
 - [UIPL No. 23-20](#)
 - [TEGL No. 05-20](#)
 - [TEGL No. 04-20](#)
- WIOA Provisions [20 CFR Part 683](#)
 - 20 CFR 683.150
 - 20 CFR 683.200
 - 20 CFR 688.590
 - 20 CFR 683.730
 - 20 CFR 683.750
- [Uniform Guidance Crosswalk](#)
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards [2 CFR Part 200](#)
 - 2 CFR 200.208
 - 2 CFR 200.302
 - 2 CFR 200.303
 - 2 CFR 200.205
 - 2 CFR 200.332
 - 2 CFR 200.343

Thank You!