

Financial Management Systems & Cash Management

A decorative graphic consisting of six circles arranged in two rows. The top row has three circles: the left one is a thin purple outline, the middle one is a solid dark purple, and the right one is a thin purple outline. The bottom row has three circles: the left and middle ones are solid dark purple, and the right one is a thin purple outline. The text 'Financial Management Systems & Cash Management' is overlaid on the top row of circles.

Chapters II-2 & II-6

Useful Websites

- **SCSEP** – <http://wdsc.doleta.gov/seniors/>
- **One-Stop TAG** -
http://wdsc.doleta.gov/sga/pdf/FinalTAG_August_02.pdf
- **OMB** -
<http://www.whitehouse.gov/omb/grants/index.html>
- **NARA** – <http://www.access.gpo.gov/nara>
- **CFR** - <http://www.access.gpo.gov/nara/cfr/index.html>
- **Fed World** <http://www.fedworld.gov/>
- **Payment Mgmt System** <http://www.dpm.psc.gov/>

Financial Management Systems

- Administrative rules
 - Use & protection of grant funds
- Provide framework
 - More effective use of funds
 - More efficient operations
 - Safeguards against misuse of funds

Financial Systems – States

- Use own systems, provided they:
 - Enable preparation of required reports
 - Permit tracing to source documents
- Only if State procedures do not conflict
 - With authorizing statute and regulations
 - Other Federal administration requirements
- 29 CFR 97.20(a)
- State agencies as subrecipients also

Other Governmental Grantees Financial Systems

- Local & Indian tribal governments
- 29 CFR 97.20(b)
 - 7 separate standards
 - Awarding agency right of review
 - Documented processes

Non-Governmental Grantees

- 29 CFR 95.21(a)
 - Relate financial results to program performance
 - Develop unit cost data
- Applies to commercial organizations also
- 29 CFR 95.21(b)
 - Same 7 standards as Part 97
 - Minor variances in language

Financial Standards



- Financial reporting
 - System must permit preparation of Federal financial reports
 - Reports must be made on accrual basis
- Accounting records
 - Adequately identify grant funds
 - Awards, obligations, assets, liabilities, income, & expenditures
 - Must be maintained in accordance with GAAP

Internal Control Standard

- System to protect integrity of funds
 - Accountability for cash, property & other assets
- Accounting system
 - Qualified personnel
 - Timely recording of expenditures
 - Limited access to records
- Separation of duties
 - Dual signatures for checks
 - Reconciliations by different staff
 - Timesheets and payroll approvals

Budget Control Standard



- Budget controls
 - Comparison of actual outlays to plans
 - Compliance with line item requirements
 - Preclude overspending
- Accounting records need to track to budget categories
 - Linking spreadsheets or chart of accounts
- Monitor costs and make adjustments

More Financial Standards

- Allowable costs
 - Only allowable costs charged
 - Only allocable costs charged
- OMB Circulars A-87 & A-122
 - Provides definitions and conditions
 - What's allowable & what's not

The Last of the Standards....

- Source documentation
 - Costs must trace to authorizing document
 - Proof that costs allowable & allocable
- Cash management
 - System to control cash assets

Cash Management



- Subgrantees
 - Follow Parts 95 & 97 as applicable
- State and other governmental agencies
 - 29 CFR 97.21
- Non-governmental entities
 - 29 CFR 95.22

Requirements



- Both Parts 95 & 97
- Minimize time -- receipt & disbursement
- Payment in advance
 - Stipulations
- Reimbursement method
 - If non-compliance with requirements



More Requirements

- Funds deposited in minority/women-owned banks
- Insured, interest bearing account (Part 95 only)
- Interest remitted as required by regulations

Subgrantee Payment Systems

- Liquidate cash-on-hand
 - Including program income, refunds, etc.
- Same standards and processes as grantee
 - Written procedures to minimize cash
- Limit on cash advances
 - Actual immediate cash needs

Subgrantee systems



- Monitor subgrantee practices
 - Grantee policy, banking services, costs
- Maintain cash control ledger/daily cash balances
- Time disbursements
 - To advances
 - Improve cash management

Subgrantee Systems - *continued*

- Cash forecasting considerations
 - Taxes & fringe benefits
 - Accrued expenditures
 - Obligations
- Reimbursements
 - Required for non-compliance
- Working capital advances
 - Must be liquidated

Funding techniques



- Described in 31 CFR Part 205
- May have different techniques for each program
- May be used by grantees & subgrantees
 - Not subject to CMAA requirements
- Promote effective cash management

Zero balance accounting



- Same day transactions
 - Request funds
 - Deposit funds
 - Disburse funds
- Also works for subrecipients
- Zero based payroll accounts

Estimated Clearance

Day	Dollars Paid (%)	Cash Request (\$)
0	Checks Mailed	-0-
1	-0-	-0-
2	-0-	-0-
3	-0-	450,000
4	30	600,000
5	40	300,000
6	20	150,000
7	10	-0-

Average Clearance

Day	\$ Paid Out (%)	Factor
0 Checks issued	-0-	
1 Cash requested	-0-	
2 Cash deposited	.30	.6
3 Checks clear	.40	1.20
4 Checks clear	.15	.6
5 Checks clear	.10	.5
6 Checks clear	.05	.3
	Average Days	3.20

Pre-Issuance Funding

Day

Dollars Paid Out (%)

0 Federal funds deposited	0
1 Funds on deposit	0
2 Checks issued	0
3 Funds on deposit	0
4 Checks clear	60
5 Checks clear	20
6 Checks clear	10
7 Checks clear	5
8 Checks clear	5

CASH ADVANCES

Payment Management System (PMS)

- **Step 1 - Grant Award**

- **Grant Officer:**

- Sends grant award package & OAR to
ETA Division of Accounting (DOA)

- DOA enters award amount into
DOLARS (obligation)

- Sends grant award package to grantee,
including SF 1199

CASH ADVANCES (CONTINUED)

- **Step 2 - Establishing PMS Account**
- **Grantee**
 - **Completes SF 1199 - request to establish PMS account**
 - **Sends original to DOA, Rm 4702 FPB**
 - **SF 1199 can be downloaded from Internet at <http://www.dpm.psc.gov/>**

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CASH ADVANCES (CONTINUED)

- **Step 3 - Funding the PMS account**
- **PMS**
 - **Notifies DOA that account is established**
 - **In case of new funds for existing grantee, subaccount established & DOA notified**
- **DOA transmits funding authority to PMS**
- **PMS notifies grantee account established**

CASH ADVANCES (CONTINUED)

- **Step 4 - Initiating use of PMS account**
 - PMS notifies person named on SF 1199 by registered mail
 - Notice includes account no., temporary password, instructions

Questions?

