

MASSACHUSETTS WORKFORCE DEVELOPMENT SYSTEM

Mass Workforce Issuance

Workforce Issuance No. 13-11

Policy **Information**

To: Chief Elected Officials
Workforce Investment Board Chairs
Workforce Investment Board Directors
Title I Administrators
Career Center Directors
Title I Fiscal Officers
DCS Operations Managers

cc: WIA State Partners

From: Alice Sweeney, Acting Director
Department of Career Services

Date: March 1, 2013

Subject: **Cash Management and Cash Requests**

Purpose: To revise and replace the policy regarding Cash Management and Cash Requests. This issuance replaces WIA Communication No. 01-42.

The goal of the policy is to:

- (1) establish updated policies and procedures to insure minimal cash on hand,
- (2) revise procedures for requesting cash for Federal and State grants.

Background: All operators are required to maintain procedures for management of cash from federal grants. The requirements for cash payments are found in the OMB Regulations at 29 CFR 95.22 and 29 CFR 97.21. Cash requests must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the operator in carrying out the purpose of the approved program or project.

The EOLWD Finance Department and the Department of Career Services have collaborated to reissue the process related to cash issuance. This revised

policy makes minor revisions to the process for requesting cash. It is intended to

streamline the cash issuance process and reduce the time between receipt of cash requests and the disbursement of funds to local areas.

Action

Required: All subrecipients must incorporate this policy into their accounting procedures.

Effective: Immediately.

References: OMB Regulations at 29 CFR 95.22 and 29 CFR 97.21. OMB Circulars A-102 and A-110.

Inquiries: Any questions related to this correspondence should be directed to Lisa Nocera at (617) 626-5966.

CASH MANAGEMENT AND CASH REQUESTS

DEFINITIONS

Disburse - Issue a check.

Disbursement cycle - The process and time involved in the execution of an organization's normal payment system. For example, if it takes five working days to process a payment, the entity has a five day disbursing cycle. If personnel (salary) payments are weekly and nonpersonnel payments are on a monthly payment cycle, the organization would have two disbursement cycles for consideration.

Cash Request - Any process whereby states request and receive Federal funds, and subrecipients request and receive funds from the *Commonwealth*.

Immediate needs - The amount of cash needed on a particular day to pay the amount of disbursements processed. Immediate needs can be determined in the aggregate of several days or the cash needs of each working day, depending on the organization's disbursing cycle.

CONSTRAINTS

A. Federal Constraints

According to OMB Regulations at 29 CFR 97.20 – 97.21, each recipient and subrecipient shall be paid in advance, provided it maintains or demonstrates the willingness and ability to limit advanced funds to the actual immediate disbursement needs in carrying out administered programs. When this basic standard is not met, reimbursement is the preferred funding methodology. Cash on hand attributable to programs, including program income, refunds and audit recoveries, etc., must be disbursed before requesting additional cash payments.

B. State Constraints

The Commonwealth is required to comply with the Cash Management Improvement Act. In order to minimize cash at the subrecipient level and to insure payments are disbursed to subrecipients when the cash is needed, the following procedures must be adhered to in requesting funds:

GRANT CASH REQUEST PROCEDURES

Instructions for completion of the Cash Request Form are included at the end of this policy.

1. Fiscal Agents should e-mail their request to Executive Office of Labor and Workforce Development Accounts Payable (EOLAP) - AccountsPayable@detma.org. Requests by telephone and fax are not permitted.

Immediately after sending the e-mail cash request, the Fiscal Agent must complete a Commonwealth of Massachusetts' Payment Voucher, with original signature, and should mail it to:

Jeanne Sullivan
Finance Department
Executive Office of Labor & Workforce Development
19 Staniford Street, 5th Floor
Boston, MA 02114.

2. Finance will review cash requests and approve the processing of payments. All cash requests will be processed by EOLAP within four (4) business days of the date the request is received. If EOLAP determines that there is an excess amount of cash or other related problems and therefore cannot approve a request, EOLAP will notify the local area.
3. EOLAP will issue payments in the form of electronic transfers of funds. If there are any issues with an actual payment previously made, then EOLAP will communicate directly with the local area.
4. It is critical for the Fiscal Agents to implement good cash management procedures. Thus, the following procedure must be in place:
 - Cash requests should be made as frequently as needed. Each request may include amounts necessary for checks that are scheduled to be issued during that week and any checks to be issued prior to receipt of the funds by electronic transfer or by check. This includes all cash expenses and posted expenses for which checks/warrants will be issued that same week.

Example: A cash request dated Monday, May 7th might include the following:

- A. Payroll (net) and related expenses incurred during the week ending May 5th, to be paid by May 11th;
- B. Overhead (rent, utilities, etc.) for payment by May 11th;
- C. Any other expense incurred that is “on the books.” (These expenses must be real and “auditable” in order to be included in the request for payment.)

B. EOLAP Withholding of Payments

There may be occasions when payments cannot be processed for one or more grants for which funds have been requested. The subrecipient will be notified by EOLAP that the funds cannot be paid, including the reasons for taking this action.

C. Adjustments to Cash Payments/Cash Balances

Funds must be recorded by the subrecipient in the same grant under which the funds were requested to ensure that the subrecipient’s records and the *state’s* records match.

CASH MANAGEMENT AT THE SUBRECIPIENT LEVEL

Introduction

It is critical for subrecipients to implement good cash forecasting procedures.

Forecasting

The cash forecasting system must identify specific needs within a specified time frame. Cash forecasting should be geared to the agency's disbursing cycle. It can be weekly, or on some other defined disbursement cycle or on an "as needed" basis. A valid check clearance pattern is an acceptable method for cash forecasting.

Subrecipients will be subject to the disbursement cycle/payment policies of EOLAP and the Commonwealth. In order to improve cash management at the subrecipient level, it is recommended that subrecipients time their disbursements to coincide with the receipt of cash.

As described in the Grant Cash Request Procedures, above, each cash request submitted to EOLAP may include amounts necessary for checks that are scheduled to be issued during that week and any checks to be issued prior to receipt of the funds by electronic transfer or by check. This includes all cash expenses and posted expenses for which checks/warrants will be issued that same week.

Some additional considerations for accurate cash forecasting are:

- a. Net Payroll/Payroll Taxes/Fringe Benefits - Net payroll is the preferred method to be used for cash forecasting purposes instead of gross salaries and wages. Normally payroll deductions and tax deposits are disbursed at a time different from the payroll dates. Fringe Benefits, e.g., retirement, medical, FICA, and workers' compensation, are also normally paid in a period different from the corresponding payroll dates. In such instances, cash should not be requested until the actual disbursement dates for items such as payroll taxes and fringe benefit costs.
- b. Accrued expenses - In many instances accrued expenses will exceed cash receipts. Cash is not needed to accommodate an accrual until a cash payment is issued.
- c. Obligations - Incurring an obligation does not require cash. Cash is needed only when checks are disbursed for those obligations.
- d. Other cash - To the extent available, operators shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

Cash Management at Contractor Level

Reimbursement is the preferred method for funding contractors under a grant or subgrant agreement. However, the awarding agency, recipient, or subrecipient may provide advances to contractors after determining that:

- a. Reimbursement is not feasible because the contractor lacks sufficient working capital. Sources of acceptable documentation to support insufficient working capital include, but are not limited to:
 1. Bank statements
 2. Certification that the agency is precluded by law (specific cite) from using existing cash resources for Title I grants' purposes
 3. Letter from an auditor attesting to cash position
 4. Prior audit period fund source update.

- b. The contractor meets the cash management standards prescribed by EOLAP, the Commonwealth, and the federal government which govern advances to subrecipients; and
- c. Advance payment is in the best interest of the awarding agency. Some considerations for "best interest" determinations, which should be documented, include:
 - 1. Any detrimental effects the absence of a cash advance would have on the program
 - 2. Lost efficiencies
 - 3. Lost client advantages
 - 4. Harmful effects of project delays.

CASH MANAGEMENT PROBLEMS

Local Policy

Some local governments require that cash be on deposit in the account before a check can be issued. In such instances local governments should be encouraged to regard funding documents (e.g., recipient issued letter of credit/subgrant award, contract, and/or Master Agreement), as cash on hand.

Penalties associated with checks rejected for insufficient funds.

Penalties imposed by financial institutions for bounced checks reduce resources available for Workforce Investment Act programs. Normally, such penalties can and should be avoided by proper cash management and negotiations with banks.

Adverse Action for Poor Cash Management Practices

Poor cash management practices include, but are not limited to:

- 1. Excess cash
- 2. Lack of documented cash forecasting system
- 3. Cash in the checkbook not reconciled to the books of original entry.

If monitoring visits identify poor cash management practices, EOL will require the subrecipient to institute corrective action within a reasonable period of time. If follow up visits indicate that the corrective action plan does not address the problems or if the corrective action plan is not implemented, then such subrecipients may be placed on a reimbursement basis for payments.

INSTRUCTIONS FOR COMPLETION OF THE CASH REQUEST FORM

Cash request data and forms may only be submitted when an actual request is needed. Do not submit a request form for programs for which funds are not requested. Fiscal Agents/WIA Title I Administrators should e-mail their request to AccountsPayable@detma.org.

A completed Commonwealth of Massachusetts Payment Voucher (PV), with original signature, should be mailed to EOL at:

Jeanne Sullivan
Finance Department
Executive Office of Labor and Workforce Development
19 Staniford Street, 5th Floor
Boston, MA 02114.

Cash Request Form

Fill in the Operator Name, Preparer's Name, Preparer's Phone Number, and Preparer's Email Address, Federal Grant Number, Program Name, and Grant Start and Grant End Dates.

Specify the Period Ending for which cash is being requested.

Line 1 Grant Amount

Enter the amount of the grant as specified in the Contract. Please do not include any funds other than those in the Contract.

Line 2 Received Inception to Date

Enter the total grant award cash received from inception through the current request period for the program for which cash is being requested. This must also reflect any cash returned.

Line 3 Cash Requested But Not Yet Received

Enter cash requested, but not yet received, for the program for which cash is requested.

Line 4 Total Cash

Enter the sum of lines 2 and 3. (If you are using the electronic spreadsheet, the computer will calculate this automatically.)

Line 5 Cash Paid Out Inception to Date

Enter the cash paid out for each program, inception to date.

Line 6 Grant Balance Available

Subtract Line 4 from line 1 and enter the result here. (If you are using the electronic spreadsheet, the computer will calculate this automatically.)

Line 7 Cash On Hand

Subtract line 5 from line 4 and enter the result here. (If you are using the electronic spreadsheet, the computer will calculate this automatically.)

Line 8 Estimated Cash Needed for this Period

Enter the estimated cash needed for the request period for the program for which cash is requested.

Line 9 Estimate of Cash Request

Subtract line 7 from line 8 and enter the result here. (If you are using the electronic spreadsheet, the computer will calculate this automatically.)

Line 10 Actual Amount of this Request

Enter the exact amount of cash being requested.

Fill in the date the e-mail request is being made on the line “Cash Request Submitted by E-Mail on _____”.