

**THE OREGON CONSORTIUM & OREGON WORKFORCE ALLIANCE
POLICY MEMORANDUM #WIA-35-R7/06**

DATE: July 13, 2006

SUBJECT: Cash Management

REFERENCE: 29 CFR 95.22 and 29 CFR 97.21
One-Stop Comprehensive Financial Management
Technical Assistance Guide Chapter II-6

PURPOSE:

The goal of the policy is to establish procedures to insure efficient and effective cash management.

BACKGROUND:

All recipients of federal funds are required to maintain procedures for management of cash. The requirements for cash payments are found 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.

DEFINITIONS:

Disburse: For the purpose of this policy, this term means to 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: The process whereby regional subgrant recipients request and receive funds from The Oregon Consortium and Oregon Workforce Alliance (TOC/OWA).

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.

POLICY:

TOC/OWA and regional subgrant recipients shall 1) minimize the time elapsing between and receipt of WIA funds and disbursement in order to maintain a minimum cash balance as per federal guidelines; and 2) maintain an adequate system of internal controls to safeguard cash according to generally accepted accounting principles.

Interest earned on WIA funds may be retained and shall be used to pay for WIA expenditures. Interest earned shall be accounted for as program income (see TOC/OWA policy #WIA-20-R09/04) and for reporting purposes, identified on the expenditure report forms submitted to TOC Administrative Office. This treatment of interest does not allow regional subgrant recipients to ignore the requirements or intent of these cash management requirements. Regional subgrant recipients must continue to minimize the time elapsing between receipt of WIA funds and their disbursement.

REQUIREMENTS:

It is critical for TOC/OWA and regional subgrant recipients 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. A valid check clearance pattern is an acceptable method for cash forecasting.

Regional subgrant recipients will be subject to the disbursement cycle/payment policies of TOC/OWA. In order to improve cash management at the regional subgrant recipient level, it is recommended that agencies time their disbursements to coincide with the receipt of cash.

As described in the Payments to Regional Subgrant Recipients Policy (TOC/OWA Policy #WIA-12-R02/04), each cash request submitted to the TOC Administrative Office should include amounts necessary for checks that are scheduled to be issued during that period and any checks to be issued prior to receipt of the funds by check. This includes all cash expenses and posted expenses for which checks/warrants will be issued that same period.

Some additional considerations for accurate cash forecasting are:

- a. Net Payroll/Payroll Taxes/Fringe Benefits. Net payroll must 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 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.

A regional subgrant recipient considered "high risk" as defined in the "Workforce Investment Act: Financial Administrative Review Guide." [U.S. Department of Labor, Employment and Training Administration, November 2002] will not be eligible to forecast cash needs and will have additional billing documentation requirements as outlined in TOC/OWA's standard operating procedure to ensure the safeguarding of federal funds.

Per the "Workforce Investment Act: Financial and Administrative Review Guide," an entity may be considered **high-risk if:**

- 1. The entity has a history of unsatisfactory performance;
- 2. The entity is not financially stable;
- 3. Prior reviews disclosed that the entity has a management system that does not meet the cash management standard as set forth in the related federal guidelines;
- 4. The entity has not conformed to terms and conditions of previous awards;
- 5. The entity cannot demonstrate that it has:
 - a. A defined method to account for and report program income where appropriate;
 - b. A working understanding of the legislation, implementing regulations, circulars; and State and local policies impacting the award;
 - c. Sufficient staffing to ensure separation of duties;
 - d. Conducted an audit of its activities during the past year; and/or
 - e. Resolved administrative findings resulting from monitoring, audit, or other reviews;
- 6. The entity has experienced a change in its key personnel or practices; and
- 7. The entity has a history of disallowed costs.

An entity that does not have prior experience managing federal grants may also be considered high-risk.

ACTION:

TOC/OWA and regional subgrant recipients must incorporate this policy into their accounting procedures.

INQUIRIES:

Inquires should be addressed to the TOC/OWA Chief Administrative Officer at 1-866-888-4TOC.



Kris Latimer
Chief Executive Officer