



Making the Most of Federal Funds: Cash Management Requirements



Making the Most of Federal Funds: Cash Management Requirments

Office of the State Superintendent of Education
(OSSE)

Federal Grants Management Conference

Friday, September 27, 2013

Marriott Wardman Park

Michael Brustein, Esq., Presenter



- **Payment Process**
 - Obligation
 - Liquidation
 - Drawdown
 - Payment
- **Controlling Grant Funds**
 - Financial Management
 - Internal Controls
 - Record Keeping / Reporting



Period of Availability

34 CFR 80.23 & 34 CFR 74.28

- Tydings Amendment
 - Does not apply to all grants
- Funds are available to state for 27 months:
 - 15 months under the grant award
 - (July 1, 2013 – September 30, 2014)
 - Plus 12 months
(October 1, 2014 – September 30, 2015)
- State may limit period of availability!
 - Check award notice

Definition of Obligation Under Federal Law



Acquisition of Property	Date of binding written commitment
Personal Services by Employee	When services are performed
Personal Services by Contractor	Date of binding written commitment
Travel	When travel is taken

Liquidations



- Federal regulations: Must liquidate all obligations within 90 days after the end of the period of availability
 - Example:
 - Period of availability: July 1 – September 30
 - Liquidation period ends: December 30
- ED may extend this deadline
- State may limit the period!
 - Check award notice

Lapsed Funds



- To avoid lapsing:
 - Obligate oldest funds first
 - Maintain clear accounting records
 - Integrate financial management systems (e.g., procurement system linked to accounting system)
 - Lapsed funds as a risk factor

Payments



- Cash Advance vs. Reimbursement
- CMIA
- Advances maintained in interest bearing accounts
- Interest > \$100 returned



Cost Sharing/Match



- Contributions may be cash / in-kind
- Must be verifiable
- Not counted twice
- Necessary / reasonable for grant
- Allowable under cost principles

Cost Sharing



- Unrecovered indirect costs allowed with approval of awarding agency



Cost Sharing



- Value of in-kind contribution must be established in accord with applicable cost principles
 - e.g. Valencia College



Program Income



- Options
 - 1) Add to funds committed to project
 - 2) Use to finance non-federal share
 - 3) Deduct from federal share
- Unless specified, option #3 applies

Program Income



- If income generated from license fees and royalties, no obligation to Federal Government



Tutorial on Linkages



Do not leave \$ on the Table!



2 Separate Scenarios



A. The difficult one:

Liquidating obligations more than 90 days after the close of the obligation period

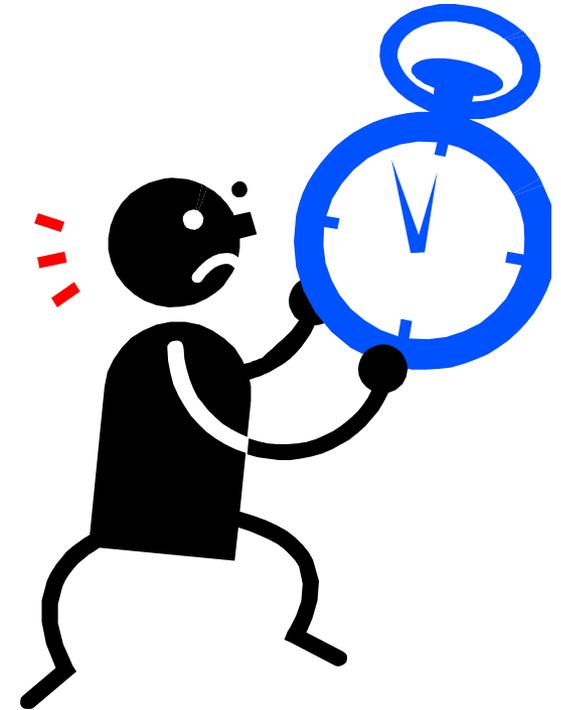
B. The easier one:

Linking transactions to grant period after funds are no longer available for obligation → “Roll Forward”

Late Liquidations



- Within 1st 18 months after the close of the obligation period → at discretion of program office
- After 1st 18 months, OCFO decision



Roll Forward



- Not up to program office or OCFO
- ED Policy on valid obligation
 - A transaction giving rise to an obligation within period of availability
 - Linking of the transaction with funds available during period of availability



- Linking can occur long after funds are no longer available for obligation → as long as clear documentation that the transaction occurred during the 27-month Tydings period



- Process of “deobligating” and “reobligating” is a valid method of linkage if obligations are timely and the adjustments are part of the normal accounting practice and not manipulative

*- Appeal of State of California
Doc. No. 12(122)83*



- “The legally relevant question is when the obligation arose, not in what account the obligation may be been initially recorded.”

- Appeal of State of California

Deobligate/Reobligate



- On 7/1/13, obligations could be charged to FY 12 (3 months) FY 13 (15 months) or FY 14 (27 months)
- If FY 11 obligations not yet liquidated, and incurred during FY 12 Tydings period, deobligate FY 14 then FY 13 then FY 12

Remember:



- Obligations must be during a period of availability
- Must be allowable costs (no supplanting)
- Not manipulative to avoid repayment of lapsed funds





Questions?

Disclaimer



This presentation is intended solely to provide general information and does not constitute legal advice. Attendance at the presentation or later review of these printed materials does not create an attorney-client relationship with Brustein & Manasevit, PLLC. You should not take any action based upon any information in this presentation without first consulting legal counsel familiar with your particular circumstances.