FY 2012 Federal Grant
Cash Management Changes

Funding and Disbursement Services
Tim Imler, Division Administrator
http://www.isbe.net/funding/default.htm
(217-782-5256)

May 5, 2011
2:00 p.m.
Who Is Impacted?

- All subrecipients of Federal grant funds awarded by the Illinois State Board of Education. Including but not limited to:
  - School Districts
  - Regional Offices of Education
  - Special Education and Vocational Cooperatives
  - Not For Profit Entities
  - Community Based Organizations
  - Local Area Networks
  - Colleges and Universities
What Programs?

Changes DO NOT Apply to:

- State grant programs including the mandated categoricals
- Contracts with ISBE
- Federal claim based programs such as
  -- National School Lunch
  -- Child & Adult Care Food Program
  -- IDEA Room & Board
What Programs?

**ALL Federal Grant Programs.**

Examples include:

- NCLB (i.e. Title I, Title IIA)
- Title IID Competitive
- Even Start
- IDEA Flow Through, Preschool & Discretionary
- Perkins
- Title III (LIPLEP & IEP)
Why The Change?

Federal Standard – Title 34 C.F.R. §80.21

The basic standard is that the “[m]ethod and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee . . .”

Funds may only be drawn and distributed to subrecipients (i.e. LEAs) to meet “immediate cash needs” of the grant (emphasis added).
Why The Change?

Federal Standard – Title 34 C.F.R. §80.21

The Federal rule addresses two payment methods:

**Advances.** Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

**Reimbursement.** *Reimbursement shall be the preferred method* when the [Advance] requirements . . . are not met (emphasis added).
Federal Office of Inspector General
February 2010 Findings

• “ISBE’s system of internal control is not adequate to ensure LEAs are complying with Federal cash management requirements.”

• It is important that State Educational Agencies do not draw and disburse funds before LEAs actually need the funds . . . because they might be more susceptible to misuse when held in local accounts for extended periods.

• The OIG recommended the Secretaries from various Federal agencies require ISBE to “strengthen procedures for monitoring excess cash balances at LEAs before approving cash disbursements.”
Major Changes

• Monthly payment schedules will be eliminated from paper and electronic Federal grant applications.

• Payments will be made as LEAs submit expenditure reports through the Electronic Expenditure Reporting System in IWAS.

• Cumulative (i.e. year-to-date expenditure reports) must reflect expenditures on a cash basis. In other words, expenses are recognized when cash is actually paid.
Major Changes

LEAs will not be allowed to submit outstanding obligations except on the completion report submitted at the end of the project year (e.g. June 30, Aug. 31, etc.).

The current 90 day liquidation period is still in effect to report the payment of outstanding obligations. Actual payments will be distributed based on cumulative, cash basis expenditures reported in the 90 day liquidation period.
Major Changes

• ISBE Funding and Disbursements staff will voucher weekly (Wednesdays) instead of monthly.

• Unlike State funds, Federal funds are not delayed. In general, LEAs can expect receipt of payment by the following Tuesday or Wednesday at the latest (i.e. 4-5 business days).

• LEAs will have two funding options: Traditional Reimbursement and Modified Advance.
Traditional Reimbursement

• Preferred Method

  ➢ LEA receives grant approval from ISBE program division.

  ➢ LEA submits cumulative, cash basis, expenditure reports at their discretion (e.g. weekly, bi-monthly, monthly) but at a minimum quarterly.

  ➢ ISBE will schedule and voucher the exact amount reported.

  ➢ Funds must be expended locally on a cash basis first and then reported for reimbursement.
Modified Advance

• Optional – Not Preferred

- LEA receives grant approval from ISBE program division.

- LEA enters cumulative, cash basis expenditures.

- After entering their cumulative, cash basis expenditures, the LEA has the option to request a “Commitment Amount” at the end of the expenditure report.

- The “Commitment Amount” represents the amount of money the LEA must have in advance and commits to expend to meet immediate cash needs through the end of the next month.
Modified Advance

** IMPORTANT - CRITICAL **

The Commitment Amount must be in alignment with the actual expenditures anticipated for the Federal grant through the end of the next month.
Modified Advance

- LEAs that enter an optional Commitment Amount must submit a subsequent, cumulative, cash basis expenditure report that should demonstrate that the Commitment Amount was fully expended.

For example, if an LEA submits a July 31 cumulative month end report for $200,000 and an optional $50,000 Commitment Amount for August, the LEA must submit an August 31 cumulative expenditure report that should reflect expenditures of $250,000 or more.
Modified Advance

• If the subsequent, cumulative, cash basis expenditure report reflects cash on hand, the excess amount will be deducted from the next Commitment Amount payment if requested.

• LEAs that continue to have excessive cash on hand each month may be requested to return the excess funds immediately and/or be subject to submitting expenditures on a reimbursement method.
Modified Advance

• LEAs can only submit cumulative, cash basis expenditures that include a Commitment Amount once each month.

• Cumulative month end reports can be submitted after the 20th calendar day of each month (e.g. August 31 month end report will appear on August 20)
Quarterly Reports

- Depending on the LEA project begin date, quarterly expenditure reports through September 30, December 31, March 31 and June 30 are due to ISBE 20 Days following the end of each quarter and are required of all LEAs regardless of the funding method used or if expenditures have not occurred.
Expenditure Report Screens
Expenditure Report Screens

Please select a Thru Date / Current Date as Thru Date.

Select Thru Date

05/31/2011

OR

Current Date as Thru Date

☐ This option is not available.

Legend:

@ - Expenditure Report is Required for this Thru Date.
# - Expenditure Report has been Processed at ISBE for this Thru Date.
+ - Outstanding obligations reported.

☑ Check here to copy previously submitted expenditures

<< Back | Close Window | Continue >>

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Expenditure Report Screens

### SECTION V - (B) - COMMITMENT AMOUNT (Line 35)

<table>
<thead>
<tr>
<th>LINE</th>
<th>EXPENDITURE ACCOUNTING</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>35</td>
<td>Enter the amount needed for expenditures on a cash basis from: 04/01/2011 to: 04/30/2011 (maximum 1 month allowed)</td>
<td>10000</td>
</tr>
</tbody>
</table>
Expenditure Report Screens

The cumulative expenditures are less than vouched to date resulting in excess cash.

Please click 'OK' to continue. OR
Click Cancel to review your data.
Expenditure Report Screens

Message from webpage

The totals calculation is complete.
Please review the calculated values (Sections VII through X) before you submit this expenditure report.

Balance shows excess cash on hand.

After pressing 'OK', you might consider printing this web page for your records.
Expenditure Report Screens
**Expenditure Report Screens**

**SECTION X. - CASH SUMMARY**

To update these totals, press the 'Calculate Totals for Following Sections' button in SECTION VI.

<table>
<thead>
<tr>
<th>LINE</th>
<th>EXPENDITURES AND RECEIPTS</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>Vouchered to Date (includes pre-payment &amp; negative adjustment)</td>
<td>1492280</td>
</tr>
<tr>
<td>32</td>
<td>Cumulative Expenditures (i.e. Year-To-Date) (Line 30)</td>
<td>1492000</td>
</tr>
<tr>
<td>33</td>
<td>Outstanding Obligations</td>
<td>0</td>
</tr>
<tr>
<td>34</td>
<td>Total Expenditures + Obligations (Line 32 + Line 33)</td>
<td>1492000</td>
</tr>
<tr>
<td>35</td>
<td>Commitment Amount</td>
<td>10000</td>
</tr>
<tr>
<td>36</td>
<td>(FUTURE USE)</td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>BALANCE (Line 31 - Line 32)</td>
<td>280</td>
</tr>
<tr>
<td>38</td>
<td>Adjusted Commitment Amount</td>
<td>9720</td>
</tr>
</tbody>
</table>
Expenditure Report has been Submitted for District/Agency Admin Approval.

It is recommended that you print this confirmation screen for your records.

<table>
<thead>
<tr>
<th>Entity Name</th>
<th>Program Name</th>
<th>Expenditure Thru Date</th>
<th>Expenditures Submit Date</th>
<th>Total Expenditures</th>
<th>Scheduled Payment</th>
<th>Commitment Amount</th>
<th>Total Scheduled Payment</th>
<th>Date &amp; Time</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Title I - Low Income</td>
<td>3/31/2011</td>
<td>05/03/2011</td>
<td>$3,376,689.00</td>
<td>$167,376.00</td>
<td>$500,000.00</td>
<td>$667,376.00</td>
<td>05/03/2011 7:59:53 AM</td>
</tr>
</tbody>
</table>

Close Window  Return To Main Screen
Summary

• Changes will begin with FY 2012 Federal Grants

• LEAs will have two funding methods available to use:
  -- Traditional Reimbursement (Preferred)
    Payments made based on actual expenditures
    Minimum quarterly reporting
  -- Modified Advance (Not Preferred)
    Commitment Amount field is utilized
    More frequent subsequent reports must be submitted

• Expenditures must be submitted on a cash basis only

• Funding & Disbursements Staff will voucher every Wednesday

• Quarterly reports are still required of all LEAs for all grants
Final Thoughts

• Ensure that your budget applications and amendments are timely, complete and accurate the first time.
  -- Provide sufficient detail on objectives, goals and activities.
  -- Provide adequate documentation for employees charged to the grant.
  -- Always provide sufficient detail on any equipment purchases.

• Obligations and activities that will be charged to the grant cannot occur until a “substantially approvable” application has been submitted.
Final Thoughts

• Be responsive to agency requests to correct a grant that has been returned for changes.

• Funds cannot be distributed until a grant has been approved by the program area and loaded into our system for payment.

• We are here to assist. Inform your agency program consultant if you need assistance with submitting your grant the correct way the first time.
Questions

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