



Illinois State Board of Education

Jesse Ruiz, Board Chair

Dr. Christopher Koch, State Superintendent

FY 2012 Federal Grant Cash Management Changes

Funding and Disbursement Services

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(217-782-5256)

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10:00 a.m.



Who Is Impacted?

- ★ **All recipients of Federal grant funds awarded by the Illinois State Board of Education.**
 - **School Districts**
 - **Regional Offices of Education**
 - **Special Education and Vocational Cooperatives**
 - **Not For Profit Entities**
 - **Community Based Organizations**
 - **Local Area Networks**
 - **Colleges and Universities**
- Any subrecipient of Federal grant funds**



What Programs?

Changes DO NOT Apply to:

- Any State funded program including categoricals
- Contracts with ISBE
- 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 . . .”

The regulation 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 [Advances] requirements . . . are not met.



Current Process – Advances

- **LEAs submit monthly payment schedules on grant budgets that must align to actual cash needs.**
- **In general, ISBE utilizes a monthly vouchering process.**
- **LEAs can normally expect receipt of Federal funds within 3-5 business days.**
- **ISBE manages LEA expenditures via quarterly expenditure reports which are due to ISBE 20 days after the end of each quarter.**
- **Excess cash on hand has been discouraged.**



Federal Office of Inspector General February 2010 Finding

- **“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 (SEAs) do not draw and disburse . . . funds before LEAs actually need the funds. The U.S. Treasury incurs additional borrowing costs when an SEA draws and disburses Federal funds to LEAs in advance of their immediate cash needs. Because of the Federal deficit, the U.S. Treasury must borrow the cash needed to fund Federal programs and, as a result, incurs interest costs.”**



Federal Office of Inspector General February 2010 Finding

- **“It also is important that Federal funds not be drawn prematurely because the funds might be more susceptible to misuse when held in local accounts for extended periods.”**
- **“Although ISBE monitors for excess cash on a quarterly basis, LEAs still might have excess cash balances for the months within the quarterly reporting period. One LEA had as much as \$3 million of excess cash on hand during one month.”**



Major Changes

- **Cumulative (i.e. year-to-date expenditure reports) must reflect actual cash expenditures. In other words, you can only report “money that is out the door”.**
- **Outstanding obligations will not be allowed to be reported during the project year except for the end of year report.**
- **Tighter controls on documenting actual need before payments are distributed.**



Traditional Reimbursement - Pilot

- **Larger Federal grants allocated to primarily school districts and joint agreements.**
 - NCLB
 - IDEA Flow Through and Preschool
 - Perkins
 - Title III (LIPLEP and IEP)
- **Districts and joint agreements will submit budget applications without a payment schedule.**
- **Payments will be distributed on a reimbursement method based on actual cash expenditures submitted.**



Modified Advance Funding

- **Smaller Federal grants allocated to LEAs beyond districts and joint agreements such as regional offices, not-for-profit and community based organizations.**
 - Title IV 21st Century
 - Learn and Serve
 - Even Start
 - McKinney Homeless
 - Charter Schools
- **LEAs will submit budget applications with a traditional monthly payment schedule.**



Modified Advanced Funding

- **The LEA will receive one advance payment.**
- **The next payment will not be paid until a year-to-date expenditure report is submitted through the most recent completed month or calendar date reflecting the expenditure of funds.**
- **No automatic monthly payments will be paid without documentation that prior funds have been expended.**



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 whether funds are needed or expenditures have occurred.



Completion and Final Reports

- In general, most LEA projects end June 30 or August 31.
- Enter the Electronic Expenditure Reporting System and choose the end date applicable to you.
- You will be prompted as to whether the report you are submitting is a Completion or a Final report.
 - A Completion Report has outstanding obligations
 - A Final Report does not have outstanding obligations



Completion and Final Reports

- **If you choose Completion Report, the Outstanding Obligations field will be available to you.**
- **An outstanding obligation is any debt for which funds were requested (such as a purchase order) prior to the end of the reporting period and is expected to be paid within 90 days.**
- **Payments will be processed towards your actual cash expenditures and will not include the obligated amount.**



Completion and Final Reports

- **If you choose Final Report, the Outstanding Obligations field will not be available to you. The report you submit will be considered final for the project year.**
- **Any remaining payments will be processed towards your final actual cash expenditures.**



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.**



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Questions

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