**Cash Management**

This advisory has been developed to ensure subgrantees are aware of the federal requirements governing cash management for federally funded programs so that appropriate steps can be taken to comply with these rules. It builds on a previous advisory (“FS-25 Payments for Federal and State Grants”) issued in June 2009.

Please note that these cash management requirements also apply to grants/grant-contracts awarded by the NY State Education Department (NYSED) with State funds.

*Specifically, Title 2 of the Code of Federal Regulations (CFR) Part 200.305 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) requires that subgrantees minimize the time between receipt of the funds from NYSED (the pass-through entity) and their disbursement by the local agency (sub-grantee) for grant/project activities.[[1]](#footnote-1)*

NYSED’s Grants Finance Office has reviewed its cash payment policy and procedures for consistency with federal cash management expectations. As a result, NYSED will only accept FS-25s/Requests for Funds for a Federal or State Project that include actual expenditures to date plus anticipated expenditures for the **next month**. Payments totaling up to 90% of a grant/grant-contract’s approved budget may be requested through the FS-25 process.

There is a small number of grant programs for which payment may only be made on a reimbursement basis and therefore do not permit payments based on anticipated expenditures. For-profit organizations are also paid on a reimbursement basis only, regardless of the grant program. In addition, any local agency identified as having a cash management system that is not in compliance with federal regulations may be limited to payments on a strictly reimbursement basis.

For those grant programs that permit payment on anticipated expenditures, payments are allowed only when a local agency can demonstrate willingness and ability to maintain appropriate procedures that minimize the time between the receipt and the disbursement of grant funds. To meet that requirement, local agencies are strongly urged to:

* coordinate the timing of cash requests closely with internal approvals for payment, so that cash received from NYSED does not stay in a bank account for an extended period of time;
* pay out grant funds for project activities as soon as possible after receiving cash from NYSED;
* plan carefully for cash flow during the budget period and review project cash requirements before each drawdown; and
* monitor (and reconcile) cash receipts and payments regularly.

In order to comply with the cash management requirements of 2 CFR Part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards), a sub-awardee (local agency) must have an appropriate financial management system[[2]](#footnote-2) and internal controls[[3]](#footnote-3) in place to expend and account for federal (and State) funds.

***NYSED reserves the right to request at any time supporting documentation for monitoring or auditing purposes. A sub-awardee’s financial management system must be able to identify expenditures and encumbrances related to a particular award on an ‘account’ basis.[[4]](#footnote-4)***

For related information, please refer to the policy advisory “Interest Earned on Federal Funds by Subgrantees” which outlines the federal requirements governing interest earned on federal funds and next steps.

If you have questions regarding this policy or cash payments in general, please contact Grants Finance.

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1. *Previously, this guidance existed in Parts 74 and 80 of the United States Department of Education General Administrative Regulations (EDGAR).*  [↑](#footnote-ref-1)
2. 2 CFR 200.302 discusses the financial management system. [↑](#footnote-ref-2)
3. 2 CFR 200.303 discusses internal controls. [↑](#footnote-ref-3)
4. 2 CFR 200.302 (b) (1) discusses identification of transactions within the financial management system’s accounts. [↑](#footnote-ref-4)