

FEDERAL CASH MANAGEMENT PROCEDURES

I. Overview. The district complies with both federal and State cash management standards and requirements for payment that minimize the time elapsing between the transfer of funds and disbursement by the district, in accordance with the Cash Management Improvement Act 31 CFR Part 205 and the California Federal Cash Management Data Collection (CMDC) procedures.

II. Implementation.

A. Payment methods.

1. Advances. The district receives regular apportionments for certain Every Student Succeeds Act (ESSA) programs based on reported cash balances.

a. The district's Financial Accounting Department requests reimbursement for actual expenditures incurred under federal grants.

b. The district must report the cash balance for each of the federal programs under the Every Student Succeeds Act (ESSA), including Title I, Part A; Title I, Part D, Subpart 2; Title II, Part A; Title III EL; Title III Immigrant programs; and Title IV, Part A, on a quarterly basis to the California Department of Education (CDE) to receive apportionments for those programs.

The district reports the federal cash management data in the State and Federal Cash Management Data Collection (CMDC) systems.

School districts, county offices of education, and direct funded charter schools awarded a grant under any of these programs must submit the CMDC report for a particular quarter to receive an apportionment for that quarter; CDE will apportion funds to Local Education Agencies (LEA) whose cash balance is below a certain threshold.

c. Should the district fail to submit the CMDC report for a reporting period, the CDE will not apportion funds to the district for that period. Also, if the district reports an atypical cash balance that appears to be an error, the CDE may contact the district for resolution and may not apportion funds to the district for that period. The CDE will release funding in the subsequent period if the district submits cash balance data that warrants the release.

FEDERAL CASH MANAGEMENT PROCEDURES (continued)

- d. The district uses the following process for reporting the data through the CMDC system.
- (1) Only one CMDC report will be submitted for a quarter.
 - (2) The CMDC report is prepared by the Financial Accounting Department.
 - (3) The CMDC report has a separate line on which to report the cash balance for each of the programs.
 - (4) The program(s) and line(s) shown for a particular LEA's CMDC correspond to the program(s) for which the district is receiving funding.
 - (5) The CDE uses the reported cash balance to determine the apportionment to release in each reporting period.
 - (6) The apportionment is equal to 25 percent of the LEA's annual program entitlement minus the cash balance reported for that period.
 - (7) Calculations are done for each of the programs. Apportionment for a particular fiscal year grant award is paid after the entitlements for any prior year grant award(s) have been fully paid, unless the authority to obligate those funds has expired.
 - (8) Districts must submit cash management data each reporting period to be eligible to receive funds in that period. The data must be submitted by midnight on the reporting deadline. No late submissions are accepted. If the cash balance is zero, a CMDC report must still be submitted in order to receive an apportionment.
- e. Reimbursements. For other federal funding sources (IDEA, Perkins, DOD funding) the district reports actual expenditures for reimbursement. For 21st Century subgrants, the district reports actual expenditures on a quarterly basis. The CDE provides apportionments to reimburse actual expenditures, but may also provide an advance for 21st CCLC expenditures. The district includes any advances received on 21st CCLC in its calculation of interest (discussed below).

FEDERAL CASH MANAGEMENT PROCEDURES (continued)**B. Interest.**

1. The district receives payment from the CDE on an advanced and on a reimbursement basis. If the district receives an advance in federal grant funds, the district remits interest earned on the advanced payment quarterly to the CDE. The district may retain interest amounts up to \$500 per year for administrative expenses. 2 CFR § 200.305(b)(9)
2. The district holds federal advance payments in interest-bearing accounts, unless an allowable exception applies. The district begins to calculate interest earned on cash balances upon receipt of the federal apportionment. According to guidance from the U.S. Department of Education (ED), when calculating the interest earned on ED grant funds, regardless of the date of obligation, interest is calculated from the date that the federal funds are received by district until the date on which those funds are disbursed by the district.
3. Interest is calculated quarterly, consistent with California federal interest calculation guidelines:
 - a. Calculating interest when federal cash is or can be segregated from other district resources.
 - (1) If federal funds are maintained in a manner in which the County Treasurer or the County Office of Education can specifically determine the amount of interest earned on federal funds for a particular period (at least quarterly), then that is the interest amount that should be reported and remitted to the CDE.
 - (2) The interest due on federal cash balances should reflect the actual amount of interest earned on the unspent federal program funding advances.
 - (3) Therefore, interest calculations should be based on applicable interest rates applied to actual federal cash held in the district's bank or County Treasury.
 - b. Calculating interest when federal cash is pooled with non-federal funds.

FEDERAL CASH MANAGEMENT PROCEDURES (continued)

- (1) If federal funds are pooled with non-federal funds in the district's bank or County Treasurer, the district must reasonably determine the federal portion of total earned interest for the period.
- (2) Since the amount of federal cash available for program costs can change daily, the district should apply applicable interest rates to the reporting period's average daily federal cash balances.

Average daily federal cash balances can be calculated by combining all federal program cash, both negative and positive, for each day of the reporting period, using federal program resource codes, then dividing by the actual number of days in the reporting period.

- (3) If the combined federal cash available under this approach is negative for any day during the period, the district must record the average daily federal cash balance as zero to avoid reducing or offsetting federal interest earnings for the temporary use of non-federal cash resources for federal programs.
- c. If the district includes non-federal match funding in the federal program resource codes, the district may reduce the daily federal cash balances by the corresponding proportionate share of required cash match for each program. For example, if federal program Title XYZ has a 20 percent match requirement and the district accounts for the non-federal match in Title XYZ federal program resource code, then the 20 percent proportionate share of match may be excluded from the calculated daily and average daily balances.
 - d. CDE federal program grantees are required to report and remit interest to the CDE at least quarterly. Although grantees are allowed to keep interest amounts up to \$500 per year for administrative purposes, the \$500 is in total for all federal programs, not for each federal program. When reporting and remitting federal interest to the CDE, grantees should specify the time period of interest earning and the federal program resource codes.

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- e. Interest on federal cash balances should be sent to the CDE at the following address:

California Department of Education
P.O. Box 515006
Sacramento, CA 95851
Attention: Cashier's Office

- C. Supporting documentation. Consistent with state and federal requirements, the district maintains source documentation supporting the federal expenditures (i.e., invoices, time sheets, payroll stubs, etc.) and makes such documentation available for review upon request.

III. Timely obligation of funds.

- A. When obligations are made.

- 1. Obligations are orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-federal entity during the same or a future period. 2 C.F.R. § 200.71

- a. Exhibit 3232 includes a table that illustrates when funds are determined to be obligated under federal regulations.

- B. Period of performance of federal funds.

- 1. All obligations must occur on or between the beginning and ending dates of the grant project. 2 C.F.R. § 200.309. This period of time is known as the period of performance. 2 C.F.R. § 200.77. The period of performance is dictated by statute and will be indicated in the GAN. Further, certain grants have specific requirements for carryover funds that must be adhered to.

- a. State-administered grants: As a general rule, state-administered federal funds are available for obligation within the year that Congress appropriates the funds. However, given the unique nature of educational institutions, for many federal education grants, the period of availability is 27 months. Federal education grant funds are typically awarded on July 1 of each year. While the district will always plan to spend all current grant funds within the year the grant was appropriated, the period of obligation for any grant that is covered by the "Tydings Amendment" is 27 months, extending from July 1 of the fiscal year for which the funds were appropriated

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through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability, plus a 12-month period for carryover. 34 C.F.R. § 76.709. For example, funds awarded on July 1, 2015 would remain available for obligation through September 30, 2017.

- b. Direct grants: In general, the period of availability for funds authorized under direct grants is identified in the GAN.
- c. For both state-administered and direct grants, regardless of the period of availability, the district must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period unless an extension is authorized. 2 C.F.R. § 200.343(b). Any funds not obligated within the period of availability or liquidated within the appropriation timeframe are said to lapse and must be returned to the awarding agency. 2 C.F.R. § 200.343(d). Consequently, the district closely monitors grant spending throughout the grant cycle.

IV. Carryover.

A. State-administered grants.

- 1. As described above, the Tydings Amendment extends the period of availability for applicable State-administered program funds. Essentially, it permits recipients to “carryover” any funds remaining at the end of the initial 15-month period into the next year. These remaining funds are typically referred to as carryover funds and continue to be available for obligation for an additional 12 months. 34 C.F.R. § 76.709. Accordingly, the district may have multiple years of grant funds available under the same program at the same time.
 - a. The district uses the California Standardized Account Code Structure (SACS). The “Project Year Code” field in SACS is used to identify the federal grant’s ending year. The district tracks carryover funds by using this field for sources of funds that cover multi-years.
 - b. The Financial Accounting Department tracks carryover federal funds, using data from the PeopleSoft financial system downloaded into a grant tracking software. This software is reconciled by the Financial Accounting staff working with the Financial Analyst in the Financial Planning, Monitoring and Accountability Department.

FEDERAL CASH MANAGEMENT PROCEDURES (continued)**B. Direct grants.**

1. Grantees receiving direct grants are not covered by the 12-month Tydings period. However, under 2 C.F.R. § 200.308, direct grantees enjoy unique authority to expand the period of availability of federal funds. The district is authorized to extend a direct grant automatically for one 12-month period. Prior approval is not required in these circumstances; however, to obtain this extension, the district must provide written notice to the federal awarding agency at least 10 calendar days before the end of the period of performance specified in the award. This one-time extension may not be exercised merely for the purpose of using unobligated balances.
 - a. The Financial Accounting Department is responsible for determining whether to provide written extension of a direct grant.
 - b. Financial Accounting staff prepares a written notice which includes the reasons for the extension as well as the revised period of performance.
 - c. The Executive Director of Finance provides final approval.
 - d. Written notice of an extension of a direct grant is sent to the federal awarding agency at least 15 days before the end of the period of performance.
2. The district seeks prior approval from the federal agency when the extension will not be contrary to federal statute, regulation or grant conditions and:
 - a. The terms and conditions of the federal award prohibit the extension;
 - b. The extension requires additional federal funds; or
 - c. The extension involves any change in the approved objectives or scope of the project. 2 C.F.R. § 200.308(d)(2).

V. Program income.**A. Definition.**

1. Program income means gross income earned by a grant recipient that is directly generated by a supported activity or earned as a result of the federal award during the grant's period of performance. 2 C.F.R. § 200.80.

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2. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federal awards, the sale of commodities or items fabricated under a federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with federal award funds. Interest earned on advances of federal funds is not program income.
3. Except as otherwise provided in federal statutes, regulations, or the terms and conditions of the federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. 2 C.F.R. § 200.80. Additionally, taxes, special assessments, levies, fines, and other such revenues raised by a recipient are not program income unless the revenues are specifically identified in the federal award or federal awarding agency regulations as program income. Finally, proceeds from the sale of real property, equipment, or supplies are not program income. 2 C.F.R. § 200.307.

B. Use of program income.

1. The default method for the use of program income for the district is the deduction method. 2 C.F.R. § 200.307(e). Under the deduction method, program income is deducted from total allowable costs to determine the net allowable costs. Program income will only be used for current costs unless the district is otherwise directed by the federal awarding agency or pass-through entity. 2 C.F.R. § 200.307(e)(1). The district may also request prior approval from the federal awarding agency to use the addition method. Under the addition method, program income may be added to the federal award by the federal agency and the non-federal entity. The program income must then be used for the purposes and under the conditions of the federal award. 2 C.F.R. § 200.307(e)(2).
2. While the deduction method is the default method, the district always refers to the GAN prior to determining the appropriate use of program income.
3. The district tracks program income in the same resource used for the source of fund with an additional extended code in the chart string to identify it as program income.

VI. References.

- A. 2 C.F.R. § 200 et seq. <http://www.ecfr.gov>
- B. 31 CFR Part 205 <http://www.ecfr.gov>

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- C. 34 C.F.R. § 75.707 <http://www.ecfr.gov>
- D. 34 C.F.R. § 76.707 <http://www.ecfr.gov>
- E. 34 C.F.R. § 76.709 <http://www.ecfr.gov>
- F. California Federal Cash Management Data Collection (CMDC) website
<https://www.cde.ca.gov/fg/aa/cm/>

Regulation
approved: December 11, 2018

SAN DIEGO UNIFIED SCHOOL DISTRICT
San Diego, California