



## FACT SHEET

### CASH MANAGEMENT & PROCEDURES



As a pass-through entity for Federal Education funds, the Nebraska Department of Education (NDE) has prepared this **Cash Management & Procedures Fact Sheet** to assist Federal program subrecipients in the development of their cash management policies/procedures, and internal controls as they relate to the use of Federal funds.

This information is being provided by the NDE as general compliance guidance only. Subrecipients of Federal funds should refer to the full text of the regulations which can be found at <https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-sec200-305.pdf> and <https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-sec200-302.pdf> when developing and implementing policies and procedures concerning cash management of Federal funds.

Subrecipients of Federal funds are solely responsible for meeting all applicable Federal regulations.

## Grant Reimbursement

Non-Federal entities of grants awarded by the NDE are paid on allowable expenditures incurred by the non-Federal entity and submitted for reimbursement through the Grants Management System (GMS). The GMS reimbursement method is the only method used and reduces the risk associated with advancing funds which relies solely on the subrecipient's written procedures and financial management systems for fund control and accountability.

## Key Financial Management Requirements

*This section highlights major administrative requirements of 2 CFR Part 200 for administering the Nebraska CARES Act ESSER subgrant award.*

### Financial Management Systems ([2 CFR Part 200.302](#))

In general, subgrantees are required to have financial management systems that:

- provide for accurate, current, and complete disclosure of results regarding the use of funds under grant projects,
- provide adequate source documentation for Federal and non-Federal funds used under grant projects,
- contain procedures to determine the allowability, allocability, and reasonableness of obligations and expenditures made by the grantee, and
- enable the grantee to maintain effective internal control and fund accountability procedures, e.g., requiring separation of functions so that the person who makes obligations for the grantee is not the same person who signs the checks to disburse the funds for those obligations.

A subrecipients, must be sufficient to permit the preparation of reports that may be required under the award as well as provide the tracing of expenditures to a level adequate to establish that award funds have not been used in violation of any applicable statutory restrictions or prohibitions.



## **Personnel** ([2 CFR Part 200 Subpart E](#))

General rules governing reimbursement of salaries and compensation for staff working on grant projects are addressed in the cost principles in 2 CFR Part 200 Subpart E. In all cases, payments of any type to personnel must be supported by complete and accurate records of employee time and effort. For those employees that work on multiple functions or separately funded programs or projects, the subgrantee must also maintain time distribution records to support the allocation of employee salaries among each function and separately funded program or project.

## **Cost Principles** ([2 CFR Part 200 Subpart E](#))

All costs incurred under any subgrant are subject to the cost principles found in 2 CFR Part 200 Subpart E. The cost principles provide lists of selected items of allowable and unallowable costs and must be used in determining the allowable costs of work performed under the subgrant.

## **Procurement Standards** ([2 CFR Part 200.318-327](#))

Under 2 CFR Part 200.317, States are required to follow the procurement rules the States have established for purchases funded by non-Federal sources. When procuring goods and services for a grant's purposes, all other grantees may follow their own procurement procedures, but only to the extent that those procedures meet the minimum requirements for procurement specified in the regulations. These requirements include written competition procedures and codes of conduct for grantee staff, as well as requirements for cost and price analysis, record-keeping and contractor compliance with certain Federal laws and regulations. These regulations also require grantees to include certain conditions in contracts and subcontracts, as mandated by the regulations and statutes.

## **Audit Requirements** ([2 CFR Part 200 Subpart F](#))

2 CFR 200 Subpart F requires that subgrantees obtain a non-Federal audit of their expenditures under their Federal grants if the grantee expends more than \$750,000 in Federal funds in one fiscal year. 2 CFR Part 200 Subpart F contains the requirements imposed on grantees for audits done in connection with the law.

The Department recommends hiring auditors who have specific experience in auditing Federal awards under the regulations and the Compliance Supplement.

## **Other Considerations**

Some other topics of financial management covered in 2 CFR Part 200 that might affect particular grants based on the allowable uses of funds or nature of ESSER include: cost sharing or matching ([2 CFR Part 200.306](#)), property management requirements for equipment and other capital expenditures ([2 CFR Parts 200.313](#), [200.439](#)).

## What internal controls are required to be maintained under the Nebraska CARES Act ESSER subaward?

The primary documentation submitted through the expense reimbursement process provides initial review that the expenditures of the subaward are reasonable and allocable as required under 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards.

Pursuant to [2 CFR §200.332](#), the NDE, as a federal pass-through entity, has responsibility to monitor subrecipients to ensure the sub-award is used for authorized purposes, is in compliance with Federal and State statutes, regulations, subaward assurances, and the terms and conditions of the sub-award.

The financial monitoring conducts a comprehensive desk review or on-site reviews to monitor that the subgrantee has an effective internal control system, standards, and established practices:

- Operations: Effectiveness and efficiency of operations
- Reporting: Reliability of reporting of internal and external use
- Compliance: Compliance with applicable laws and regulations

An effective internal control system can help an entity to address and manage fluctuating demands, environmental paradigms, emerging risks, and priorities.

## Required Written Procedures

The non-Federal entity's written procedures should not be a reiteration of the Federal requirements. Rather, procedures are the step-by-step process that are used to obtain the goal or the steps that are necessary to be in compliance with the Federal requirement. Written procedures should answer questions such as: who determines that the cash management procedures are being followed; how it is determined the procedures are followed; when the steps are performed; what is being verified.

A non-Federal entity's Cash Management written procedures must address cost reimbursement. The written procedures should include steps involved in the obligating, liquidating, and claiming of Federal funds. The following is a list of questions to consider when documenting procedures. This is not an all-inclusive list but rather is to be used in guidance when writing the step-by-step procedures.

*The Uniform Grants Guidance (UGG), officially titled Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (2 Code of Federal Regulations [C.F.R.] 200) was issued by the Office of Management and Budget (OMB) on December 26, 2014, and took effect the same day.*

1. Payroll; [2 CFR §200.430\(i\)](#)
2. Suspension and Debarment; [2 CFR §200.214](#)
3. Financial Management; [2 CFR §200.302](#)
4. Cost Sharing or Matching; [2 CFR §200.306](#)
5. Program Income; [2 CFR §200.307](#)
6. Equipment; [2 CFR §200.313](#) (And Inventory)
7. Procurement; [2 CFR 200.318](#) through 2 CFR §200.327
8. Record Retention (5 years); [2 CFR §200.334](#)



## LEA Internal Control Considerations

### ***Purchase orders for goods or services:***

- Who has authority to generate a purchase order?
- How is a purchase order generated? What steps are involved?
- Who approves purchase orders?
- Who has authority to approve contracts?
- Who determines the purchase is an allowed cost on a Federal grant?
- What information is used to make the determination it is an allowed cost?
- Who verifies the goods or services have been budgeted on the Federal grant?

### ***Payroll:***

- Who identifies each staff person with a status of single cost objective or multiple cost objective?
- How is this status determined?
- How often is this information reviewed and updated?
- Where is this information stored?
- How is this communicated between areas?
- Who sets up the account coding of personnel claimed on the grant?
- Who verifies that the salaries charged to the grant are for individuals approved on the grant?

### ***Regarding staff with multiple cost objectives:***

- Who approves time worked on a Federal program / project?
- Who verifies charged amounts against supporting time and effort documentation prior to a claim being made?
- How is this communicated between areas?

### ***For short-term work such as substitute staffing, extended school year, stipends, etc.:***

- Who verifies the short-term work is completed by licensed individuals (if required)?
- Who verifies the work was completed prior to submitting a claim?
- Does the time sheet identify the Federal funding source or cost objective?
- How is this communicated between areas?

### ***Credit card purchases:***

- Who has access to the subrecipient's credit card?
- What purchases are allowed to be made by credit card?
- Who reconciles credit card bill to actual expenditures?
- What supporting documentation is required for payment of an expenditure?

### ***Receipt for goods or service performed:***

- Who verifies the goods have been received or service performed?
- How is the verification done?

- Who determines the goods are being put into use in the Federal program/project? How is it determined?
- Who determines the service was timely performed and how is it verified?
- If assets (such as computing devices) were purchased, how are these being tracked per Federal program?
- If assets are lost, stolen or damaged, what is the process for reporting and documenting?
- If assets are no longer needed, what is the process for reporting and documenting?
- How is this communicated between areas?

**Payment process:**

- How is an invoice approved for payment? Who gives final approval?
- What is the payment process?
- What supporting documentation is required prior to payment?

**Written procedures regarding the claiming of Federal funds:**

- How are expenditures tracked?
- Who prepares the claim for expenditure reimbursement?
- Who verifies that the expenditure report includes only expenditures that have been obligated and liquidated in the requested reimbursement amount?
- Who verifies the expenditure report includes costs that are on an approved budget and have been determined allowable?
- How is it determined if an expenditure claimed has been both obligated and liquidated?
- Who approves the claim prior to submission?
- When do expenditure claims get filed during the year? [NDE requires monthly]
- Who ensures the final expenditure claim is filed no later than September 30th following the fiscal year ended June 30th?
- Who determines whether an amount claimed has been liquidated within 45 days of year end?
- How are costs at year end determined to be obligated and not liquidated?
- Who verifies that the final expenditure report ties to the general ledger accounts?
- Who performs the cash reconciliation?
- Is there separation of duties between who approves and disburses the funds from who performs the reconciliation?

## ESSER Funds: Paying Employees on Leave Status and Policies

***What is required in a policy under unexpected or extraordinary circumstances at the LEA or State level to permit ESSER subgrantees to use ESSER funds for employee compensation when employees are on leave due to school closures related to COVID-19?***

On October 9, 2020, the U.S. Department of Education, Office of Elementary and Secondary Education, Office of State and Grantee Relations provided the following response:

*We have determined that, because ESSER specifically authorizes continuing to pay existing employees (CARES Act Section 18003(d)(12)), the authority includes paying staff who are on leave because schools are closed due to COVID-19. Accordingly, **ESSER funds may be used for that purpose even in the absence of a policy that specifically addresses these circumstances.***

The [U.S. Department of Education's Fact Sheet](#), dated April 8, 2020, and the Uniform Guidance provisions on compensation in [2 C.F.R. § 200.430](#) generally require a policy to use Federal funds for compensation for employees



who are not working due to extraordinary circumstances of COVID-19. That requirement, however, is applicable for programs that, unlike ESSER, do not specifically authorize use of funds for the purpose of paying employees who cannot work due to COVID-19. In other words, the specific authority in ESSER governs instead of the more general authority in the Uniform Guidance.

**NOTE:** If a school district pays, consistent with its policies and procedures, similarly situated employees who compensation is paid with non-Federal funds during an extended closure, then those paid with grant funds from the U.S. Department of Education may also continue to be paid under [2 CFR §§ 200.403\(c\)](#) (allowability of costs), [200.404](#) (reasonable costs), [200.405](#) (allocable costs), [200.430\(b\)](#) requirements.

**Fiscal monitoring and paying existing employees when on leave due to school closures related to COVID-19, is as follows:**

1. Review of the internal controls maintained by the school district and discussed in the following sections.
2. Recipients are required to maintain appropriate records, leave policies, cost documentation, and record retention as required by [2 CFR § 200.302](#) (Financial management), [2 CFR § 200.334](#) (Retention requirement of records), for 5 years, [2 CFR § 200.430](#) (Compensation – personal services), [2 CFR § 200.431\(b\)\(1\)](#) (Compensation – fringe benefits) to substantiate the charging of any salaries and other project activities costs related to interruption of operations or services.
3. The CARES Act ESSER grant application includes the following assurance - “The LEA will comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requirements in [Subpart D—Post Federal Award Requirements](#) (2 CFR §§200.300-346) and [Subpart E—Cost Principles](#) (2 CFR §§200.400-476) to ensure, ESSER funds are used for purposes that are reasonable, necessary, and allocable under the CARES Act.”
4. Post-award calls with the Nebraska ESSER Federal Compliance team has deemed it necessary for school districts to provide burden of proof that it in fact continued to charge salaries and benefits to the ESSER subaward consistent with the recipients policies and procedures of paying salaries (under normal operating policies and procedures) from all funding sources, Federal and non-Federal.

## **IMPORTANT: Other Federal Funds: Paying Employees on Leave Status and Policies**

### ***May a grantee or subgrantee continue to pay the compensation of an employee paid with grant funds from the Department during the period the employee is unable to work because his or her organization is closed due to novel Coronavirus Disease 2019 (COVID-19)?***

On April 8, 2020, the U.S. Department of Education issued [Select Questions Related to Use of Department of Education Grant Funds During the Novel Coronavirus Disease 2019](#), the FAQs states:

*Yes. Generally, a grantee or subgrantee may continue to charge the compensation (including but not necessarily limited to salaries, wages, and fringe benefits) of its employees who are paid by a currently active grant funded by the Department to that grant, consistent with the organization’s policies and procedures for paying compensation from all funding sources, Federal and non-Federal, under unexpected or extraordinary circumstances, such as a public health emergency like COVID-19.[1] Thus, if the organization pays, consistent with its policies and procedures, similarly situated employees whose compensation is paid with non-Federal funds during an extended closure, those paid with grant funds from the Department may also continue to be paid.[2] However, an employee who is being paid with Department grant funds while the program grant activities are closed in whole or in part due to the COVID-19 pandemic may not also be paid for the time during which the program is closed by the organization or another organization for working on other activities that are not closed down.*



*If a grantee or subgrantee does not currently have in place a policy that addresses extraordinary circumstances such as those caused by COVID-19, the grantee or subgrantee may amend or create a policy in order to put emergency contingencies in place for Federal and non-Federal similarly situated employees. If the conditions exist for charges to be made to the Federal grant, charges may also be made to any non-Federal sources that are used by a grantee or subgrantee in order to meet a matching requirement.*

[1] See Office of Management and Budget (OMB) Memorandum M-20-17, <https://www.whitehouse.gov/wp-content/uploads/2020/03/M-20-17.pdf>.

[2] [2 CFR §§ 200.403\(c\)](#) (allowability of costs), [200.404](#) (reasonable costs), [200.405](#) (allocable costs), [200.430\(b\)](#) (compensation for personal services), and [200.431\(a\)-\(b\)](#) (fringe benefits).

**NOTE:** The administrative relief provided originated with [M-201-11](#) and continued through [M-20-17](#). Due to the uncertainty of the re-opening phase and the speed of the ramp-up effort, [M-20-26](#) provides an extension of Allowability of salaries and other project activities (item 6 in M-20-17) through September 30, 2020.

**Fiscal monitoring and paying existing employees when on leave due to school closures related to COVID-19, is as follows:**

1. Review of the internal controls maintained by the school district and discussed in the following sections.
2. Recipients are required to maintain appropriate records, leave policies, cost documentation, and record retention as required by [2 CFR § 200.302](#) (Financial management), [2 CFR § 200.334](#) (Retention requirement of records), for 5 years, [2 CFR § 200.430](#) (Compensation – personal services), [2 CFR § 200.431\(b\)\(1\)](#) (Compensation – fringe benefits) to substantiate the charging of any salaries and other project activities costs related to interruption of operations or services.
3. The CARES Act ESSER grant application includes the following assurance - “The LEA will comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requirements in [Subpart D](#)—Post Federal Award Requirements (2 CFR §§200.300-345) and [Subpart E](#)—Cost Principles (2 CFR §§200.400-475) to ensure, ESSER funds are used for purposes that are reasonable, necessary, and allocable under the CARES Act.”
4. Post-award calls with the Nebraska ESSER Federal Compliance team has deemed it necessary for school districts to provide burden of proof that it in fact continued to charge salaries and benefits to the ESSER subaward consistent with the recipients policies and procedures of paying salaries (**under unexpected or extraordinary circumstances policies and procedures**) from all funding sources, Federal and non-Federal.

## Maintaining Fiscal Internal Controls

**The following is a general list of internal controls a subgrantee should maintain at an absolute minimum and have available for monitoring, state auditors, and federal auditors per state and federal regulations.**

1. Subaward assurances are supported.
2. Program objectives are achieved as specified in the subgrant application.
3. Subgrantees using federal grant funds to meet COVID-19 related needs must maintain appropriate records and cost documentation as required by [2 CFR § 200.302](#) (Financial management) and [2 CFR § 200.334](#) (Retention requirements for records) to substantiate the charging of any costs to federal education grant funds related to the interruption of operations or services.
4. Document in writing:
  - a. The need for the expenditure,
  - b. If using federal funds, why federal funds are needed to address the need, and
  - c. That the expenditure is COVID-19 related.

**NOTE:** Support in the general ledger with subcategory, local, or intent coding so the school district can specifically identify all the types of costs should the expenses, at a later, time, be deemed allowable uses of state or federal reimbursement funding or other federal grant funds.

5. Expense reimbursement primary documentation provided to the NDE, if applicable, is supported by:
  - d. The general ledger report (transaction level detail),
  - e. Payroll distribution reports,
  - f. Return to work agreement, if on leave status,
  - g. Invoice, receipt, purchase order, sales order,
  - h. Contracts/Agreements; original and amended,
  - i. Capital Outlay and equipment; Nebraska Department of Education Office of ESEA Programs prior written approval,
  - j. Time & Effort Reporting,
    - i. A grantee must maintain appropriate records and cost documentation as required by [2 CFR §200.302](#) Financial Management, [2 CFR §200.430\(i\)](#) (Standards for documenting personnel expenses), and [2 CFR §200.334](#) (Retention requirements for records) to substantiate the charging of any compensation costs related to interruption of operations or services. For a list of application federal requirements, see the [Nebraska Certification and Agreement for the ESSER Fund](#),
  - k. Applicable policies and procedures.

## Definitions ([2 CFR 200.1](#))

**Cost objective** means a program, function, activity, award, organization subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the most of processes, products, jobs, capital projects, etc. A cost objective may be a major function of the non-Federal entity, a particular service or project, a Federal award, or an indirect (Facilities & Administrative (F&A)) cost activity, as described in subpart E of this part.

**Non-Federal entity** means a state, local government, Indian tribe, Institution of Higher Education (IHE), or nonprofit organization that carries out a Federal award as a recipient or a **subrecipient**.





## Federal Compliance Monitoring

As part of the NDE's annual Federal Compliance Monitoring program, staff from the Office of Budget & Grants Management may review cash management records. The Grant Compliance Auditors will use the requirements of 2 CFR 200 and other applicable Federal Codes and requirements when completing such reviews.

## Technical Assistance

Please feel free to contact the Grants Compliance staff should you have any questions relative to the contents of this document.

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*This document is not a substitute for the advice of your own attorney and/or law firm licensed to practice law in the state of Nebraska. In reading and applying Federal law, the NDE recommends LEAs seek and obtain the advice of counsel with questions of application, interpretation, and/or to ensure that use of this information is appropriate to your particular situation.*

