



## Cash Management Procedures

---

### **PURPOSE**

The Office of Early Learning (OEL, the Office) and Early Learning Coalitions (ELCs, coalitions) and other direct subrecipients of OEL implementing federal and state early learning programs, such as the School Readiness Program (SR) and the Voluntary Prekindergarten Education Program (VPK).

### **SUMMARY**

This program guidance advises ELCs and other subrecipients that receive early learning funding from OEL on procedures governing changes to electronic funds transfers, advanced payments, final and supplemental invoices, interest earned, audit disallowances, program income, stale checks, and current and prior year refunds. This guidance document is incorporated by reference into the Early Learning Grant Agreement (grant agreement).

### **AUTHORITY**

[Public Law 101-453 – The Cash Management Improvement Act of 1990 \(CMIA\)](#)

[31 CFR Part 208 - Management of Federal Agency Disbursements](#)

[2 CFR Part 200.302 - Financial management](#)

[45 CFR Part 75.305 - Payment](#)

### **BACKGROUND**

The procedures of each ELC regarding receipt, custody, and expenditure of program funds are periodically subject to review. ELCs must comply with the requirements of law and with generally accepted accounting principles when managing funds provided for the purpose of implementing early learning programs such as the SR Program and the VPK Program. As such, the coalition must implement effective cash management procedures which must include, but are not limited to the following:

- Exercising control over and accountability for all funds.
- Maintaining up-to-date written procedures to minimize the time elapsing between the transfer of funds and payment of allowable, reasonable and necessary costs to subrecipients, contractors, and providers.
- Maintaining sufficient cash on hand to prevent any interruption in services.
- Applying the “allowable, reasonable and necessary test” prior to incurring expenditures.
- Avoiding disallowed costs by seeking prior approval for expenditures that require prior approval.
- Developing and adhering to effective internal fiscal control policies and practices.
- Ensuring accurate invoice reconciliation on which to base cash advance requests.
- Keeping accurate records and readily available supportive documentation for all expenditures.

- Routinely posting to accounting systems to generate up-to-date cash availability data.
- Reconciling all accounts monthly.
- Maintaining awareness of cash flow issues, specifically with regard to potential variations in cash flow.
- Conducting frequent analysis of fiscal needs based on historical experience, taking into account events such as holidays, hurricane season, migrant work, and other factors that impact enrollment.
- Maintaining accurate projections by utilizing the SR Projection Tool within the School Readiness Invoice Workbook.
- Ensure all related revenues are properly recorded as program, match in-kind, general or in-kind income.

## GUIDANCE

### Definitions

#### **Cash Management**

The internal control procedures that minimize the time elapsing between the transfer of funds to the grant recipient and the related disbursement.

#### **Other Cost Accumulator (OCA)**

Indicators for tracking state and federal fund expenditures.

#### **5045**

Detail report used to track direct services by billing group and provider.

### **Electronic Funds Transfers (EFT) and Warrants**

45 CFR § 75.305(b) requires that payment methods minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement of payments by OEL, a coalition, or other subrecipient. Coalitions are required to fully implement the EFT system for efficient and timely payment processing.

In order to ensure timely payment is received, a coalition which is changing financial institutions or merging with another coalition must –

- Submit a letter from the new financial institution and a Vendor Direct Deposit Authorization Form ([Form DFS-A1-26E](#)) to the Department of Financial Services, Direct Deposit Unit. The form is available online through the following website: [http://www.myfloridacfo.com/aadir/direct\\_deposit\\_web/Vendors.htm](http://www.myfloridacfo.com/aadir/direct_deposit_web/Vendors.htm). After the website is accessed, select the “Direct Deposit Authorization form” hyperlink, then from the Forms page, select the drop down for “Vendor Relations” and select the [DFS-A1-26E Direct Deposit-Vendors](#) form.
- Ensure that the first 17 characters of the coalition’s “name” as provided to the Direct Deposit Unit and MyFloridaMarketplace, are identical. If the coalition is registered with both offices and this information does not match, an EFT cannot be processed and a warrant is issued instead.

For information pertaining to EFT/Direct Deposit, call (850) 413-5517 or email [DirectDeposit@MyFloridaCFO.com](mailto:DirectDeposit@MyFloridaCFO.com). If registered at MyFloridaMarketplace, call (866) 352-3776.

### **Advanced Funds for School Readiness (SR)**

A cash advance of SR funds to a coalition must be limited to the minimum amount needed and must be timed in accord with the actual, immediate cash requirements of the coalition in carrying out the purpose of the SR program 45 CFR § 75.305(b)(1); 45 CFR § 98.60(f). The timing and amount of a cash advance must be as close as administratively feasible to the actual disbursements by the coalition for direct program or project costs and the proportionate share of any allowable indirect costs 45 CFR § 75.305(b)(1).

To facilitate disbursement of a cash advance for SR funds, a coalition must:

- Submit an initial cash advance request for a new fiscal year to OEL, in accordance with the invoice format prescribed by Program Guidance 240.06 - Reimbursement Requests.
- Base an initial cash advance of SR funds on the projected need to cover the coalition’s immediate cash requirements which should not exceed the anticipated expenses of the current business cycle. OEL will not provide an initial cash advance which exceeds the coalition’s highest monthly invoice from the previous fiscal year unless the coalition can thoroughly document the projected need and the documented need can be substantiated by OEL. The coalition should thoroughly document the projected need by submitting detailed records, such as actual enrollments, which demonstrate a significant potential for exceeding expenditures made in the highest monthly invoice from the previous fiscal year. A coalition’s projected cash need must be demonstrated within the SR Projection Tool within the SR Invoice Workbook (see Program Guidance 240.06).
- Complete a monthly reconciliation by comparing the coalition’s expenditures each month against the amount of funding held by the coalition, including projections for future cash needs. The coalition may request an increase or decrease in the balance of the cash advance provided by OEL by completing the School Readiness Reimbursement Request Invoice. The invoice documentation must include the Cash Advance Reconciliation Form each month to support the projected cash required for the current business cycle, the amount retained in advance, and any increase or decrease request resulting from the reconciliation. The projected cash required as reflected on the Cash Advance Reconciliation Form must be supported by the SR Projection Tool within the SR Invoice Workbook (see Program Guidance 240.06). If at any time the advanced amount represents an increase over the highest invoice for the previous fiscal year, the coalition must provide sufficient justification, including, but not limited to, the coalition’s SR Projection Tool, spending plan or other internal projections supporting the Cash Advance Reconciliation Form. OEL may permit a coalition experiencing unusual circumstances to maintain funds in excess of the highest monthly invoice for the previous fiscal year on a case by case basis.
- Manage its cash and repayment of the advanced funds by offsetting the advance against invoices for expenditures to ensure that the coalition has fully expended all advanced funds before the close of the fiscal year and that the coalition is not required to submit repayment to OEL.

If a coalition has not fully expended all advanced funds at the end of a fiscal year (i.e., there are not sufficient expenditures on the final invoice to offset the advance payment), the coalition must prepare its final invoice for the fiscal year and submit the School Readiness Reimbursement Request Invoice indicating the difference between the final invoice amount and the balance of the advanced funds. The

coalition must submit a check for the amount of the unexpended advanced funds, made payable to OEL at the address referenced within this guidance. Refunds submitted after June 30th or earlier if notified by OEL for the prior award year will not restore or create certified forward budget.

### **Program Income**

2 CFR § 200.80 defines program income as “gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award during the period of performance.”

#### **Examples of Program Income**

- Fees from services performed. This would include fees earned from training events conducted by the ELC for education of providers, parents, or others in the community about the SR or VPK education programs.
- Use, rental or sale of real or personal property acquired under federally funded projects.
- Use of commodities or items fabricated under an award. This would include any curriculum or other products developed with award funds.
- License fees and royalties on patents and copyrights.

All program income earned during the year must be recorded on the books of the ELC as restricted funds, subject to the same terms and conditions, and compliance requirements of the award funds used to generate the program income. Any program income earned by a coalition within a month must be used to cover allowable expenditures within that month or the following month prior to the expenditure of any federal funding.

See related instructions provided at 2 CFR Part 305(b)(5); program income funds must be used and or spent before requesting additional cash payments.

Prior approval from OEL is required for any coalition request to hold program income funds for more than one month. No requests can be approved beyond the grant award year in which the program income was earned.

### **Undeliverable, Returned and Stale Dated Checks**

A coalition issues payments to vendors and providers as part of its regular business practice. When issued payments are returned as undeliverable or delivered and not cashed by the vendor and or payee (a stale dated check), the coalition should exercise due diligence in attempting to find the vendor or provider in order to effect payment.

**The ELC should have policies in place to address the proper handling of outstanding checks. The policies should identify the following, at a minimum:**

- The number of days a check should remain outstanding before triggering initial contact with the vendor/payee.
- The nature of the required initial contact, such as a phone call, written correspondence, etc.
- The appropriate documentation required for ELC records to show the follow-up by ELC staff on outstanding checks.
- The number of days a check should remain outstanding prior to cancellation.
- The manner of disposition of the proceeds received from the cancelled checks.

After an extended period of inactivity on the coalition books (the dormancy period) and after again exercising due diligence to locate the vendor or provider, the coalition is required to report and remit these funds in excess of ten dollars to the Florida Department of Financial Services (DFS) as unclaimed property in accordance with Chapter 717, Florida Statutes. The procedures for reporting and remitting unclaimed property to DFS can be found in the “Florida Unclaimed Property Reporting Instructions Manual” (DFS-A4-1992). This manual can be found online at [www.myfloridacfo.com](http://www.myfloridacfo.com).

During the dormancy period and prior to remittance to the Bureau of Unclaimed Property, the coalition should appropriately identify the returned/unissued payments in their accounting records.

### **Coalition Advance Payments for the VPK Program**

Rule 6M-8.205, Florida Administrative Code (F.A.C.) addresses coalition advance payment and reconciliation for the VPK Education Program.

#### **To facilitate a cash advance for VPK funds, a coalition must**

- Request a VPK coalition advance payment calculated in accordance with the formula in rule 6M-8.205, F.A.C. A coalition may submit an advance request in accordance with the invoice format prescribed by Program Guidance 240.06 - Reimbursement Requests.
- Reconcile the advance payment to the coalition’s immediate cash needs using the VPK Coalition Advance Payment and Reconciliation Form of the VPK Reimbursement Request Invoice.
- Manage its cash and repayment of the advance payment by offsetting the advance against invoices for expenditures to ensure that the coalition has fully expended the entire advance payment before the end of the fiscal year and that the coalition is not required to submit repayment to OEL.

In accordance with rule 6M-8.205, F.A.C., OEL retains the discretion to increase or decrease the amount of coalition advance payment based on student enrollment projections or availability of funds. If a coalition has not fully expended an advance payment at the end of a fiscal year (i.e. there are not sufficient expenditures on the final invoice to offset the advance payment), the coalition must prepare its final invoice for the fiscal year and submit the VPK Reimbursement Request Invoice indicating the difference between the final invoice amount and the balance of the advanced funds. The coalition must submit a check for the amount of the unexpended advance payment, made payable to OEL at the address referenced on page 6. Refunds submitted after June 30 or earlier if notified by OEL for the prior fiscal year will not restore or create certified forward budget.

### **Provider Advance Payments for the VPK Program**

Section 1002.71(5)(b), F.S., requires OEL to adopt procedures for the advance payment of private providers and public schools in the VPK Program. OEL has done so under rule 6M-8.205, F.A.C.

Therefore, each coalition shall calculate and reconcile advance payments to private providers and public schools in the VPK program and address provider overpayments in accordance with rule 6M-8.205, F.A.C.

Rule 6M-8.205(5)(a), F.A.C., requires that a coalition make reasonable efforts in collecting an overpayment from a provider. OEL Program Guidance 240.03 provides guidance regarding the steps which constitute reasonable efforts on behalf of the coalition.

If a coalition has performed due diligence and is owed money by a provider at the end of the fiscal year due to unrecovered provider overpayments, the coalition may invoice OEL on the final (13th) invoice for the delinquent amount. A coalition must prepare its final invoice for the fiscal year and submit the VPK Reimbursement Request Invoice indicating the final invoice amount and ensuring that the request is marked as the final invoice. The coalition must include supportive detail of funds owed to the coalition by each delinquent provider as identified by the coalition. When debt is collected by the coalition, the coalition must submit a check to the OEL remittance address located within this guidance, along with Attachment B - VPK Deposit Form indicating a prior year adjustment.

### **Interest Income**

All funds received from OEL, including any advanced funds, must be kept in interest bearing accounts, unless one of three following conditions applies (see 2 CFR Part 200.305(b)(8), *Payment*).

1. The recipient receives less than \$120,000 in awards per year.
2. The best reasonably available interest bearing account would not be expected to earn in excess of \$500 per year on cash balances.
3. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

Federal regulations and the grant agreement require coalitions remit interest earned on federally funded advances (i.e., SR funds) to OEL annually. The coalition is responsible for ensuring its subrecipients, if any, comply with applicable laws, rules and regulations regarding interest income from advanced grant funds. A coalition may keep SR interest amounts up to \$500 per year for administrative expenses 2 CFR § 200.305(b)(9).

If the coalition keeps interest amounts for administrative expenses, the coalition must reflect the interest retained on the SR Reimbursement Request Invoice. A coalition must use the funds to offset administrative reimbursements (billed to OCA - 97BBA) on the invoice during the period that the allowable SR interest is retained.

A coalition must return interest income on VPK funds to OEL in accordance with Section 216.181(16)(b), F.S., in accordance with the grant agreement.

A coalition should calculate the interest earned throughout the program year on funds in the coalition's interest-bearing account. A coalition must keep documents such as bank statements to support the interest income calculation and make these documents available for audit or monitoring purposes. The interest must be calculated separately for each program (i.e., SR or VPK).

Earned interest must be returned by check made payable to the Office of Early Learning within 30 calendar days after the end of the fiscal year. The remittance detail must identify interest payment attributable to each program.

Attachment C - Interest Income Sample Calculation provides an optional methodology for coalitions to use in calculating the amount of interest attributable to SR, VPK, and Outreach and Awareness and Monitoring Initiative (OAMI) funds. This methodology would only need to be utilized by coalitions who combine SR, VPK, and OAMI funds received from the state with other funds in an interest bearing account. When a coalition sets up multiple bank accounts to sequester SR, VPK, OAMI and other funds into their own individual accounts, this methodology would NOT apply. In such cases, a coalition would continue to remit the exact amount of interest earned each month on SR, VPK, and OAMI funds to OEL.

## Insured Cash Accounts

All SR and VPK advances must comply with requirements for deposit into an insured and interest-bearing account. 2 CFR Part 200.305, Payment, provides instruction on both of these requirements.

2 CFR 200.305(7)(ii) instructs grant funds are to be maintained in insured accounts “whenever possible.”

2 CFR 200.305(8) states that the non-federal entity “must maintain” in interest-bearing accounts. Based on these instructions OEL subrecipients must maintain grant funds in interest-bearing accounts; full FDIC insurance coverage of these grant funds is optional.

Note: OEL recommends this circumstance be shared periodically with your management team/governing board so they are aware of the related risk assumed if grant funds are not fully-insured. Alternative arrangements (such as supplemental insurance options) may be of interest to your organization’s management team if the risks for uninsured balances seems too high.

## Prepaid Costs

Prepaid costs are those which are disbursed for a good or service in advance of receipt of that good or service. For prepaid costs to be allowable, the costs must be expended and accounted for based on the following:

### 1. Reasonable under the circumstances.

The cost and the prepayment of that cost must be ordinary, necessary and within sound business practice. If there are other options for payment besides prepayment (i.e., installment payments), the ELC should document why the pre-payment option was the most cost effective (i.e., cost savings) and provided the greatest benefit to the grant.

### 2. A reasonable allocation of costs to the award(s) based on the benefit received.

The appropriate OCA(s) must be charged.

### 3. Sufficiently documented to justify the prepayment.

This includes:

- A description of the cost to be pre-paid and the grant program(s) to be charged for the cost along with applicable funding periods for the charged grants.
- The cost savings or other business rationale for making the pre-payment.
- A description of the methodology used to allocate the cost among the various benefitting grant programs.
- The time period the pre-payment covers.

### 4. Within allowable period.

- For goods or services to be consumed during the period of performance – 45 CFR Part 75.309, states that “a non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in 75.461) and any costs incurred before the HHS awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity. Funds available to pay allowable costs incurred during the period of performance include both federal funds awarded and the carryforward balances.” The funding period for ELCs is their grant year as specified on the Notice(s) of Award, which corresponds to the State Fiscal

Year (July 1 – June 30). See below for how to treat any unused portion remaining at June 30.

- **For any prepaid costs not consumed by end of the grant year**, the unused portion should be refunded to OEL or offset on a future invoice. If the item of cost is an annual expense to the program, with consistent amounts, the unused portion is not required to be returned, but may be applied to the future program year, if benefit to the future year is expected to be realized.

The ELC should maintain documentation to support that the benefit was realized in the subsequent year.

5. The ELC should maintain appropriate records to show the balance of the prepaid cost or item throughout the grant year, and perform a periodic physical inventory on prepaid items, where appropriate. Examples of common prepaid costs include:
  - Insurance premiums
  - License renewals
  - Membership dues
  - Scholarships (Participants or Eligible Program Recipients)
  - Prepaid travel
  - Prepaid registrations

### **Audit and Monitoring Disallowances, Refunds and Court-Ordered Restitution**

During monitoring or audit activities, a particular item or items of cost may be questioned. OEL may formally determine an expenditure is unallowable in accordance with the applicable cost principles, Florida Statutes, or other terms contained in the grant agreement. The funds from such a disallowance must be adjusted or returned to OEL.

A coalition may also receive a refund from a parent, contractor, SR provider, or VPK provider that resulted from an overpayment or an improper payment. A refund may also result from court-ordered restitution. Such refunds must be adjusted or returned to OEL.

Whenever funds need to be returned to OEL, one of the following three sets of procedures should be followed.

1. For disallowances, overpayments, improper payments, or refunds (excluding court-ordered restitution) involving **current year** grant funds, the coalition must:
  - Reduce or “offset” the next monthly Reimbursement Request Invoice with the amount of repayment due from the coalition;
  - Enter the amount of disallowance or refund as a reduction to the OCA originally impacted by the expenditure; and
  - Include a written explanation indicating that the Reimbursement Request Invoice reflects a reduction because of a disallowance or refund referenced in the supporting documents provided.
  - Submit the Reimbursement Request Invoice via the SharePoint Coalitions Zone Invoices library into the appropriate program folder.
2. For refunds resulting from court-ordered restitution payments involving **current year** grant funds

the following procedure must be followed:

- Remit a check (made payable to the Office of Early Learning) for the refunded amount with the to the address provided within this guidance along with the additional documentation listed below;
- Complete a supplemental Reimbursement Request Invoice with the amount of repayment due from the coalition;
- Submit documents that explain the reason for the refund and the OCA(s) originally impacted (including the Final 5045 for direct services) along with the Reimbursement Request Invoice.
- Submit the Reimbursement Request Invoice workbook via the SharePoint Coalition Zone Invoices library into the appropriate program folder.

**3.** For disallowances, overpayments, improper payments, court-ordered restitution, or refunds involving **prior year** grant funds, the following procedure must be followed:

- Remit a check (made payable to the Office of Early Learning) for the refunded amount with the to the address provided within this guidance along with the additional documentation listed below;
- Complete the Deposit Form(s) – Attachment A – SR Deposit Form or Attachment B – VPK Deposit Form, as applicable, by filling in the coalition name, date, deposit type (disallowance, overpayment, improper payment, court-ordered restitution, or other refund), check number, payor name(s) (for court-ordered restitution only), grant number, county name(s), org code(s), OCA amount(s);
- Submit documents that explain the reason for the refund and the OCA(s) originally impacted (including the Final 5045 for direct services) along with the deposit form; and
- Sign and date the Coalition Certification at the bottom of the deposit form.

**Note: Refunds submitted after June 30th or earlier if notified by OEL for the prior award year will not restore or create certified forward budget.**

When court-ordered restitution refunds are received by OEL from an entity other than the coalition, OEL will notify the coalition via email from [Restitution@oel.myflorida.com](mailto:Restitution@oel.myflorida.com). The coalition may view the court-ordered restitution receipt log on SharePoint Coalition Zone. One of the following two sets of procedures should be followed.

**1.** For refunds resulting from court-ordered restitution payments involving **current year** grant funds the following procedure must be followed:

- Complete a supplemental Reimbursement Request Invoice with the current year invoice workbook with the amount of repayment due from the coalition;
- Submit documents that explain the reason for the refund and the OCA(s) originally impacted (including the Final 5045 for direct services) along with the Reimbursement Request Invoice.
- Submit the Reimbursement Request Invoice workbook via the SharePoint Coalition Zone Invoices library into the appropriate program folder.

**2.** For refunds resulting from court-ordered restitution payments involving **prior year** grant funds the

following procedure must be followed:

- Complete Attachment A– SR Deposit Form or Attachment B – VPK Deposit Form, as applicable by filling in the coalition name, date, deposit type (court-ordered restitution), check number (as listed on the restitution tracking log), payor name(s) (the payor name as listed on the restitution tracking log), grant number, county name(s), org code(s), OCAs;
- Submit documents that explain the reason for the refund and the OCA originally impacted (including the Final 5045 for direct services) along with the deposit form; and
- Sign and date the Coalition Certification at the bottom of the deposit form.
- Submit all above required documentation to [restitution@oel.myflorida.com](mailto:restitution@oel.myflorida.com).
- Any applicable EFS updates should be completed within the current open month, and the above required supporting documentation should be submitted by the 25<sup>th</sup> calendar day of the month following the current open month.

## Remittance Address

**A coalition must submit all remittance checks to the following address:**

Office of Early Learning  
Attn: Financial Administration and Budget Services  
250 Marriott Drive  
Tallahassee, Florida 32399

## Reimbursement Request Invoice

Reimbursement Request Invoices shall be submitted for approval in accordance with the format prescribed by OEL Program Guidance 240.06 - Reimbursement Requests.

## EFFECTIVE DATE

Issuance of this guidance represents approval by OEL management of the indicated procedures and related administrative forms. These procedures will be effective as of the date of this guidance listed below.

## HISTORY

Original.—FPSR-PI-FMS-04-02. (Rescinded). Revised OEL-PI-0038-06 (June 23, 2006). Revised.—OEL-FG-0044-07 (May 24, 2007). Revised – OEL–FG-0048-08 (September 22, 2008). Revised – OEL-FG-0001-12 (February 20, 2012). Revised – May 15, 2014. Revised – June 23, 2015. Revised June 2016, effective July 1, 2016. Revised July 1, 2017.

## REPLACEMENT OF FORMER POLICY

This program guidance replaces OEL-FG-0001-12 (Cash Management Procedures) adopted by the Office of Early Learning on February 20, 2012. OEL Program Guidance 240.08 - Calculating Interest (former Fiscal Guidance 12.01) is rescinded and incorporated within this program guidance effective July 1, 2017.

## **ATTACHMENTS**

Attachment A – SR Deposit Form

Attachment B – VPK Deposit Form

Attachment C - Interest Income Sample Calculation

If you have questions or concerns regarding the guidance provided here, please contact the OEL Financial Administration and Budget Services Office at 850-717-8569.