

SAMPLE

WRITTEN PROCEDURES REGARDING CASH MANAGEMENT AND PAYMENT OF FEDERAL FUNDS

Purpose:

1. In accordance with the NAHASDA regulations at 24 CFR §1000.26(a)(3), the administrative requirements under NAHASDA, must comply with:
 - a. Section 200.302(a), "Financial Management."
 - i. In 2 CFR §200.302(a)(6), a recipient's financial management system must provide for "Written procedures to implement the requirements of §200.305, "Payment."
 - b. Section 200.305, "Payments."
 - i. 2 CFR §200.305(b) states that "For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance of redemption of checks, warrants, or payments by other means."

Reimbursement:

It is RECIPIENT's normal practice to drawdown funds from ELOCCS once a month to reimburse itself for allowable IHBG expenses incurred in the period.

RECIPIENT has elected to draw funds from eLOCCS on the reimbursement method to ensure expenses have both been incurred and paid for before funds are drawn from eLOCCS.

Advance Payment:

While RECIPIENT's normal practice is to draw funds from eLOCCS to reimburse itself for payments it has already made to contractors, there may be situations under which RECIPIENT may draw funds in advance of RECIPIENT having already made payments to contractors. In this case, RECIPIENT is drawing funds from eLOCCS to pay for its obligations to contractors. To remain in compliance with §200.305(b) as noted in 1(b)(i) above, RECIPIENT must ensure:

1. The amount drawn from eLOCCS as an advance payment is limited to the minimum amount needed for actual, immediate cash required to pay for invoices that are due and payable.
2. The timing and amount of advance payments must be as close as administratively feasible to the actual disbursements of the funds. HUD has defined the time elapsing between the advance of the funds to the disbursement of the funds to be no more than three business days.

In addition, RECIPIENT must comply with the requirement for advance payments of Federal funds (§200.305(b)(7)-(9) if RECIPIENT is not approved by HUD to draw all its funds for investment purposes:

1. Must be deposited and maintained in insured accounts whenever possible
2. Must be maintained in interest-bearing accounts, unless:
 - a. RECIPIENT receives less than \$120,000 in Federal awards per year

- b. The best reasonable available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances
- c. Interest earned amounts up to \$500 per year may be retained by RECIPIENT for administrative expense. If RECIPIENT earns any additional interest on Federal advance payments deposited in interest bearing accounts, it shall follow procedures stated in 2 CFR §200.305(9) to remit interest earned in excess of \$500.00
- d. The depository (bank) requires an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

Procedures regarding the obligation, expense and payment of goods and services with Federal funds

- 1) Before any purchases or contracts are signed, RECIPIENT must follow the Procurement Policy for the type of purchase and the amount of purchase it will undertake.
- 2) RECIPIENT initiates the purchase of goods and services with:
 - a) Purchase Requisition.
 - i) A staff requests purchase of goods and services with a purchase requisition that describes the item/service being purchased, the account and program to be charged.
 - ii) Staff must ensure that the item being purchased is an approved purchase and has been budgeted.
 - iii) The requester staff signs the purchase requisition and forwards the requisition to the authorized signer for approval.
 - iv) Purchase requisition approval by the authorized approver includes:
 - (1) determination that the purchase or service is an allowable cost of the IHBG grant. Allowability of cost is determined from RECIPIENT's written procedures on the allowability of cost in compliance with 2 CFR 200.302(b7).
 - (2) Determines that the item being purchased is an approved budgeted item to the IHBG grant.
 - b) Purchase Order. A numbered purchase order is prepared and issued to the contractor. Support documents for the purchase order, should, at a minimum include:
 - i) The purchase requisitions.
 - ii) Documentation or reference to completion of procurement process.
 - iii) Approval of purchase order by authorized personnel.
 - c) Purchase of Goods and Services. The department that initiated the purchase requisition shall be responsible for purchasing the item using the approved purchase order.
 - d) Receipt of goods or services performed.
 - i) When the item is received, the initiating department must be responsible for verifying that the goods have been received, or the services have been performed.
 - ii) The goods received must be verified with the original purchase order that included the items and amounts ordered against the items and amounts received.
 - iii) If a service was procured, the authorized staff shall verify that the work to be performed under the service contract was performed in accordance with the agreement and within the timeframe agreed upon.
 - e) Processing of Invoice.

- i) The invoice is received and opened by the front desk staff and is submitted to the accounting department.
- ii) The accounting department sends the invoice to the responsible staff who initiated the purchase to approve the invoice for payment, and sends it to the accounting department.
- iii) The accounting department verifies the invoice against the purchase order and processes the invoice for payment using the information on the purchase order to charge to the appropriate accounts and programs.

3) Payment Process

- a) RECIPIENT prepares invoices to be paid once a week.
- b) Once a month, RECIPIENT draws down funds from eLOCCS to reimburse itself for expenses charged to the IHBG grant.
- c) The online eLOCCS system is HUD's grant and subsidy disbursement system where recipients (RECIPIENT) receives its block grant and where it draws funds from to reimburse itself for allowable IHBG expenses.
- d) The process for reimbursement from eLOCCS is as follows:
 - i) RECIPIENT prints out the financial report for the IHBG grant that shows the activities to date: Total IHBG grant revenue and total grant expenses to date.
 - ii) Since RECIPIENT reimburses itself from eLOCCS for IHBG grant expenses, the financial revenue will show IHBG grant expenses exceeding IHBG grant revenues.
 - iii) RECIPIENT will draw from eLOCCS for the amount of expenses that exceed grant revenues received.
 - iv) RECIPIENT staff will prepare a payment voucher that will include all supporting documents for the exact amount it will draw from eLOCCS, consisting of invoices, payroll expense documents and contracts paid by RECIPIENT, but not as yet reimbursed with IHBG grant revenues.
 - v) The payment voucher with all supporting documents is submitted to an authorized RECIPIENT staff - who is not involved in the processing of invoices - to draw the funds from eLOCCS.
 - vi) The accounting staff will verify receipt of the payment in RECIPIENT's bank account.
 - vii) During the monthly bank reconciliation process, the Finance Director will record the amount received from eLOCCS as an IHBG grant revenue.