



**COUNTY OF LOS ANGELES
COMMUNITY AND SENIOR SERVICES**

DIRECTIVE

Number: CD- 16 - 16

SUBJECT: Requests for Cash Advances

Date: June 29, 2016

Effective Date: July 1, 2016

TO: ALL CSS SUBRECIPIENTS

RECISSION:

This directive supersedes any prior directives issued by the County of Los Angeles Community and Senior Services (CSS) on this subject.

PURPOSE:

The purpose of this directive is to provide subrecipients with policy and procedural guidance for advance payments made related to programs funded by CSS.

APPLICATION:

This directive applies to subrecipients funded by CSS through the following programs:

- Older Americans Act
- Community Service Block Grant
- Workforce Innovation and Opportunity Act

REFERENCES:

- 2 CFR Chapter I and Chapter II, Parts 200, 215, 220, 225, and 230 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule
- Cash Management Improvement Act of 1990 (CMIA) 31 CFR Part 205, Section 205.12 (b)(4)

BACKGROUND:

On December 26, 2013, the Office of Management and Budget revised the Uniform Administrative Requirements for Federal grants, combining those requirements with those of the audit requirements and cost principles. These regulations are codified at 2

CFR Chapter I and Chapter II, Parts 200, 215, 220, 225, and 230, became effective December 26, 2014, and are referred to as the Uniform Guidance. These rules contain the requirements for subgrant payments to subrecipients.

DEFINITIONS:

Contractor is an entity which has a contractual obligation with CSS to render services in exchange for funding, as defined in 2 CFR 200.93. The Contractor is also known as a subrecipient and/or agency.

High Risk Entity is an entity that:

1. Has a history of unsatisfactory performance;
2. Is not financially stable;
3. Has prior reviews disclosing a management system that did not meet the cash management standard as set forth in related federal guidelines;
4. Has not conformed to terms and conditions of previous awards;
5. Cannot demonstrate that it has:
 - a. A defined method to account for and report program income where appropriate;
 - b. A working understanding of the legislation, implementing regulations, circulars; and State and local policies impacting the award;
 - c. Sufficient staffing to ensure separation of duties;
 - d. Conducted an audit of its activities during the past year; and/or
 - e. Resolved administrative findings resulting from monitoring, audit, or other reviews.
6. Experienced a change in its key personnel or practices; and
7. Has a history of disallowed costs.

An entity that does not have prior experience managing federal grants may also be considered high risk.

Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency. (2 CFR 200.93)

POLICY:

It is the policy of CSS to comply with the requirements set forth in these regulations for making payments to its subrecipients. CSS determines the applicability and availability of cash advances for particular costs or activities.

PROCEDURES:

Basic Requirements

Any subrecipient who requests payments in advance of expenditures must demonstrate the following:

1. Written procedures that minimize the time elapsing between the transfer of funds and disbursement of the advance payment, and;
2. Financial management systems that meet the standards for fund control and accountability as established in the regulations referenced above.

A subrecipient will not be eligible for advance payments if it is determined to be a "high risk entity" as defined above.

Advance payments must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must coincide with a disbursement of these funds within 72 hours of their receipt from the County.

The written procedures for the process and basis for amounts requested must be provided in writing to CSS for review and approval prior to the institution of the advance payment process.

Written procedures shall include the following:

- The methodology that will be utilized for determining immediate cash needs.
- The number of times the subrecipient will be required to draw funds to time their receipt to disbursement.
- The documentation that will be maintained to support the amounts requested.
- The names of the authorized representatives of the subrecipient that will make the requests for advance payment.

Supporting documentation must be maintained for each advanced payment request. Acceptable supporting documentation include the following: actual invoices, copies of check payments, travel reimbursement forms, timesheets, check registers, payroll registers, agendas for conferences/meetings, etc. The documentation must identify the program from which funds will be requested. Payments and/or entries should be traceable through book of accounts and to source documentation.

CSS will include in its oversight program a review of the supporting documentation used by the subrecipient to determine the amount of cash requests.

Requests for advance payments must be made to CSS by no more than 4 business days prior to disbursement. The cash advance will be disbursed to the subrecipient three to five working days after the order date. Holiday schedules will be provided by CSS.

Cash Forecasting

Cash forecasting identifies specific needs within a specific time frame and is a required step in the process. Cash forecasting can be performed daily, weekly, or some other defined disbursement cycle, as needed. The intent is not to prescribe a specific cash forecast period, but to gear the cycle to when cash is actually paid out at the bank.

Cash disbursement practices vary from organization to organization. As such, it is not possible to specify one time period against which all subrecipient cash balances can be measured to determine if the requirement of “immediate cash needs” have been met.

Cash Forecasting Considerations

Net Payroll/Payroll Taxes/Fringe Benefits.

Net payroll, not gross salaries and wages, should be used for cash forecasting purposes. Normally, payroll deductions and tax deposits are disbursed at different times from the payroll dates. Fringe benefits such as retirement, medical, Federal Insurance Contributions Act (FICA), and Worker’s Compensation are also normally paid in a period different from the corresponding payroll dates. In many organizations, fringe benefit costs are paid in advance by the employing agency and subsequently allocated back to the various departments on a quarterly basis. In such instances, cash should not be requested until the actual disbursement dates for items such as payroll tax and fringe benefit costs.

Accrued Expenses

Accrued expenses often will exceed cash disbursements. Cash is not needed to accommodate an accrual until the check written to pay an invoice is paid out by the bank.

Obligations

Incurring an obligation does not require cash. Cash is needed only when checks written against those obligations are presented at the bank for clearance, or when payment warrants are issued.

Use of Resources Before Requesting Cash Advances

To the extent available, the subrecipient must utilize any cash resulting from program income, rebates, refunds, and interest that is earned on its subgrant before requesting additional cash payments.

ACTION:

CSS and its subrecipients shall follow this policy. This policy shall remain in effect until such time that a revision is required.

INQUIRIES:

If you have any questions regarding this Directive, please contact the Contract Compliance division at contractcompliance@css.lacounty.gov.



PAUL GOLDMAN, Assistant Director
Contracting Services