

## CHAPTER 12 – FINANCIAL

### FINANCIAL MANAGEMENT SYSTEM

Grantees should take the following steps to prepare a financial management system for implementation of a CDBG grant:

- Appoint person responsible for Financial Management.
- Establish accounting records.
- Set up bank accounts and establish receipting procedures.
- Establish payment schedules and approval procedures.

The financial management system required for grantees and the use and accounting for CDBG funds is governed by:

- 24 CFR Part 570 "Community Development Block Grants"
- 2 CFR 200 Subpart E, "Cost Principles for State, Local, and Indian Tribal Governments";
- 2 CFR 200 Subpart F, "Audits of State and Local Governments";
- 24 CFR Part 85 "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" (only sections as Identified in 24 CFR Part 570)
- Department Requirements

The financial management system requirements identified in 2 CFR Part 200:

- 1) **Financial reporting.** Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- 2) **Accounting records.** Grantees and subgrantees must maintain records which adequately identify the source and use of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, un-obligated balances, assets, liabilities, outlays or expenditures, and income.
- 3) **Internal control.** Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
- 4) **Budget control.** Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.
- 5) **Allowable cost.** Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements must be followed in determining the reasonableness, allowability, and allocability of costs.
- 6) **Source documentation.** Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.
- 7) **Cash management.** Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash

disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees. **Cash management is the principle behind the Department's rule that no more than \$1,000 CDBG funds can be kept on hand for more than 5 business days.**

**Definition:** Business day means a day when Federal Reserve Banks are open. (Department of the Treasury Fiscal Service, 2002)

An awarding agency may review the adequacy of the financial management system of any applicant for financial assistance as part of a pre-award review or at any time subsequent to award.

### **THE DEPARTMENT'S REQUIREMENTS**

The Department identifies three basic, required functions served by the financial management system:

- 1) The financial management system must have an identified procedure for recording all financial transactions.
- 2) All expenditures must relate to activities proposed in the grant application approved by the Department.
- 3) All expenditures of CDBG funds should be in accordance with applicable laws, rules, and regulations.

### **ACCOUNTING RECORDS**

Each grantee should determine the accounting records that will assist in providing accurate and complete financial information. The grantee may fully integrate the CDBG accounting records into their existing accounting system. Where grantee partially integrates CDBG accounting into the existing system, subsidiary ledgers shall provide the required grant accounting.

*At a minimum, the grant accounting system must:*

- 1) Clearly identify all receipt and expenditure transactions of the grant; and
- 2) Provide for budgetary control by tracking expenditures and accrued obligations by approved CDBG activity and by CDBG amount and local match amount.
- 3) Department staff or the grantee's auditors should be able to readily trace CDBG transactions through the accounting system such that, all amounts shown on CDBG reports reconcile to the grantee's accounting records.
- 4) Grantees must be able to report CDBG expenditures by approved activity. Maintain budget balances for each approved activity that accounts for CDBG expenses accrued or obligations incurred (e.g. contracted amounts) not yet paid.

### **SOURCE DOCUMENTATION**

Source documents provide information to be transferred to the accounting records. A source document may be a check, invoice, purchase order, time sheet, or contract. All source documents that pertain to the CDBG project should be identified through a code or by using the CDBG grant number. This will assure that the charges against the project are properly recorded in the CDBG accounting records.

When requesting supplies and materials for the CDBG project, use purchase orders. Grantee shall use established local internal controls for preparation of purchase orders and include an explicit reference to CDBG.

Keep contracts in a separate file. The signed contract represents an obligation of CDBG funds. When payments are made on the contract, these should be recorded in the contract file on a contract control card. If there are several contracts, a contract register should be used as a management tool.

An invoice or statement for services rendered is typically submitted by a contract seeking payment. The accuracy of the invoice should be verified against purchase orders or contracts.

Time sheets are another important source document. If grantee charges staff time to the project, time sheets must support the number of hours worked.

Cancelled checks, bank deposit slips, receipts, and other miscellaneous documents represent important source documents used in accounting for program expenditures or program income. These source documents must be maintained in the grantee's files and when possible should be submitted to the Department. The grantee may be required to submit these documents to the Department if specified by the contract. In addition, grantee must provide source documentation where specific instructions from the program representative to grantee indicate such a requirement or if the grantee's project activities meet the following threshold descriptors for non-project and project activities.

#### ***Source Documentation Submitted Required by the Department***

Per Policy Memo: 17-02, the Department requires source documentation to be submitted with the Request for Funds form if the form submitted meets any of the below thresholds.

- First General Administrative Drawdown.
- Drawdown greater than 25% of the total project costs.
- Drawdown greater than \$100,000.
- Drawdown for the category, Economic Development (ED).
- Final General Administrative Drawdown.

Source documentation provided throughout the grant. This documentation need not be provided unless one of the above threshold criterion is met or if a drawdown is selected for Annual Testing as described below. With the exception of Annual Testing, DED reviews source documentation to verify financial management compliance in two stages, at the submission of the drawdown and at the end of a reporting period.

- Drawdown submissions, provide:
  - Associated invoice(s) demonstrating eligible expenses incurred.
  - For the first general administrative drawdown, include a copy of executed professional services agreements (i.e. general administration, engineering, housing management, etc.).

The review of source documentation will not disrupt the timeliness of the drawdown being processed by the Department. However, if the source documentation is not sufficient, this may have an impact on future drawdowns not being processed until the requested source documentation is received and accepted. Only if there are follow up questions or requests, would the grantee be further notified. No follow up correspondence is provided to the grantees in general unless additional information is needed.

## **Annual Testing**

If the above source documentation thresholds are not met during the fiscal year, one drawdown is selected for each grant that requested funds during the fiscal year. Selection priority as follows:

- First priority a project Drawdown with the highest dollar amount.
- Second priority an administrative Drawdown with the highest dollar amount.

The Department will request the required source documentation for the identified drawdown. The grantee is required to submit source documentation within 30 days of the date of the request. Once source documentation is received, the source documentation is reviewed and evaluated by the Department. If there are deficiencies with the source documentation information, a follow up request is made by the Department.

## **RECEIPT PROCEDURES**

In addition to CDBG payments from the Department, cash receipts may also include program income and project funds received from other outside sources. Program income includes funds earned through the repayment of housing rehabilitation loans, sale of property, and other miscellaneous receipts.

The Grantee must be certain that project receipts are adequately safeguarded. This includes providing for proper bonding in accordance with state law of those individuals that handle program funds.

Grantee should promptly deposit all CDBG project receipts to the proper bank account and record as a receipt in the accounting system. Submit CDBG drawdowns only as required to pay immediate obligations. ***The Department will consider the grantee in violation of the requirement to minimize the elapse of time between receipt and expenditure of CDBG funds, if more than five (5) business days pass between receipt and expenditure.***

Holidays may cause delays in procedures. Grantee should review internal controls for consideration of holiday-related delays in processing, efforts avoiding such delays represent due diligence of the grantee. This may involve timing drawdown requests in consideration of holidays, or paying invoices with 100% local funds when working around holidays and using CDBG funds as reimbursement for the appropriate amount.

## **ELECTRONIC FUNDS TRANSFER**

All CDBG payments to grantees are by Electronic Funds Transfer (EFT) to a designated local bank account. For all federal and state grant payments to local governments and other organizations, the Department makes payments through the Nebraska State Accounting System.

All local governments in Nebraska – cities, villages, counties – have an “electronic address” established by the State Treasurer’s Office which corresponds to a designated local bank account for receipt of funds from the State of Nebraska. This electronic address and corresponding bank account will be used for CDBG grant payments with no additional action required by the local government grantee. However, if the designated local bank account is an interest bearing account, the local government grantee must take further action to transfer CDBG funds to a non- interest bearing account in accordance with CDBG regulations.

If a local government grantee wishes to have CDBG funds deposited directly into a different designated local non-interest bearing bank account, the grantee should complete and submit the State Treasurer ACH Enrollment Form. This form may be downloaded from the State Accounting website at

[http://das.nebraska.gov/accounting/forms\\_new.html](http://das.nebraska.gov/accounting/forms_new.html) and mailed to the Department upon completion. The Department will review the completed form and forward to State Accounting for action and State Treasurer for information. The State Treasurer is the designated “automated clearinghouse” or ACH for the State of Nebraska.

Per the Nebraska Accounting Policy AM-005, the ACH enrollment form must be completed to receive CDBG funds.. If a CDBG-designated account (or Department-designated account) has been previously established through submission and processing of an ACH enrollment form, it is not necessary to submit this form for each new CDBG grant; however, it is necessary to submit this form as a change action whenever a bank account in which CDBG funds are currently being deposited has been changed (financial institution or account number).

### **ACH ENROLLMENT FORM INSTRUCTIONS**

If the local government grantee wishes to direct CDBG funds to a different designated local non- interest bearing account or update the designated email payment recipient, a completed ACH Enrollment Form must be sent to the Department.

Obtain the State of Nebraska Substitute form W-9 and ACH Enrollment Form at [http://das.nebraska.gov/accounting/forms\\_new.html](http://das.nebraska.gov/accounting/forms_new.html)

### **BANK ACCOUNTS**

Grantees are not required to maintain separate bank accounts for the deposit of CDBG funds except for program income and revolving loan fund (RLF) accounts. However, grantees must be able to reconcile CDBG balances in the depository account.

Since interest may not be earned on the deposit of CDBG funds, grantees must make every effort to avoid earning interest on unexpended CDBG funds. To meet this requirement, grantees may put CDBG funds in a non-interest bearing account or draw down CDBG funds on a reimbursement basis. Under the reimbursement system, the grantee pays project costs (both the CDBG share and the local share) prior to the submission of drawdown requests to the Department and reimburses the local account for the CDBG share. Using the reimbursement method ensures there are never unexpended CDBG funds on deposit that would accrue interest earnings. Issuing payment to the firm after a drawdown request has been submitted is not considered reimbursement; all invoices must be paid in full to the contracting firms prior to the request for CDBG funds.

Program income and revolving loan fund accounts should be kept in separate interest bearing accounts. See Chapter 9 – Program Income for information on revolving loan funds.

Bank accounts must be secured by FDIC insurance or bank pledged collateral for the full amount of CDBG funds held in the account. Reconciliation of bank statements should be performed promptly.

### **PAYMENT PROCEDURES**

The grantee must establish a system to review and approve all billings presented for payment under the grant. All invoices need to be reviewed to determine that the costs are accurate, reasonable, and allowable under CDBG regulations. The governing body of the grantee needs to review and approve all payments.

The grantee should determine when CDBG disbursements will be made--weekly, bi-weekly, monthly,

quarterly. Identifying a cut-off time when all invoices and vouchers must be submitted will assist in the planning of the grantees request for funds. This timeline must be communicated to contractors and vendors. All parties also need to know that generally it will take about 14 days from the time a drawdown request is approved by the Department until the grantee receives the CDBG funds.

Contractors' invoices can only be paid after verification has been made of work completed. A list of disbursements to be made will need to be prepared and the total federal cash requirements must be submitted to the Department on the appropriate forms. All payments for expenditures are to be supported by source documentation, i.e., invoices or vouchers and kept on file.

### **ADMINISTRATIVE COSTS**

Administrative Costs are the costs associated with implementation of the grant. These costs most often include: salaries for personnel who devote full or part time to the grant, cost of equipment, supplies used for grant activities, and the cost of administrative services provided by other agencies.

Costs that are administrative in nature but are in direct support of a project activity should be charged to the project activity and ***not to General Administration\****.

All administrative costs charged to the project must be documented, i.e., through timesheets, purchase orders, and invoices. 2 CFR 200 Subpart E provides guidelines for determining allowable costs.

Employees paid in whole or in part from CDBG funds need to prepare timesheets indicating the hours worked for each pay period. Timesheets and the hourly payroll costs for each employee will need to be reconciled, and the data generated will be transferred to a voucher statement that indicates the distribution of payroll charges and then placed in the appropriate CDBG grant file.

**\*General Administrative Costs** for the grant are always reported separate from administrative costs for a particular activity. *General administration costs are those costs directly related to the administration of grant requirements* (e.g. submitting Requests for CDBG Funds, completing Project Status Reports, etc.). The Request for Release of Funds form for General Administrative Cost displays the CDBG account control number 0180 in the upper right hand corner of the form.

### **MATCHING FUNDS**

Matching funds committed to the project as a part of the approved CDBG Contract must be accounted for in grant records. The receipt and expenditure of the matching funds must be carefully documented. If matching funds are derived from a source outside the local government the project records should identify the source and amount provided.

### **INDIRECT COSTS**

Grantees who will charge indirect costs to the grant must submit a cost allocation plan to the Department and receive prior approval to claim such costs. Guidelines on cost allocation plans can be found in 2 CFR 200 Subpart E.

### **REQUESTING CDBG FUNDS**

The request by the grantee for CDBG funds is made using the Request for CDBG Funds form (also often referred to as a draw down request form).

There are 2 separate and distinct Request for CDBG Fund Forms that include:

- 1) Project Activity Cost are reported on the form that displays a text box found in the upper-right-hand corner holding a control indicator that reads: [CDBG Request Form- Project Acty].
- 2) The second form is for general administration activity cost only. This form control identifier is [0181] and is displayed in the upper right hand corner of the form.

The grantee must use the correct form when requesting CDBG funds for reimbursement of project implementation costs and general administration. The grantee may not combine project activity costs and general administration costs on one form. Separate requests for the two types may be submitted concurrently.

The Department will return the CDBG Request for Funds form when the incorrect form is submitted. These forms can be downloaded from the Department's website at <http://opportunity.nebraska.gov/community/grants/applications/cdbg-forms> If a grantee is unable to download the form, it may be requested from the Department. The website and the reverse side of the form include complete instructions for properly completing the form to request funds.

Grantees will normally receive payment of their requested CDBG funds within two weeks from the time the Department receives the request; provided there are no errors in the request or other reasons for delay. All CDBG payments to grantees are by Electronic Funds Transfer (EFT) to a designated local bank account or to a Department designated electronic address. These payments are made through the State Accounting System based on the "electronic address" established by the Nebraska State Treasurer. Refer to a prior section of this chapter on Electronic Funds Transfer "automated clearinghouse" (EFT\ACH). The State Treasurer is the designated "automated clearinghouse" or ACH for the State of Nebraska.

One copy of the completed Request for CDBG Funds form must be mailed to the Department for processing. The signatures on the form must be original and correspond to those signatures on the current Authorization to Request CDBG Grant Funds form (initially required for Release of Funds) the Department has on file. Grantees must send in a new Authorization to Request CDBG Grant Funds form whenever the individuals authorized to sign Requests for CDBG Funds change.

Please take special note of the following concerning the request, receipt, and expenditure of CDBG funds:

- A request for funds may not be submitted until the grantee has received a Notice of Release of Funds/Environmental Clearance.
- Verify the completed Request for CDBG Funds form before sending it to the Department, as any errors will cause considerable delay in payment. This includes omission of, or inaccurate information.
- Request only the amount of funds needed to pay immediate obligations. Costs must be directly related to verifiable invoices or billings.
- **A request for project costs must be submitted separate from general administration.** Check to make sure the correct CDBG request for funds form is used for requesting reimbursement of general administration activity 0181 costs and for project activity costs, which are non-general administrative costs.
- Funds may be requested at any time and in any frequency; however, effective July 1, 2006 the minimum CDBG drawdown request is **\$1,500**. The exception is when the request is for only general administration, which is a **\$500** minimum request or the final request on a grant. Failure to satisfy these standards will result in the return of the "Request for CDBG Funds" form. The

Department may waive these minimums.

- The maximum allowable percentage of approved CDBG general administrative activity 0181 costs as contracted that may be requested by the grantee through the CDBG drawdown process are as follows:
  - 50% upon removal of grantee contracted special conditions---DED issuance of release of funds certifies that grantee contracted special conditions are met.
  - 90% prior to the submission of project closeout\*---no more than 90% CDBG funds may be drawn prior to the grantee submission and the Department's receipt of closeout documents. The grantee closeout documents are the final financial report, project status report, clearance of monitoring (compliance) report, and if applicable the final wage report, final jobs report, and planning document. The local government recipient may need to submit an audit, or notification of annual audit. The Department holds 10% general administrative CDBG funds until the closeout documentation process for receipt and acceptance of documents is met.

*[CDBG Planning grants are not subject to the 90% draw maximum for the general administration activity prior to submission of the closeout documents].*

*\*Department may waive 90% rule as warranted.*

- 100% following submission by the grantee and receipt by the Department of all closeout documents. The grantee may submit the CDBG request for the final 10% general administration activity 0181 CDBG funds along with the closeout documents. The Department will process the final 10% general administrative costs following receipt and acceptance of closeout documents. The grantee closeout documents are the final financial report, project status report, clearance of monitoring (compliance) report, and if applicable the final wage report, final jobs report, and planning document. The local government recipient may need to submit an audit, or notification of annual audit

*[CDBG Planning grants are not subject to the 10% hold back for general administration activity.]*

- **Program income must be disbursed prior to requesting additional non-general administrative funds.**
- Federal funds on hand must be disbursed prior to requesting additional funds.
- Grantees may not earn interest on the deposit of federal funds pending disbursement.
- If excessive amounts of cash (over \$1,000) are on hand for an extended period of time (**over five business days**), the local government must return the excess to the Department.
- The request for payment must be in accordance with the approved budget for the grant contained in the Sources & Uses of Funds section of the grant contract.
- Grantees are required to show local match or other funds in the proportionate amount for each activity as included in the approved budget when requesting funds for an activity.
- The request for funds should show the status of all approved activities even if no funds are requested for one or more activities in a specific request.



## **BUDGET AMENDMENT AND FUNDS REALLOCATION**

Grantees must request approval from the Department for **any** modification or amendment to the CDBG contract. When submitting the request for approval, the grantee must complete and submit the CDBG Contract Amendment Request Form to the Department and attach all appropriate documentation to the form. The required documentation depends upon the type of modification requested and is outlined on the Contract Amendment Request Form. The CDBG Contract Amendment Request Form is available on the Department's website. Grantees will receive official notice of approval or denial. If modifications/changes are approved, the Department will determine if a contract amendment is necessary or if modifications can be approved via an approval letter.

## **CONTRACT RECORDS**

Grantees will enter into contracts that will require record keeping and reporting consistent with the CDBG financial management requirements.

A proper system of management includes:

- A contract file for each signed contract.
- A contracts register to enter each contract into.
- A control card for each contract that tracks invoices and payments.

The file for each contract must contain the following:

- A signed contract and amendments.
- A schedule of payments supported by copies of time sheets; copies of checks or transfer notifications; copies of approved authorization/payment forms; and copies of invoices.
- All project related correspondence.
- Property records (where appropriate).
- Any notice of cancellation, termination or suspension of the contract.
- Final inspection reports.

A contracts register should be used to record all contracts signed. This register will be the summary record for all contracts. The register also indicates which contracts require compliance with other federal requirements.

In conjunction with the contract register a contract card should be established for each contract. This card is used to record all payments on the contract and the percent of the work that has been completed.

## **PROPERTY RECORDS AND MANAGEMENT**

During the operation of the CDBG project, there are several different types of real or personal property for which funds may be spent ranging from office supplies to real estate. Property purchased in whole or in part with CDBG funds is governed by 24 CFR Part 570.201, CFR Part 570.505, and 24 CFR Part 85.

All purchases of \$300 or more of real or personal property which are made in full or in part with CDBG funds must be recorded in a property management record. Furthermore, any real or personal property of \$300 or more purchased in whole or in part with CDBG funds must be authorized as a separate budgetary line item in the application or be approved by separate communication from the Department.

The property management record will consist of a property register that summarizes all property acquisitions and dispositions. This record must be available at the time of the audit. In addition, an accounting of property acquired with grant funds must be made at the time of closeout.

The property register will also include information on the date acquired, a description, identification numbers, purchase order and check numbers, costs, percent of CDBG funds used in the acquisition, where the property is located, the condition, and disposition of the property.

The grantee may also utilize a control card for each acquisition. Disposition of the property can be recorded on the back side of the card.

Records must be kept for real property including land, air rights, easements, water rights, right-of-way, buildings and other real property improvement and any other interests in the real property. An interest in the real property is defined as purchase, long-term lease (15 years or more), donation, or otherwise. Public improvements such as water systems or rehabilitation of facilities owned by others are not considered real property for purposes of record keeping.

Real property does not include moveable equipment, furnishings and other personal property, or machinery. These are not CDBG eligible activities in most circumstances.

The ownership of property purchased with CDBG funds is governed by federal regulation. The title to real property acquired with CDBG funds vests with the grantee subject to the continuing use of the real property for the authorized purpose. If the property is no longer needed for the authorized purpose, the grantee should contact the Department to determine the options available for using the property for another purpose or for disposal instructions.

## **DISPOSITION OF PROPERTY**

### ***Real Property***

Disposition of real property is governed by 24 CFR 85.31(c). When real property is no longer needed for the authorized purpose, there are three alternatives available to the grantee. First, the grantee may retain title after compensating the Department. The amount to be paid to the Department is calculated by applying the CDBG percentage of participation in the cost of the original purchase to the fair market value of the property. Second, the grantee may sell the property and compensate the Department. The compensation to the Department in this instance is calculated by applying the CDBG percentage of participation in the cost of the original purchase to the proceeds of the sale after deduction of any actual and reasonable selling and repair expenses. Third, the grantee may transfer title to the Department or to a third-party designated or approved by the Department. In this case, the grantee would be compensated with an amount calculated by applying the grantee's percentage of participation in the purchase of the property to the current fair market value.

### ***Equipment***

Disposition of equipment is governed by 24 CFR Part 85.32(e). When original or replacement equipment acquired under a grant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment falls into one of two categories:

- 1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of with no further obligation to the Department;
- 2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the Department shall have a right to an amount calculated by multiplying the current

market value or proceeds from sale by the CDBG percentage of the equipment.

If the grantee fails to take appropriate disposition actions, the Department may direct the grantee to take excess and disposition actions.

### ***Supplies***

Disposition of supplies is governed by 24 CFR Part 85.33(b). If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate fair market value upon termination or completion of the grant and if the supplies are not needed for any other federally sponsored programs or projects, the grantee shall compensate the Department for its share.

### ***Change in Use of Property***

Real property that was acquired or improved in whole or in part using CDBG funds in excess of \$25,000 is subject to 24 CFR 570.505. These standards prohibit a change in use or planned use of a property from that for which the acquisition or improvement was made, unless the grantee provides affected citizens with reasonable notice of, and an opportunity to comment on, any proposed change. In addition, one of the following conditions must be met:

- 1) the new use of the property meets one of the CDBG national objectives and is not a building for the general conduct of government; or
- 2) if the use does not meet a national objective, the grantee reimburses the Department in the amount of the current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition and/or improvements to the property.

These standards are applicable to the property until five years after closeout of the grant. Once reimbursement of CDBG funds has been made, the property will no longer be subject to any CDBG requirements.

Cash Management- Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency.

Funds requested must reflect actual eligible cost incurred. Claim exact amounts on each reimbursement or use rounding down to the nearest dollar on individual reimbursements and then claim exact amounts due down to the penny on the final reimbursement request.

Cash management is the principle behind the Department's rule that ***no more than \$1,000.00 CDBG funds can be kept on hand for more than five business days***. Definition: Business day means a day when Federal Reserve Banks are open. (Department of the Treasury Fiscal Service, 2002)

### **WORK CITED**

Department of the Treasury Fiscal Service. (2002). *31 CFR Part 205*. Final Rule: Federal Register.