

STATE OF VERMONT DEPARTMENT OF FINANCE & MANAGEMENT			
Policy Title:	Cash Management Policy for Federal Funds	Policy #:	2
		Effective Date:	7/1/2007
Applicable to:	All State Agencies, Departments and Offices	Revision #:	N/A
		Revision Date:	N/A
Issued by:	James Reardon, Commissioner Department of Finance & Management	Page:	1 of 2

Policy Statement:

All State of Vermont agencies, departments and offices that expend federal funds shall process federal draw requests for deposit into the State's bank account on a frequent and regular basis and in a manner that minimizes the amount of time between the State's expenditure and the deposit of those funds.

A. Applicability:

All State of Vermont Agencies, Departments and Offices that expend federal funds are subject to the conditions of this requirement. Programs covered under this policy are those reported in the Schedule of Expenditure of Federal Awards (SEFA) as reported in the State's annual single audit.

B. Definitions:

Department – For purposes of this policy, a Department means an agency, department, office, or other administrative unit of the State of Vermont.

Federal Draw Request – The request for the payment of federal funds to the State of Vermont. This request may be electronic, manual or by other means and may be made directly to the federal government or to a third party, if applicable. A federal draw request will result in a deposit in the State's bank account. Federal draws are the mechanism by which the State receives the revenues that support expenditures reported in the SEFA.

Program – For purposes of the expenditure levels outlined in this policy, a program is defined as a single Catalog of Federal Domestic Assistance number (CFDA) as defined by the federal granting agency.

C. Minimum Requirements:

Federal draws shall be made in a manner that minimizes the amount of time the State advances its own funds for federal program purposes. The calculation of draw amounts shall be based on actual (or estimated, if appropriate) federal expenditures incurred by the State, or as determined by federal regulations.

Note: *The following requirements are the minimums allowable under this policy. If a department's existing draw practices result in federal funds being deposited more frequently than the minimums described below, the department should continue to follow those practices. In no case should a department use the following minimum requirements as a basis for drawing in federal funds less frequently than their current practice.*

- **Programs with projected federal expenditures equal to or in excess of \$250,000 during a State Fiscal Year:**
 - Funds shall be drawn in at least monthly. Federal draw requests should be made to the appropriate federal agency no later than 15 business days following the month of expenditure. More frequent draws are encouraged.
 - For programs where payroll expenditures comprise a significant portion of the expenses, agencies and departments are encouraged to draw in federal funds on a bi-weekly basis to coincide with the State's payroll processing.

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- **Programs with projected federal expenditures of less than \$250,000 during a State Fiscal Year:**
 - Funds shall be drawn in at least quarterly. Federal draw requests should be made to the appropriate federal agency no later than 30 business days following the quarter of expenditure. More frequent draws are encouraged.
- **Reconciling draws for programs drawn in whole or in part using estimates:**
 - Reconciling draws must occur at least quarterly. A reconciling draw is a federal draw request that is calculated by taking the difference between actual expenses incurred and funds received during the period. If draws are calculated using only actual federal expenses for the period, a reconciling draw is not necessary.
- **Programs with irregular expenditure patterns or expenditures that fluctuate seasonally:**
 - Funds shall be drawn in when cumulative expenditures equal or exceed \$50,000. These draws should occur no later than 15 business days following the month when expenditures reach the \$50,000 level. For extended periods when expenditures do not exceed \$50,000, funds must be drawn in no less frequently than quarterly.

D. Related Regulations:

All federal draws shall adhere to the regulations found in the Federal Cash Management Improvement Act (CMIA). In the case of federal programs specifically covered under the State's CMIA Treasury-State Agreement (TSA), the terms of the TSA shall prevail.

E. Monitoring:

The Department of Finance & Management will monitor compliance with this policy on an ongoing basis.

F. Waivers and Exceptions:

Exceptions - If federal regulations prevent compliance with this guideline, the Commissioner of Finance & Management must be notified in writing, along with a copy of the federal regulation, instruction, or ruling documenting the prohibition. A description of the proposed alternative procedures to be used must accompany this documentation.

Waivers – The Commissioner of Finance & Management may grant a waiver from the requirements of this policy on a case-by-case basis. Waiver requests must be submitted in writing from the Business Manager, Commissioner, or Secretary and must include the CFDA number and name of the program, a description of the alternative procedures being proposed, and a justification as to why the terms of the policy cannot be met. Waivers are at the sole discretion of the Commissioner of Finance & Management and not all waiver requests will be approved.

G. Effective Date:

Effective: July 1, 2007