



# DEPARTMENT OF ADMINISTRATION

## Enterprise Policy

OAC-A-16-2019

### OFFICE OF ACCOUNTS AND CONTROL

#### Federal Account Management Policy

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#### 1. Purpose

- a. The purpose of this policy is to provide guidance to state agencies on how to manage the cash balances in their federal accounts more effectively. Many federal grants require a state agency to initially spend money on allowable expenses before the agency may draw down or claim reimbursement from the federal government. This typically results in many federal accounts in the RI-FANS system having negative cash balances at any given time (referred to as "Red Balances"). Consequently, the General Fund must bear the burden, in effect, of advancing funds for expenditures pending reimbursement by the federal government.
- b. State agencies are expected to manage their federal funds as efficiently and accurately as possible. This means, among other things, that they should have a system for drawing down all federal monies as soon as they become available per the conditions of the grant award. They should also have controls in place to ensure that 1) they do not incur charges to any federal grant beyond the grant's expiration date; 2) they do not spend amounts in excess of those specified in the grant award; and 3) absent express written permission from the federal government, excess expenditures incurred during one grant period cannot be adjusted forward into a subsequent grant period.
- c. This policy requires state agencies to make optimum use of tools available in RI-FANS that identify which federal accounts are not receiving timely and adequate federal reimbursements.

#### 2. Applicability

- a. This policy applies to all state agencies that receive and manage grant awards from the federal government that are accounted for in the State's General Fund.

#### 3. Federal Account Cash Balance Determination

- a. The best tool available for determining the balance on a cash basis in any federal account is the RI- FANS standard report RI Cash Resources Report Federal.
- b. Specific instructions on how to calculate drawable amounts based on the information in this report are provided in the CFO Communications section of the Controller's website. Actual drawable amounts may differ from these calculated amounts if a federal grant award specifies a different method of drawdown calculation or requires a special drawdown timeframe. Regardless, agencies should make every effort to draw down as much federal money to which they are entitled as soon as possible.

#### 4. Federal Account Cash Collectability

- a. It may happen that a state agency is carrying a red balance in a federal account when there is no longer any possibility that the federal government will reimburse funds. There are at least three reasons why this situation may occur:
  - (i.) Expenditures charged to the federal account have exceeded the amount authorized by the grant;
  - (ii.) The federal grant period has ended and the runoff period for submitting reimbursement requests has also expired;
  - (iii.) Expenditures that the federal government has expressly disallowed for reimbursement were never transferred by the state agency into an appropriate alternative RI-FANS account.
- b. **All red balances that an agency deems to be uncollectable must be written off on a timely basis, and certainly by no later than June 30 of each fiscal year. Instructions on how to write off uncollectable amounts are provided in the CFO Communications section of the Controller's website. As part of the State's fiscal closing process, each agency Chief Financial Officer will be required to certify that, to the best of his/her knowledge, all of his/her agency's federal red balances as of the close of the June accounting period were fully collectable.**

#### 5. Overcollections of Federal Cash

- a. A federal account may be carrying a positive or black cash balance for one of the following reasons:
  - (i.) The agency received the funds initially from the federal government in accordance with specific conditions of the grant.
  - (ii.) The agency erroneously drew down too much money and now owes the excess back to the federal government.
  - (iii.) The receipt of cash was legitimate but was credited to the wrong federal account.
  - (iv.) The cash was drawn down and posted to the RI-FANS account before the agency was able to post the related expenditure to the account.
- b. In the first scenario, the agency needs to do nothing other than comply with the specific conditions of the grant.
- c. In the second scenario, the agency should seek to return the money to the federal government. When returning the money, the natural account used on the invoice voucher should be the contra revenue account corresponding to the revenue natural account credited when the money was originally drawn down.
- d. In the third scenario, the agency should prepare a journal entry debiting the federal revenue account that was erroneously credited for the drawdown and crediting the federal revenue account that should have been credited originally.
- e. In the fourth scenario, the agency should prepare a journal entry to post the expenditure.

#### 6. Reporting to the Office of Accounts and Control

- a. The Office of Accounts and Control shall maintain a list of those State agencies that, over time, have consistently either a) demonstrated noteworthy deficiencies in the timing of their federal drawdowns or b) carried material uncollectable amounts in their federal accounts.
- b. On the fifth business day of every June, October, January, and April, respectively, all State agencies on this list must perform the following procedures:
  - (i.) Run the RI-FANS standard report called RI Cash Resources Report Federal (see section 3 above) for your agency for the months ended May 31, September 30, December 31, and March 31, respectively.
  - (ii.) Determine the "drawable amount" for each federal account as described in the CFO Communications section of the Controller's website and put it in a column added to the report spreadsheet. Also indicate in an additional column how much of this amount, if any, you estimate to be uncollectable. Provide an explanation for any uncollectable amounts in a footnote at the bottom of the spreadsheet, as well as your plan for writing them off.
  - (iii.) For all line item sequences that have a drawable amount in excess of \$50,000, add a footnote at the bottom of the spreadsheet describing plans for drawing down these funds as expeditiously as possible. Information as to what a plan description should include is provided in the CFO Communications section of the Controller's website.
  - (iv.) Send the completed quarterly spreadsheet to the following email address: DOA.FedAcctMgmt@doa.ri.gov.
  - (v.) This information is intended to supplement, not replace, the quarterly or annual FGIS (Federal Grants Information Schedule) that agencies submit to the Office of Accounts and Control.
  - (vi.) The State Controller may, at his/her discretion, require any agency to file a monthly RI Cash Resources Report Federal in addition to its scheduled quarterly reports.

## 7. Repercussions for Noncompliance

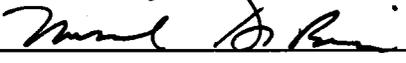
- a. Agencies that are required to file a RI Cash Resources Report Federal with the Office of Accounts and Control shall be considered to be noncompliant with this policy if a) they do not submit a required report when due; or b) they submit reports that are missing key items regarding the timing and/or collectability of federal drawdowns; or c) they submit reports whose representations as to the timing and/or collectability of federal drawdowns raise questions as to a possible need for improvement in their internal agency procedures.
- b. As the first step in resolving the situation, the State Controller shall arrange to meet with the agency Director and Chief Financial Officer to explore various options and to agree on a schedule for bringing the agency into compliance.
- c. If the agency continues to exhibit a substantial lack of compliance after the agreed upon time period has ended, then the State Controller may direct the Division of Purchases not to encumber any new purchase orders or increase any existing purchase orders on behalf

of the noncompliant agency until such time as he/she is satisfied that the agency has made substantive improvements in the management of its federal accounts.

**8. Signatures**

  
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State Controller

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Director of Administration

  
\_\_\_\_\_  
Date