

Procedure: Cash Flow	Policy: Drawdowns and Reimbursement Requests		Number: GP1900.6
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Overview of Procedures

The projection of cash flow from grants is an important element of the total District cash flow estimate for the current and future fiscal year. The level of temporary borrowing via Tax Anticipation Notes, the potential need to slow or accelerate vendor payments, and even the ability of the District to meet its payroll obligations are contingent on accurate and reliable cash flow projections. Therefore, cash flow estimates related to grant funds must be as accurate as possible given the best information available at the time, be updated monthly taking into account new information and analysis, and variances from earlier estimates must be explained.

For purpose of this procedure, the “cash flow estimate” is defined as the estimated amount and period in which cash will be drawn down from external sources into the District’s accounts based on an estimate of expenditures during that same period. Cash flow is not the same as the budgeted revenue or expenditures in the Budget Formulation and Management (BFM) system which is loosely based on a 12 month estimate by the Grant Budget Analyst (GBA). While there should be a strong correlation between the estimated cash flow of a grant fund and the budgeted amounts for revenue and expense in BFM for a total fiscal year, the cash flow estimate can be different in that it may contain a carry forward of funds drawn down from the prior year including funds that were both earned and unearned, and the same for funds in the following year. In addition, the timing of expenditures and cash draw downs may fluctuate within a fiscal year.

Significant Events that Impact Actual Grant Cash Flow

There are a number of events that can cause actual cash draw downs and expenditures during the year to vary significantly from the estimate made months prior:

- The approval of the grant application is delayed.
- The actual award may be materially different than the estimate
- Actual spending by the grant program manager may be materially faster or slower than projected in the BFM system and the Categorical Cash Flow Projection sheet estimates. Slower spending can sometimes be due to reorganizations within the academic office where the lack of focus on grant implementation, or the change in grant focus, or the lack of a signed contract can sometimes cause a slowdown in spending.
- The delayed hiring of personnel can significantly impact the rate of spending and the subsequent drawdown of funds.
- A new grant is awarded after the beginning of the year which may cause the original cash flow analysis to change, sometimes significantly.
- The ABC Code Correction / Mass JV process could alter the booked expenditures and future drawdowns, although the impact of that is significantly reduced since OMB took control of position coding from HR and now ensures that most positions are coded correctly at the start of the fiscal year.

These factors can cause significant actual deviations from the original estimated cash flow. Grant Fiscal Services is tasked with minimizing the deviations where possible, and documenting and explaining monthly those that occur so that the Special Finance Office of the District can respond accordingly. To this end, several initiatives have been implemented:

- Grant Fiscal Services will implement true 12-month budgeting in the Advantage system thereby eliminating the yearly change in fund number and making the budget and spend more understandable for both program managers and senior management. Key to this effort will be a formal and consistent process whereby GBAs interact with grant program managers to calibrate and adjust the likely 12 month grant budget and spend including carry forward analysis and those changes get translated into the Advantage system (for budget) and to updated cash flow projections. GBAs will formally review grant spending monthly and alert Grant Program Managers (GPM) of significant deviations in spending patterns and review the cause and consequences to determine if budget and spending adjustments may be required, including updates to the Categorical Cash Flow Projections sheet.
- GBAs will update the monthly cash flow projection worksheet for their assigned grants by the 7th business day after the end of each month taking into account the analysis and interaction with GPMs as described, and the assigned Senior Financial Analyst in Grant Fiscal Services (GFS) will work with the GBAs to document and explain the material variances in the actual cash flow to date, and the projected cash flow for the balance of the fiscal year. The Special Finance Office will be provided the updated Categorical Cash Flow Projections sheet by the 10th business day after the end of each month.

The monthly cash flow updates during the Fiscal Year-End Financial Close (July through September) will focus on material deviations from the original estimate as the Grant Budget Analysts are fully engaged in the Financial Close process. Once the September 105 Cash Draw Down reports are completed in early October, the GBAs will perform a comprehensive update to their fund cash flow estimates and perform the documentation as described above. The October update will be much improved from prior years as the coding of positions is significantly more accurate now that OMB is coding positions. A more comprehensive mid-year review will occur again after ABC Code Correction and the Mass JV moving charges is completed by OMB, typically in November.

Procedure Details

Significant points during the year are as follows:

RESPONSIBLE POSITION	STEP	ACTION TAKEN
GBA	1	<p style="text-align: center;">May</p> <p>Develop the updated Current Year (CY) and Request Year (RY) cash flow draw down projections based on actuals to date, an estimate of the likely Award in the RY, and the likely draw down of cash in the RY based on the projected 12 month budget in BFM and the likelihood of carry forward into the following fiscal year. The type of draw down and grantor practice will factor into the estimate as well (See GP1900.1 through 1900.5 for draw down mechanisms and practices).</p> <p>The analysis should also take into account any estimated cash on hand on July 1st that was not “earned”, that is, cash on hand that does not have expenditures through June 30th tied to it which would be used to liquidate the cash. Any such cash on hand July 1st would need to have expenditures after July 1st be applied to it.</p> <p>Enter the projected monthly cash drawdown estimate on the Categorical Cash Flow Projections sheet. Update the CY and complete the RY projection.</p> <p>Complete the analysis and data entry by the end of the 3rd week in May. Document any material deviations in the CY estimate compared to the initial CY estimate from the prior May, and document any material changes to grants between the CY and the RY estimates (e.g., grant ending, or expanding, etc.).</p>
Assigned Senior Financial Analyst	2	<p>Prior to the end of May, review all GBA CY and RY projections, ensure an understanding of how the numbers were derived, and summarize any material variances produced by the GBA as described in step #1.</p> <p>Provide the Categorical Cash Flow Projections sheet to the Special Finance Office with appropriate documented explanations and analysis.</p>

RESPONSIBLE POSITION	STEP	ACTION TAKEN
GBA	3	<p style="text-align: center;">Monthly</p> <p>By the 7th business day at after the end of each month, update the Categorical Cash Flow Projections for each grant factoring in the following:</p> <ul style="list-style-type: none"> • Rate of actual expenditures to date and potential expenditures for the balance of the fiscal year. • Known reasons why grant spending may be materially higher or lower than expected given the budgeted personnel planned to be paid and other non-personnel costs. • Any other factors, such as a variance in the award amount, or change in academic office structure or focus. • The actual Indirect Costs (Restricted and Unrestricted) and PAR charges booked and JV'd against the grant. <p>To perform this analysis, the GBA will need to review actual expenditures (on-board personnel and non-personnel expenditures) compared to budget and discuss material differences with the grant program manager. The results of these discussions should be documented in a short narrative analysis and with backup financial data if necessary.</p> <p>Enter the revised monthly cash drawdown estimate on the Categorical Cash Flow Projections sheet.</p>
Assigned Senior Financial Analyst	4	<p>By the 10th working day after the end of each month, review the revised estimates and material deviation analysis produced by the GBA in step #3 above. Clarify any issues with the GBA and then summarize the material deviations.</p> <p>Provide the updated Categorical Cash Flow Projections sheet and summarized material deviations to the Special Finance Office.</p> <p>Be prepared to discuss the content of the Categorical Cash Flow Projections sheet and material deviations at the monthly Cash Flow Committee meeting.</p>
GBA	5	<p style="text-align: center;">Special 1st Quarter Update</p> <p>In early October after the completion of the Fiscal Year-End Financial Close and the completion of the September 105 Cash Draw Down report(s), perform a comprehensive update of fund cash flow projections based on 1st Quarter actual activity using the methodologies described in the procedures above.</p> <p style="text-align: center;">Post ABC Code Correction / Mass JV Update</p> <p>In either early December or January depending on when the ABC Code Correction and Mass JV is executed by OMB, perform another comprehensive update of fund cash flow projections using the methodologies described in the procedures above.</p>

RESPONSIBLE POSITION	STEP	ACTION TAKEN
GBA	6	The monthly updates post ABC Code Correction / Mass JV will be made for all grant funds as described. However, based on the experience of the GBA and SFA, less effort will be spent on stable funds with stable grant program managers and more attention on those not exhibiting such characteristics.
Office of Special Finance	7	The Special Finance Office may request additional analysis and backup documentation regarding the categorical estimates provided. The Grant Fiscal Services shall endeavor to provide that analysis to the best of its ability.

Policy

- *GP1900: Drawdowns and Reimbursement Requests*

Forms

- Categorical Cash Flow Projections sheet

Definitions

Contacts

- *Grant Fiscal Services*
- *Grant Accounting (Comptroller)*
- *Special Finance Office*

Frequently Asked Questions

Related Information

History

Amended:

- April 28, 2015 for position re-assignment and technical adjustments.

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