Policy Statement

It is the policy of the School District of Philadelphia to minimize cash on hand by ensuring that the time between receipt and expenditure of grant funds is minimized. The District will comply with applicable regulations regarding the calculation, remittance and documentation of interest earned on advanced grant funds.

Reason for Policy

2 CFR 200.305(b) describes two methods of payments, advance and reimbursement, to grantees:

(1) *The non-Federal entity must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The non-Federal entity must make timely payment to contractors in accordance with the contract provisions.*

(2) *Whenever possible, advance payments must be consolidated to cover anticipated cash needs for all Federal awards made by the Federal awarding agency to the recipient.*

> *(i) Advance payment mechanisms include, but are not limited to, Treasury check and electronic funds transfer and should comply with applicable guidance in 31 CFR part 208.*
> *(ii) Non-Federal entities must be authorized to submit requests for advance payments and reimbursements at least monthly when electronic fund transfers are not used, and as often as they like when electronic transfers are used, in accordance with the provisions of the Electronic Fund Transfer Act (15 U.S.C. 1601).*

(3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. When the reimbursement method is used, the Federal awarding agency or pass-through entity must make payment within 30 calendar days after receipt of the billing, unless the Federal awarding agency or pass-through entity reasonably believes the request to be improper.

The District receives both advances and reimbursements for its grant funds. The Pennsylvania Department of Education's Financial Accounting Information (FAI) system by design contains the advance payment federal awards received by the School District through PDE.

For purpose of clarification, the SDP considers the term "disbursement" in 2 CFR 200.305 (b) to be the point at which a transfer of cash is made by the District to an employee or contractor either through an electronic funds transfer or the issuance of a check. Regarding the clause "*advance payments must be consolidated to cover anticipated cash needs for all Federal awards made by the Federal awarding agency to the recipient*" contained in 2 CFR 200.305 (b)(2), the District interprets this to mean that federal advances will be combined by federal awarding agency (singular) for purposes of interest calculations, not all federal advances combined from all awarding agencies.

Non-federal granting agencies may stipulate how earned interest is to be calculated and remitted. As a condition of award acceptance, the District will comply with any grantor regulations.

The aforementioned requirements and clarifications also apply to subgrantees of the District.

Policy Requirements
For advanced payments, the District will calculate interest earned monthly using cash receipt and disbursements.

The District is responsible for ensuring that subgrantees comply with the regulations of **2 CFR 200.305.**

Interest calculations must be properly documented and retained in accordance with the District's **Policy GP1400 Documentation and Record Retention**.

In order to meet the requirements of the Code of Federal Regulations (CFR) Part 200.305 the following policies and procedures will be followed by the District:

- Minimize the time elapsing from receipt of funds to paying them out for grant activities;
- Maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement and financial management systems that meet the standards for fund control and accountability;

- Limit advance payments to the immediate cash requirements needed to be disbursed in order to carry out the purpose of the grant;
- Monitor the fiscal activity (draw downs and payments) for grants on a continuous basis;
- Deposit and maintain advance payments in insured and interest bearing accounts;
- Calculate interest earned monthly using cash receipts and disbursements with funds consolidated by awarding federal agency;
- Prior to finalizing the periodic calculation of interest earned, will ensure the accuracy of the calculation by a separate review in the Accounting Office and in Grant Fiscal Services of the validity of the funds contained in the calculation and the accuracy of the calculation itself.
- Any interest earned up to $500 per year may be kept by the School District of Philadelphia for administrative expenses; and
- Any additional interest earned will be remitted annually to the Department of Health and Human Services Payment Management System (PMS) through an electronic medium using either.

Responsibilities

Director of Grants Fiscal Services is responsible - for reviewing the interest calculation arrived at by the Office of Accounting Services and Audit Coordination.

Grant Program Managers (GPMs) - are responsible for supporting District efforts to minimize the time between cash receipt and disbursement of grant funds.

Office of Accounting Services and Audit Coordination (General Accounting) is responsible for calculating interest owed on advanced grant funds by preparing a cash receipt and disbursements spreadsheet consolidated by federal awarding agency, preparing any supporting documentation and initiating the purchase voucher (PV), if payment is necessary. This office must retain the documentation of interest calculations and remittance according to the District's Documentation and record retention policy.

Procedures
- *GP2000.1 Calculating and Remitting Interest*

Forms

Definitions

Contacts
- *Grants Fiscal Services*
- *Office of Accounting Services and Audit Coordination*
- *Office of Grants Compliance and Fiscal Services*

Frequently Asked Questions

Related Information
- *2 CFR 200.305*
- *District's GP1400 Documentation and Retention*

History
Amended:
- Amended October 28, 2013 to change "obligations" to "expenditures".

- Amended: April 24, 2015 for in 2 CFR 200.305, Uniform Administrative Requirements, Cost Principles, and Audit requirements Payment, govern cash advances and interest earned on cash advances, and technical adjustments.

- Amended March 13, 2017 to clarify the term "disbursement" and the method by which interest earned will be calculated and the manner in which federal funds will be consolidated.

- Amended July 1, 2022 to strengthen the review and approval of the funds used in the calculation and the validity of the calculation, and other clarifying and technical adjustments.

Issue Date: 7/1/2022	Effective Date: 7/1/2022	Approved by: Deputy Chief, Grant Compliance and Fiscal Services