

**Recipients of ED Grants and Cooperative Agreements  
Frequently Asked Questions**

**Q What are the Federal Laws and Regulations on cash management?**

**A** The *Cash Management Improvement Act of 1990 (CMIA)* is the overriding public law for cash management. It was enacted by Public Law 101-453, 31 U.S.C. 3335 and 6503. The implementing regulations are in Title 31 of the Code of Federal Regulations (CFR), Part 205, <http://www.fms.treas.gov/fedreg/31cfr205final.pdf>. In addition, the Education Department General Administrative Regulations (EDGAR) defines the CFR specific to administering the U.S. Department of Education's (the Department's) grants in 34 CFR, Part 74 and Part 80, [http://www.access.gpo.gov/nara/cfr/waisidx\\_08/34cfrv1\\_08.html](http://www.access.gpo.gov/nara/cfr/waisidx_08/34cfrv1_08.html).

**Q What are the CMIA requirements?**

**A** States that draw funds under programs subject to the *CMIA* must draw funds as required under the Treasury-State Agreement (TSA) for the State. If a State draws funds under one of these programs to make payments to a subrecipient, the payment request to the Department should only be made at the request of the subrecipient, which must make draw requests to the State as required under the requirements in EDGAR.

**Q What are the Education Department General Administrative Regulations (EDGAR) requirements?**

**A** Payments to States and other governments under programs not covered by the State's TSA and payments to other governments are subject to the requirements in Part 80 of EDGAR. These payment requirements also apply to all other types of recipients under Part 74 of EDGAR, which applies to nonprofit organizations, institutions of higher education, hospitals, and commercial organizations. States that draw funds on behalf of subrecipients under programs not covered by a TSA should remind subrecipients that they may only request funds from the State under the payment standards in Part 74 or Part 80, as applicable. The EDGAR is available on the Web at [http://www.access.gpo.gov/nara/cfr/waisidx\\_08/34cfrv1\\_08.html](http://www.access.gpo.gov/nara/cfr/waisidx_08/34cfrv1_08.html).

**Q What is a Treasury-State Agreement (TSA)?**

**A** A TSA documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S. Department of the Treasury (Treasury) and a State. It also identifies the Federal assistance programs. The *CMIA*'s implementing regulations at 31 CFR 205 will govern if there are any inconsistencies. A TSA will be effective until terminated, unless Treasury and a State agree to a specific termination date. Treasury or a State may terminate a TSA with 30 days written notice.

**Q What if there is no TSA?**

**A** When a State does not have a TSA in effect, default procedures will be prescribed to implement 34 CFR, subpart A. The default procedures will prescribe efficient funds transfer procedures consistent with State and Federal law and identify the covered Federal assistance programs and designated funding techniques. When the Department and a State reach agreement on some but not all Federal assistance programs administered by the State, the Department and the State may enter into a TSA for all programs on which we are in agreement and we may prescribe default procedures governing those programs on which we are unable to reach agreement.

**Q What is a Federal-State Agreement?**

**A** A Federal-State Agreement is an agreement between a State and a Federal Program Agency specifying terms and conditions for carrying out a Federal assistance program or group of programs. This is different from a TSA.

**Q Who is responsible for Cash Management?**

**A** The Department's grant and cooperative agreement recipients (recipients) are charged with the administration of Federal funds. In addition, recipients are responsible for ensuring that subrecipients are aware of cash management policies. For more information, see the recently issued Memorandum from the Chief Financial Officer on Cash Management which is posted on the ed.gov "ED Memoranda to Grantees" page at <http://www2.ed.gov/policy/fund/guid/gposbul/gposbul.html>.

**Q Who is responsible for monitoring cash drawdowns to ensure compliance with cash management policies?**

**A** Recipients must monitor their cash drawdowns and their subrecipients to assure substantial compliance to the standards of timing and amount of advances. Additionally, when considered necessary and feasible by the Federal agency, recipients may be required to report the amount of cash advances in excess of three days' needs in their hands and of their subrecipients and to provide short narrative explanations of actions taken by the recipient to reduce the excess balances.

**Q How soon may I draw down funds from the G5 grants management system (G5 replaced E-Payments in December 2007)?**

**A** Grantees are required to minimize the amount of time between the drawdown and the use of funds from their bank accounts. (See EDGAR §74.21-22 and §80.20-21.) Funds must be drawn only to meet a grantee's immediate cash needs for each individual grant. Each time you use the G5 system to draw down a payment you check a box certifying that you are adhering to cash management requirements and that the funds will be spent within 3 days. The G5 screen displays the following message: *I certify, by processing this payment request and/or re-allocation, that the funds are being expended within three business days of receipt for the purpose and condition of the agreement.*

**Q How may I use Federal funds?**

**A** Federal funds must be used as specified in the Grant Award Notification (GAN).

**Q What if I used Federal funds for other than the specific purpose for which it was given?**

**A** This will be deemed a disallowed expenditure, and funds (including any earned interest) must be returned to the Department.

**Q What are excess cash balances?**

**A** Excess cash balances are funds maintained at the recipient/subrecipient's level in excess of immediate (usually 3 days) needs. Excess cash balances must be promptly withdrawn from account and returned to the Department.

**Q What are the consequences to recipients/subrecipients for not complying with terms of the grant award?**

**A** If a recipient or subrecipient materially fails to comply with any term of an award, whether stated in a Federal statute or regulation, EDGAR, an assurance, a cooperative agreement, a TSA, an application, a notice of award, or elsewhere, the awarding agency may take one or more of the following actions:

- (1) Temporarily withhold cash payments pending correction of the deficiency by the recipient or subrecipient or more severe enforcement action by the awarding agency,
- (2) Disallow (that is, deny both use of funds and matching credit for) all or part of the cost of the activity or action not in compliance,
- (3) Wholly or partly suspend or terminate the current award for the recipient's or subrecipient's program,
- (4) Withhold further awards for the program, or
- (5) Take other remedies that may be legally available.

**Q Who is responsible for determining the amount of interest owed to the Department?**

**A** As set forth in 31 CFR 205.9, a TSA must include the method a State uses to calculate and document interest liabilities. A State must calculate and report interest liabilities on the basis of its fiscal year. A State must ensure that its interest calculations are auditable and retain a record of the calculations. A non-State entity must keep track of any interest earned on Federal funds and promptly remit it to the government. Also, see the June 15, 2010, memorandum from the Department's Chief Financial Officer on *Department of Education Cash Management Policies for Grants and Cooperative Agreements* posted at <http://www2.ed.gov/policy/fund/guid/gposbul/gposbul.html>.

**Q How is interest earned on Federal funds calculated?**

**A** If you earn interest on Federal funds, you must return the actual amount earned to the Department. If the disbursement arrangement is subject to a TSA, then the recipient must adhere to the interest calculation method specified in the TSA. Recipients that are not subject to a TSA (non-TSA recipients), along with subrecipients, must return actual interest earned on cash balances to the Department.

In some cases, non-TSA recipients or subrecipients may not be able to readily identify the actual amount and must calculate the interest earned on Federal cash balances. For these cases, here are some guiding principles for non-TSA recipients and subrecipients to consider when performing interest calculations:

- Non-TSA recipients and subrecipients should calculate interest earned on Federal cash balances using the same method that was used to determine their interest earnings on cash balances from all sources. For example, Federal interest should be calculated using the average daily balance method if this method was used to calculate interest on Federal and non-Federal cash balances (all sources).
- Federal interest should be calculated using the same interest rate at which the non-TSA recipient or subrecipient earned interest on cash balances from all sources. Because interest earned on Federal cash balances must be calculated and remitted quarterly, the rate used in these calculations should be the applicable rate for that quarter.
- The amount of interest earnings remitted to the Department should not be reduced in order to compensate for the temporary use of other non-Federal cash resources to pay Federal program costs. This is true whether the non-TSA recipient or subrecipient normally receives Federal funds through an advance or reimbursement funding method.

**Q May we keep interest earned on Federal funds?**

**A** A recipient/subrecipient subject to EDGAR 34 CFR Part 74 may keep up to \$250/year of interest earned on excess Federal fund advances to cover administrative costs. All other amounts must be returned to the Department of Health and Human Services.

A recipient/subrecipient subject to EDGAR 34 Part 80 may keep up to \$100/year of interest earned on excess Federal fund advances to cover administrative costs. All other amounts must be returned to the Department of Education.

**Q Where should I return interest earned on Federal funds?**

**A** Recipients subject to Part 74 of EDGAR must return to the U.S. Department of Health and Human Services (HHS) the interest earned on advances of grant funds except that the recipient may retain up to \$250 of interest earned on the account each year to pay for the costs of maintaining the account. These requirements also apply to subrecipients subject to Part 74 Section 22 (l), which requires these recipients and subrecipients to annually remit interest earned on advances of funds. The address for interest remittances to HHS is:

U.S. Department of Health and Human Services

P.O. Box 6120, Suite 1133  
Rockville, MD 20852

Recipients subject to Part 80 of EDGAR must return to the Department the interest earned on advances of grant funds except that the recipient may retain up to \$100 of interest earned on the account each year to pay for the costs of maintaining the account. Section 80.21(i) requires these recipients to promptly (at least quarterly) remit interest earned on advances to the Department. These requirements also apply to subrecipients subject to Part 80. The address for interest remittances to the Department is:

U.S. Department of Education  
P.O. Box 979053  
St. Louis, MO 63197-9000

- Q What information should accompany my interest payment?**
- A** Recipient/subrecipient should note their DUNS number as well as any other identifiable information specific to the award and the recipient/subrecipient.
- Q Are grant recipients/subrecipients automatically permitted to draw funds in advance of the time they need to disburse funds in order to liquidate obligations?**
- A** No. Section 80.21 of the EDGAR prescribes several methods a recipient may use to make payments to subrecipients. The State educational agency as the recipient, however, has the authority to determine which method it will use to make payments to its subrecipients within the State.
- Q For formula grant programs such as ESEA Title I, for which States distribute funds to LEAs, may States choose to pay LEAs on a reimbursement basis?**
- A** Yes. Section 80.21 of the EDGAR authorizes States to implement a payment system in which LEAs are reimbursed monthly; quarterly; or, in some cases, semi-annually. A reimbursement process is a State choice and not mandated by ED. Section 80.21 of EDGAR also allows recipients and subrecipients to be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the recipient or subrecipient.
- Q What are the exceptions to adhering to cash management requirements?**
- A** A small number of ED grant programs have program-specific cash management and payment requirements based on the authorizing legislation or program regulations. These program-specific requirements may supplement or override the general EDGAR cash management or payment requirements. If you have any questions about your specific grant, please contact the program officer, whose contact information is on your Grant Award Notification (GAN).
- Q Will the Department issue special procedures in advance if G5 plans to shut down for 3 days or more?**
- A** Yes, the Department will issue special guidance for drawing down funds during a G5 shut down period of 3 days or more. The guidance will include cash management improvement act procedures for States and certain State institutions of higher education and procedures for grants (including Pell grants) that are not subject to CMIA. Early notice is provided to all grantees to plan accordingly.