



Recommendations for State Independent Living Councils to Deal with Cash Flow Challenges Resulting from Delayed Payments from the DSE

October 2016

John F Heveron Jr., CPA Heveron and Company CPAs

The Cash Management provisions of Uniform Administrative Guidance (45 CFR 75) restrict but don't eliminate the possibility of cash advances. See the excerpts in recommendations for DSEs about the circumstances under which advances are allowable.

For some SILCs, restrictions in advances will adversely impact cash flow. Here are some suggestions to manage cash flow.

- ✓ Most states will allow drawdowns at least monthly. However, if your payroll is paid biweekly, you should request payments every four weeks (of course every two weeks would be better but means extra work for you and may not be permitted).
- ✓ Ask if you can receive electronic payments. Not only will you receive funding more quickly but funding requests can be submitted more frequently.
- ✓ Some payroll processors have an arrangement where you pay gross pay including taxes with each payroll so there are no other payroll taxes to pay at the end of the quarter. This would allow you to voucher for all of your personnel-related costs and avoid large monthly or quarterly tax payments that you might not be able to get timely funding for.
- ✓ Funders generally won't request documentation for each voucher but will examine support for vouchers, at least annually. So, it is very important to have an electronic or paper file that shows the payroll and related costs, occupancy, other direct costs, and indirect/administrative add ons that support each voucher. If you can't produce this documentation, your right to advances will be compromised.
- ✓ Consider simplifying your accounting and vouchering by reducing the number of expense accounts you use. Any expense account category that doesn't total \$1,000 or more by the end of the year may be able to be combined with other smaller accounts.

- ✓ Consider increasing your capitalization limit. Uniform Guidance allows you to immediately expense equipment purchases up to the lower of \$5000 or your capitalization threshold.
- ✓ Consider having a subaccount for all of your general & administrative costs and calculate how much they are as a percentage of payroll. When you voucher, you will need to document your payroll plus payroll overhead, occupancy, a few other direct costs plus an indirect cost amount based on that percentage.
- ✓ As documented in the companion document for the DSE, **Recommendations for Designated State Entities for Timely Payment of Part B and other Funds to the SILC Under HHS's Uniform Administrative Requirements 45 CFR 75** you may be able to voucher in advance for payroll, payroll overhead, occupancy, other direct and indirect costs that will be paid very shortly after you receive your funding.
- ✓ Consider having one of your CILs hold the contract for your SILC coordinator.