



STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR
MISSISSIPPI DEVELOPMENT AUTHORITY
Gray Swoope
EXECUTIVE DIRECTOR

LONG TERM WORKFORCE HOUSING MEMORANDUM NUMBER: 10-0728

DATE: July 28, 2010

SUBJECT: Policy on Proof of Payment for Invoices in Requests for Cash

SUPERSEDES Reimbursement Request for Cash Policy issued April 15, 2010

- I. **BACKGROUND:** The guidelines are clear with regard to necessary invoices, time records, explanations and related information. However, the necessary proof of payment documentation required subsequent to requesting advance funds in a current needs cash request and when requesting reimbursement for previous expenditures in the Long Term Workforce Housing (LTWH) Program is in need of clarification.
- II. **POLICY:** MDA has determined that the following requirements must be met by sub-recipients and sub-grantees (collectively "sub-recipient(s)") with respect to cash requests seeking KCDBG funds and showing expenditures of leverage funding.

A. DEFINITIONS:

1. **INVOICE** means any item or items for which advance funds or reimbursement is requested in a cash request or which shows planned or actual expenditure of leverage funding.
2. **CURRENT NEEDS**, sometimes called the cash advance method, means the transfer of funds based on the sub-recipient's request (and information on obligation) **before the actual cash disbursements have been made by the sub-recipient**. If the transfer is of KCDBG funds, the standard is that the sub-recipient must disburse the funds to pay for the KCDBG program costs (including administrative costs) **within three (3) business days** of receipt of those funds from MDA. Funds should not be requested that cannot be disbursed within the three (3) day limit without approval in advance by MDA. If funds received cannot be timely disbursed, the funds should be returned to MDA. **In no case should undisbursed funds be retained for more than seven (7) business days**. In any instance in which the disbursement of an advance of KCDBG funds took longer than a three-day period, the sub-recipient must maintain written

justification in its files acceptable to MDA. In no case may any KCDBG funds be placed in an interest bearing account.

3. **REIMBURSEMENT**, sometimes called the reimbursement method, means the transfer of funds based on **actual expenditures by the sub-recipient before the request for funds** has been made by the sub-recipient in the case of KCDBG funds request and before the leverage cash request or leverage portion of a cash request has been entered by the sub-recipient in the case of expenditures of leverage funds cash request.

4. **PROOF OF PAYMENT**

- a. For **CURRENT NEEDS** cash requests, Proof of Payment refers to copies of the fronts *and* backs of cancelled checks when available, and when only partially available or unavailable, also refers to complete copies of bank statements; receipts for cash payments; and reconciliation documentation.
- b. For **REIMBURSEMENT** cash requests, Proof of Payment refers to copies of the fronts *and* backs of cancelled checks when available, and when only partially available or unavailable, also refers to complete copies of bank statements; and receipts for cash payments.

B. CURRENT NEEDS CASH REQUESTS:

1. At the time of submission of the next cash request (whether current needs or reimbursement) after receipt by a sub-recipient of KCDBG funds for a current needs cash request, the sub-recipient is required to provide Proof of Payment of the invoices in the previous current needs cash request.
2. In those instances where Proof of Payment of one or more invoices from the previous current needs cash request is not reasonably available at the time of submission of the next cash request, the sub-recipient must submit Proof of Payment with a cash request being submitted within thirty (30) calendar days of the receipt by the sub-recipient of the KCDBG funds for the current needs cash request in question. Additionally, the sub-recipient must include with the submission of the next cash request a written explanation of why Proof of Payment is not available and when the sub-recipient reasonably expects to receive such Proof. Absence of Proof of Payment does not relieve the sub-recipient of compliance with the three-day payment rule regarding KCDBG advance funds received.
3. On bank statement(s) submitted as Proof of Payment of current needs cash requests, the sub-recipient should identify each entry that pertains to payment of an invoice in the current needs cash request in question and should clearly indicate the OnBase number of the current needs cash request in question.
4. Sub-recipients are responsible for tracking the status of substantiation of payment of each invoice submitted in a current needs cash request and

reconciling the item(s) for which substantiation of payment is outstanding at the time the Proof of Payment is submitted with a subsequent cash request. The reconciliation documentation should be sufficient to show any item(s) for which at the time of submission of the documentation, substantiation of payment (whether cancelled check, ACH transfer, cash receipt, or other type of payment proof) remains outstanding from the current needs cash request in question. The reconciliation documentation should show the number or other identifier of the invoice for which substantiation of payment is outstanding, the name of the payee, the amount of the payment, the date of the payment, the OnBase number of the current needs cash request in question, and the check number when applicable.

5. MDA recommends against making payments in cash because of the difficulty in maintaining appropriate records of the use (or loss as the case may be) of cash. **Cash payments in excess of \$100.00 are not permitted and will not be reimbursed.** When the Proof of Payment is a cash receipt, the receipt should be notated to describe the item(s) for which the cash payment was made, the amount of payment, date of payment, and the OnBase number of the current needs cash request in question.
6. Current needs KCDBG advance funds should be paid out within three (3) days of receipt in the sub-recipient's account. . Undisbursed funds may not be held more than seven (7) business days and must be repaid to MDA. In those rare instances in which compliance with the three-day rule is not possible, sub-recipients are required to provide written justification of the reason(s) along with Proof of Payment. Non-compliance with the three-day rule can result in the sub-recipient having to pay MDA certain interest that may be earned on the advance KCDBG funds held by the sub-recipient. See 24 C.F.R. § 85.21(i). A pattern of non-compliance with the three-day rule may result in other action by MDA.

C. REIMBURSEMENT CASH REQUESTS: Proof of Payment documentation as defined above for reimbursement cash requests must be submitted as a part of all reimbursement cash requests. Bank statements should be marked to show which entry(ies) pertain to invoice(s) in the cash request.

D. METHODS OF SUBMISSION OF PROOFS OF PAYMENT:

1. **CURRENT NEEDS:** Proof(s) of Payment documentation for a previous current needs cash request should be imported into OnBase along with other supporting documentation being imported for the subsequent cash request being submitted. The current needs Proof(s) of Payment should be uploaded as a separate import from the other cash request's imported documents to facilitate ready identification of the applicable Proof(s) of Payment.
2. **REIMBURSEMENT:** Proof of Payment documentation for a reimbursement cash request should be imported into OnBase as a part of the supporting documentation for the reimbursement cash request.

E. FAILURE TO COMPLY:

Failure to submit the required subsequent Proof of Payment documentation for a current needs cash request within the time limits provided above, and failure to submit the required Proof of Payment documentation with a reimbursement cash request may result in no future cash requests being processed until the applicable Proof of Payment is submitted.

F. COST OF COMPLIANCE:

MDA will not assume the cost for copies of cancelled checks, bank statements or other documentation required to be provided by sub-recipients as Proofs of Payment for invoices in any type of cash request.

- III. EFFECTIVE DATES:** The provisions of this Policy applicable to reimbursement cash requests were effective on April 15, 2010. The provisions applicable to current needs cash requests are effective on the date of issuance of the Policy set forth above.
- IV. REQUIRED ACTIONS:** All sub-recipients of LTWH funds must adhere to this policy, must disseminate the policy to all appropriate staff, and must maintain the policy on file for future reference.
- V. CONTACT:** Address questions concerning this policy to Lynn Seals, Program Manager, at 601-359-2905.