

ACF Administration for Children and Families	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Administration for Children, Youth and Families	
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	4. Key Words: Expenditure of Title IV-B, Subpart 2 Funds	

PROGRAM INSTRUCTION

TO: ACF Regional Offices State Agencies and Indian Tribes Administering the Title IV-B Child and Family Services Program

SUBJECT: Time Limits Regarding the Expenditure of Title IV-B, Subpart 2 Funds

LEGAL AND RELATED REFERENCES: Section 434(b)(2) of the Social Security Act; 45 CFR 1357.32 and 1357.50; [ACYF-PI-94-01](#); [ACYF-PI-94-04](#); 45 CFR 92.3, 92.20, 92.21 and 92.37; 31 CFR Part 205 and OMB Circular A-133.

PURPOSE: The purpose of this Program Instruction (PI) is to clarify the period of time within which title IV-B, subpart 2 funds must be expended, and the circumstances under which funds advanced by the State Agency to its subgrantees may be considered to have been expended. This PI does not apply to Court Improvement Program funds.

BACKGROUND: Section 434(b)(2) of the Social Security Act (the Act) precludes a state from expending funds "...for any fiscal year after the end of the immediately succeeding fiscal year." Funds not expended in accordance with that requirement are subject to disallowance. ACF has received inquiries from a number of States as to what constitutes an expenditure by the State agency for the purpose of assuring that all title IV-B, subpart 2 funds have been spent in accordance with the above statutory provision. Generally, these questions have asked whether the obligation of these funds by a State agency to a subgrantee, or an advance of such funds to a subgrantee, represent an expenditure of title IV-B, subpart 2 funds.

Instruction: In accordance with section 434(b)(2) of the Act, State or Tribal agencies must liquidate all obligations prior to the end of the fiscal year immediately succeeding the one in which the funds were awarded.

The regulation at 45 CFR 92.3 defines *outlays (expenditures)* as:

"charges made to the project or program. They may be reported on a cash or accrual basis. For reports prepared on a cash basis, outlays are the sum of actual cash disbursement for direct charges for goods and services, the amount of indirect expense incurred, the value of in-kind contributions applied, and the amount of cash advances and payments made to contractors and subgrantees. For reports prepared on an accrued expenditure basis, outlays are the sum of actual cash disbursements, the amount of indirect expense incurred, the value of in-kind contributions applied, and the new increase (or decrease) in the amounts owed by the grantee for goods and other property received, for services performed by employees, contractors, subgrantees, subcontractors, and other payees, and other amounts becoming owed under programs for which no current services or performance are required, such as annuities, insurance claims, and other benefit payments."

The award of funds by a State or Tribal agency to a subgrantee is an obligation of funds on the part of the State or Tribal agency, not an expenditure. An expenditure occurs when the State or Tribe makes a disbursement or payment to a subgrantee.

In addition, States or Tribes can identify appropriate advances as constituting expenditures at the time they are made to subgrantees. However, these advances must be made pursuant to regulations at 45 CFR 92.21 and applicable State/Tribal laws and procedures for expending and accounting for their own funds.

These State/Tribal laws and procedures, in turn, must meet the standards for financial management systems described in 45 CFR 92.20. With the widespread availability and use of electronic fund transfer systems a State's ability to transfer funds very quickly is enhanced, thereby reducing the need for large advancements of funds for lengthy periods prior to their expenditure. Thus, states should not advance more funds in the latter part of the second Federal fiscal year (FFY) of each grant than can actually be expended by September 30 of that year. All advances of FFY 1999 funds must meet the State/Tribal and any other applicable laws and regulations regarding the expenditure of funds by September 30, 2000.

Title IV-B, subpart 2 funds are subject to the audit requirements of OMB Circular A-133 and the Cash Management Improvement Act of 1990, as amended.

INQUIRIES: All inquiries should be directed to the appropriate Regional Administrator.

/s/

Patricia Montoya
Commissioner
Administration on Children, Youth and Families