

U.S. DEPARTMENT OF LABOR
Employment and Training Administration

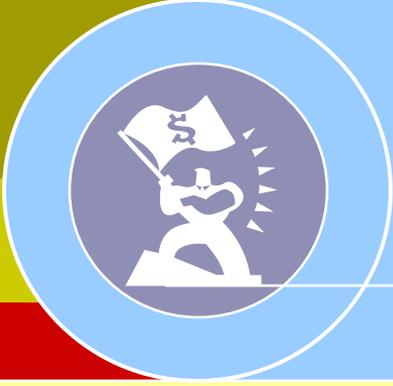
Cash Management



Cash Systems

State or Direct Grantee's cash systems should include procedures that address:

- Advances for their subs to meet their immediate disbursement needs
- Forecasting Tools
- Daily cash monitoring
- Authorized signatures
- Cash request formats and instructions
- Authorized signatures for check and other banking
- Frequent cash request by self and subs
- Ledgered cash transactions
- Control over petty cash and other critical processes
- Cash the State or Direct grantee needs to meet their immediate disbursement needs



Validate cash needs when on-site monitoring is done:

- Review the dates and amounts of cash received and disbursed for a period of time (a reporting quarter; the final report for a given year of appropriation or a given period). If there is cash on hand, determine why.



Sub's Federal Cash Request Group Discussion:

- **Total Cash Received as of \$1,000,000 end of 3rd reporting quarter for xyz entity**
- **Total Disbursements \$100,000**
 - includes advances to subs
- **Cash-on-hand \$900,000**
 - This data element (should include additional cash received, e.g., adjustments for refunds, rebates, and credits and program income, if received and not yet spent)
- **Recap of disbursement needs next couple of days (including advances to subs) \$150,000**
- **Actions Needed: ???**



On-site Cash Monitoring

Interview the cash custodian – staff who prepares and/or monitors daily cash balances; may prepare cash request for approval...look at other duties

Compare signatures on cash request to the authorized signatory cards – note exceptions (may be findings) – e.g., not updated staff retired..., look at internal controls (what other duties are performed by the signatory)

Analyze the entities cash-on-hand; how it is calculated; average daily or weekly disbursements;

Pull the bank or treasury reconciliations – is there a lag between receipt and transfer of cash to the DOL fund accounts

Scrutinize the date checks were mailed/date deposits were made to subs' accounts, etc. vs. when the transactions cleared the bank – do this for a period of time (1-3 months...a year)

Look at interest earnings - distribution

Note: Interest on float in the bank is program income for WIA/ARRA; Other programs - it must be returned to DOL (see 29 CFR 95 and 97 “payments” requirements). Money goes back to Treasury. Is interest allocated to the grant or funding stream



Cash On-site Verification

- Separation of duties for cash disbursements, cash receipt, and cash reconciliation, including any checking accounts, petty checking systems, purchase cards/credit cards, ATM cards, and petty cash systems
- Authorized signatures at the bank – individual who can sign checks – must be updated when staff change positions or terminate
- Flow of money to subs – check (antiquated process) vs. electronic transfer/direct deposit which is the desired method; method used by DOL;
- Bank or Treasury Reconciliations – separation of duties for each at entity
 - Reconciliations should be performed monthly – function should be adequately separated – look at other functions performed by the staff involved in this process
- Cash must be in an interest bearing checking account – few exceptions



What We Find Monitoring Cash and Reporting Systems

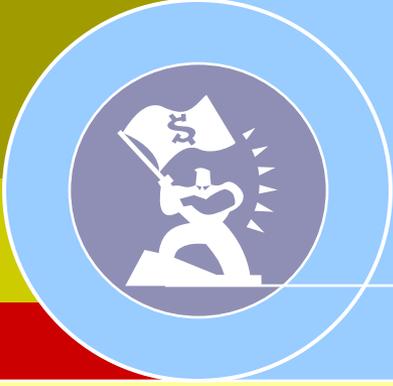
Grantees often include the cash request and financial reporting data on the same document:

- Causes confusion – separate these systems
- Results mostly often in the cash basis of accounting – under-reporting
- Subs are not given advances to meet disbursement needs – This is a mandatory requirement
- Non-Compliance Indicators: Infrequent cash requested by subs; monthly invoices; no other reports – just invoices; no other cash to sent to subs



Caution: Commonly Missed DOL Data Elements and Their Importance

- Cash received; cash disbursed; cash-on-hand
- Accruals (unpaid services and goods received)
- Program Income: earned, expended, on-hand (remaining)
- Remarks section – to record adjustments/explanations
- Certification of cash data – authorized staff/official



Explanation: Format Vs. Instructions

Note: the 9130 reporting format reflects expenditures;

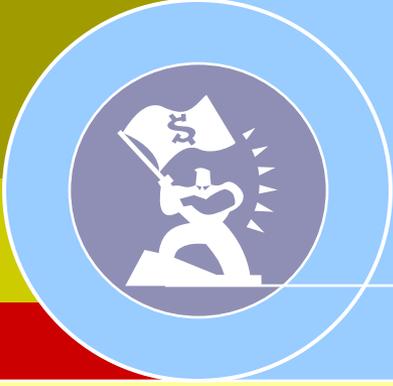
- 9130 - universal format not a DOL format
- DOL 9130 instructions clarify DOL reporting requirements



9130 Data Elements Flow To Each Sub Tier Level

- **Federal Cash Data Elements**
 - Cash received – grantees must receive cash in advance of disbursements unless they are sanctioned. This cash represents the amount that is needed for the org and its subs (includes advances to subs for immediate disbursement)
 - Cash disbursed – out the door; mailed...not transferred within the organization
 - Cash On-hand – when the quarter end





Cash Request/Received

State or Direct Grantee's cash request should include:

- Advances for their subs to meet their immediate disbursement needs,
- Cash the State or Direct grantee needs to meet their immediate disbursement needs

Validate cash needs when on-site monitoring is done:

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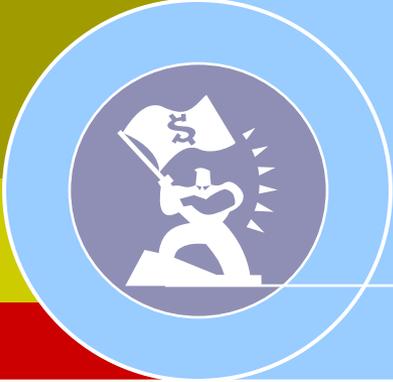
Funds Available Data Element

- Federal Funds Available
 - The award/contract/agreement amount
 - Controls should not allow exceeding the available amount; cash should not exceed the available amount
 - Admin limits and other cost limitations/minimums are based on a percentage of the available amount or grant award, if the admin limit applies



Session Objectives

- Highlight the cash management standard for financial management systems that DOL grantees must comply with
- Highlight some inadequate cash management practices we often see in the DOL programs
- Open discussion (inadequate and adequate) cash systems



Standard For Financial Management Systems – Cash Applies to All Grantees

- One of Seven standards for financial management systems
 - 29 CFR Parts 95.21
 - 97.20 (a) States follow their own procedures
 - Provided they comply with statutes and regulations, e.g., U.S.Treasury – separate requirement
 - Minimizing the time elapsing between the receipt and disbursement of funds
 - CMIA Agreements where applicable
 - 97.20 (b) all grantees that are not states...same standard



Summary of the Standard

- Develop procedures to minimize the time elapsing between the receipt and disbursement of funds
 - CMIA – usually only applies to UI



Some Of The Necessary Elements of Good Cash Management Systems

- Written policies and procedures
 - With proper separation and control standards for key functions
- Ethics training for employees
- Adequate Authorization for key functions
- Adequate Communication



Inadequate Internal Controls Over Cash

- **Motivation, opportunity, personal characteristics are lacking**
- **Control and Risk out of balance**
 - Objectives for operation (each key functions)
 - Compliance
 - Reporting
- **Inadequate Separation of Duties - Examples**
 - Determines eligibility for participants; approves payments for participants; approves invoices, approves payments, distributes support service payments, stipend, or timesheets or wages
 - Enters the transactions in the accounting system, prepare adjustments/transfers, keeps blank check stock, cuts the checks/distributes the checks, performs the reconciliations (see Internal Control handout)
 - Orders cash, receives cash in the mail, deposits the cash, post to cash receipts to the books of account, reconciles bank account
 - Signs sub agreements, monitors the sub agreements, approves sub payments



Cash Received For Unallowable Cost Must Be Returned To Correct Finding

- Does not support grant goals
- Occurred before or after the grant period
 - Before – G.O. Approval not obtained/incur at own risk
 - After grant – strickly unallowable
- Goods or services purchased are not in compliance with OMB Circulars or funding prohibitions; state or local regulationss/statues/policies
 - Entertainment or alcohol
 - Violates the 'Prudent Person' rule



Ineffective System of Managing Cash

- No cash ledgers
 - Grant Cash
 - No forecasting tool, no ledger for advances to subs, no ledger for advances to staff ???, daily cash balances, uncashed disbursements (staff, vendors, participants)
 - Program Income
 - No Receipts Ledger
 - Refunds, rebates, credits (no designated receipt point, no custodian, no ledger, no tracking, no codes/fund source – unidentified – in a clearing account)
 - Checks not safeguarded, blank check not safeguarded
 - Limited access



Ineffective System of Managing Cash

- No justification/documentation to support amount of cash requested
- Not returning excess cash to Treasury
- No Coordination between Treasury and the Program
- Proceeds from the sale of equipment or aggregate supplies w/FMV > \$5,000 is kept rather than returning it to DOL



Don't Bother Writing Cash Transactions Down

Organization is not organized:

- Poor cash records (receipts and disbursements by contract, grant or subgrant)
- No written cash policies
- Cash is not reconciled
- Co-mingled – no separate tracking by agreement
- Using pencil on formal documents
- Transactions not authorized/approved
- Grant activity not separately identified in the chart of accounts
- Grant not properly tracked – chart of accounts



■ Questions