SECTION 3 – ACCOUNTING SYSTEM STRUCTURE AND OBLIGATION CONTROLS

3.1 Fund Accounting Framework

The Fiscal Agent (NRVRC) maintains a fund accounting system that:

- Separately identifies each funding stream.
- Tracks expenditures by:
  - Funding source
  - Program year
  - Budget category
  - Subrecipient/vendor
- Tracks administrative and program costs separately.
- Maintains GAAP-compliant ledgers.
- Maintains full audit trail capability.

NRMRWDACB retains oversight authority and review responsibility.

3.2 Grant Setup Procedure

Upon receipt of a new award:

1. Executive Director reviews award terms.
2. Finance Manager reviews:
   - Budget categories
   - Administrative caps
   - Match requirements
   - Period of performance
3. Program Manager reviews program structure and projected spending plan.
4. Fiscal Agent establishes:
   - Unique grant ledger

    - Cost centers
    - Budget categories
5. Finance Manager verifies setup accuracy.
6. Documentation retained in grant file.

No expenditures may be charged prior to grant setup confirmation.

3.3 Cost Center and Budget Category Controls

Each grant shall be structured to clearly separate:

- Administrative costs
- Program costs
- Personnel
- Fringe
- Travel
- Supplies
- Contractual
- Equipment
- Other

Administrative caps must be monitored monthly.

3.4 Obligation Tracking (Staff-Managed Spreadsheet)

NRMRWDACB maintains a formal obligation tracking spreadsheet.

The spreadsheet is maintained by the Finance Manager and reviewed by the Accounting Technician.

The Program Manager monitors obligations related to participant-level expenditures.

3.4.1 Definition of Obligation

An obligation is a legally binding commitment, including:

- Training contracts

- Subrecipient awards
- IWT agreements
- Supportive service approvals
- Equipment purchases
- Professional service contracts

3.4.2 Required Spreadsheet Fields

The obligation tracking spreadsheet must include:

- Funding stream
- Program year
- Participant/vendor name
- Description of service
- Total commitment amount
- Amount expended
- Remaining balance
- Date of obligation
- Expected completion date
- Approval reference

3.4.3 Obligation Entry Workflow

When a commitment is approved:

1. Program Manager confirms programmatic appropriateness (if participant-related).
2. Finance Manager verifies funding availability.
3. Obligation entered into spreadsheet.
4. Supporting documentation saved.
5. Executive Director approval required for:
    - Subrecipient awards
    - IWT contracts

   - Budget transfers
   - High-dollar procurements

3.4.4 Monthly Reconciliation of Obligations

Monthly:

- Finance Manager compares obligation spreadsheet to general ledger.
- Accounting Technician verifies balance accuracy.
- Discrepancies resolved within 10 business days.

Quarterly:

- Executive Director reviews total obligations by funding stream.

3.5 Over-Obligation Prevention

Before approving new commitments:

Available balance must be calculated:

Total Award
– Total Expenditures
– Total Existing Obligations
= Available Balance

No obligation may exceed available balance.

3.6 Administrative Cap Monitoring

For capped funding streams:

- Administrative costs tracked separately.
- Percentage calculated monthly.
- Reviewed by Finance Manager.
- Reviewed quarterly by Executive Director.

If cap exceeds 90% utilization, corrective action required.

3.7 Shared Cost Allocation

Shared costs must:

- Be allocated using reasonable methodology.
- Be documented.
- Be reviewed quarterly.

Allocation examples:

- Staff time percentage
- Square footage
- Participant headcount

Documentation must be retained.

3.8 Monthly Financial Review Layer

Each month:

Fiscal Agent prepares:

- General ledger
- Budget-to-actual
- Cash balance
- Accounts payable/receivable

Finance Manager reviews:

- Variances
- Administrative cap
- Spending pace

Program Manager reviews:

- Program spending alignment

Accounting Technician verifies:

- Match tracking
- Obligation reconciliation

Executive Director reviews summary.

3.9 Cost Allocation Methodology and Plan

NRMRWDACB maintains a formal, written Cost Allocation Plan governing the distribution of shared administrative and operational costs across all funding streams in accordance with 2 CFR §200.405 (Allocable Costs) and 2 CFR Part 200.

This methodology ensures costs are allocated in proportion to relative benefit received by each funding source.

The Cost Allocation Plan:

- Identifies shared cost categories
- Defines allocation methodologies based on proportional benefit received (e.g., staff time, program usage, or other reasonable bases)
- Ensures costs are allocated in a consistent, equitable, and documented manner
- Prevents duplication of charges across funding sources
- Reflects actual organizational operations and cost structures

The methodology is applied consistently across all applicable federal, state, and local funding streams administered by NRMRWDACB.

The Cost Allocation Plan shall be:

- Reviewed at least annually
- Updated when organizational structure, staffing patterns, or cost structures change
- Supported by documentation demonstrating the basis for all allocations
- Retained and made available for monitoring, audit, and federal or state review

The full Cost Allocation Plan is maintained as an official appendix to this manual and is incorporated herein by reference.