SECTION 6 – CASH DRAWDOWN AND REVENUE RECOGNITION WORKFLOW

6.1 Purpose

This section establishes procedures governing:

- Federal and state fund drawdowns
- Cash receipt recording
- Revenue recognition
- Cash management timing
- Fronting of costs by Fiscal Agent
- Monthly reconciliation and oversight

These procedures comply with:

- 2 CFR §200.305 (Payment)
- 2 CFR §200.302 (Financial Management)
- 2 CFR §200.303 (Internal Controls)

6.2 Drawdown Model

NRMRWDACB operates under a Fiscal Agent drawdown model under which:

- The Fiscal Agent monitors the general ledger.
- The Fiscal Agent calculates eligible reimbursement amounts.
- The Fiscal Agent submits draw requests to the funding agency.
- The Fiscal Agent records revenue in the accounting system.

NRMRWDACB retains oversight and fiduciary responsibility for all drawdowns.

6.3 Drawdown Timing Standard

The Fiscal Agent shall:

- Draw funds only for allowable expenditures already incurred.

- Minimize time between receipt of funds and disbursement.
- Avoid excessive cash on hand.
- Comply with funder-specific draw timing requirements.

NRMRWDACB shall not maintain excess federal cash balances.

6.4 Draw Calculation Controls

Before submission of any draw:

The Fiscal Agent shall:

- Confirm expenditures are posted to the ledger.
- Confirm expenditures are allowable and properly coded.
- Exclude questioned or unapproved costs.
- Confirm administrative caps are not exceeded.
- Confirm expenditures align with funding stream restrictions.

The Finance Manager shall:

- Review monthly draw summary report.
- Compare draw amounts to internal obligation tracking.
- Confirm reasonableness of draw amounts.
- Document review.

6.5 Draw Submission Procedure

1. Fiscal Agent determines reimbursable expenditure balance.
2. Fiscal Agent submits draw through applicable system (PMS, ASAP, state portal).
3. Fiscal Agent records draw as revenue in the general ledger.
4. Fiscal Agent provides draw confirmation to Finance Manager.

All draw confirmations must be retained.

6.6 Monthly Draw Reconciliation

Monthly:

Fiscal Agent provides:

- Draw summary
- Revenue report
- Cash balance report
- General ledger

Finance Manager shall:

- Compare draw amounts to reported expenditures.
- Confirm no excess draw.
- Confirm no under-draw that could impact cash flow.
- Verify alignment with obligation spreadsheet.

Accounting Technician shall:

- Reconcile revenue recorded to ledger.
- Verify revenue coding accuracy.

Executive Director shall review monthly financial summary.

Discrepancies must be resolved within 10 business days.

6.7 Fronting of Costs

The Fiscal Agent fronts costs including:

- Payroll
- Benefits
- Operating expenses
- Subrecipient payments

Fronting shall be done:

- In compliance with GAAP
- In compliance with federal cost principles
- Only for authorized expenditures

NRMRWDACB remains responsible for ensuring expenditures are allowable.

6.8 Revenue Recognition

Revenue shall be:

- Recorded when drawn
- Coded to proper funding stream
- Tracked by grant year
- Reconciled monthly

Revenue recognition must align with GAAP standards.

6.9 Excess Cash Prevention

If excess federal cash is identified:

- Finance Manager must be notified immediately.
- Corrective action taken within 5 business days.
- Interest remittance handled per federal requirements if applicable.

6.10 Program Income Tracking and Reporting

In accordance with 2 CFR §200.307, NRMRWDACB shall identify, record, track, and report program income when generated.

6.10.1 Definition

Program income includes, but is not limited to:

- Participant reimbursements
- Tuition refunds
- Vendor credits
- Sale of grant-purchased property
- Fees earned from grant-supported activities
- Interest earned on program income (if applicable)

Program income does not include interest earned on federal advances (see Section 6.11).

6.10.2 Recording Requirements

If program income is received:

- It shall be recorded in the general ledger by funding stream.
- It shall be identified separately from federal draw revenue.
- It shall be coded to the proper grant year.
- It shall be reconciled monthly.

The Fiscal Agent shall establish a separate revenue account for program income when required.

6.10.3 Use of Program Income

Unless otherwise specified in the Notice of Award:

Program income shall be used under the additive method.

This means program income shall be:

Added to the federal award
Used for allowable program purposes
Subject to the same cost principles and controls

If a funding agency requires deductive treatment, that method shall be documented and applied consistently.

6.10.4 Program Income Reconciliation

Monthly:

Finance Manager shall verify:

☐ Program income recorded correctly
☐ Program income reported properly
☐ Use of income is allowable
☐ Income not double-counted as match

Quarterly review required.

6.11 Interest on Federal Advances

In accordance with 2 CFR §200.305(b)(9):

If NRMRWDACB earns interest on federal advance payments:

- Interest up to $500 per year may be retained for administrative purposes.
- Interest exceeding $500 annually must be remitted to the U.S. Department of Health and Human Services Payment Management System (or appropriate federal agency).

The Fiscal Agent shall:

- Monitor interest earned.
- Notify the Finance Manager if interest approaches $500.
- Process remittance when required.
- Maintain documentation of calculation and remittance.

6.12 Quarterly Cash Oversight Review

Quarterly:

Executive Director and Finance Manager shall review:

- Cumulative draw totals
- Cumulative expenditures
- Remaining balance
- Projected burn rate
- Risk of lapse

Documentation of review shall be maintained.

6.13 Internal Control Statement

Under this structure:

- Fiscal Agent executes draws.
- NRMRWDACB performs monthly oversight.
- Segregation exists between execution and review.
- Cash balances are monitored.
- Drawdowns are reconciled to expenditures.

This layered control satisfies internal control requirements under 2 CFR §200.303.

SECTION 6.14 – MEDR AND CPS PREPARATION, VERIFICATION, AND CERTIFICATION CONTROLS

(Applies to all funding streams requiring Monthly Expenditure Detail Reports and Cash Payment Schedules)

6.14.1 Purpose

This section establishes formal internal control procedures governing the preparation, review, verification, and certification of:

• Monthly Expenditure Detail Reports (MEDRs)
• Cash Payment Schedules (CPSs)

These controls ensure compliance with:

• 2 CFR §200.302 (Financial Management)
• 2 CFR §200.303 (Internal Controls)
• 2 CFR §200.305 (Payment)
• 2 CFR Part 200 (Uniform Guidance)
• WIOA Title I requirements (where applicable)
• Virginia Works reporting guidance
• Most current OMB updates

The objective is to ensure financial reporting is accurate, complete, timely, fully reconciled, and supported by adequate documentation.

6.14.2 Segregation of Duties

Segregation of duties shall be maintained consistent with Section 2 of this Manual.

Preparation, review, and certification functions shall be separated as follows:

• Fiscal Agent – Preparation and ledger reconciliation
• Fiscal Agent Finance Director – Internal review and verification
• Finance Manager – Oversight review and reconciliation verification
• Executive Director – Final certification

Certification authority may not be delegated unless formally documented in writing.

No individual may both prepare and certify the same report.

6.14.3 Preparation Procedures (Fiscal Agent Responsibility)

The Fiscal Agent shall:

1. Prepare monthly MEDRs and CPSs by funding stream.

2. Reconcile all expenditures to:
   • General ledger detail

- Payroll records
- Vendor invoices
- Allocation worksheets

3. Verify expenditures are:
   - Allowable under 2 CFR Subpart E
   - Properly classified by budget category
   - Within approved grant period
4. Confirm administrative caps are not exceeded.
5. Confirm expenditures do not exceed approved budgets.
6. Exclude questioned or unresolved costs.
7. Confirm cumulative totals align with internal ledgers.

All supporting documentation shall be maintained in the monthly reporting packet.

6.14.4 Required Pre-Certification Internal Control Verification

Prior to Executive Director certification, the Finance Manager shall verify and document the following:

☐ General ledger reconciled to MEDR totals
☐ Obligation tracking spreadsheet reconciled
☐ No over-obligation exists
☐ Administrative cap within limits
☐ Payroll allocation reconciled
☐ Match reconciliation complete (Section 17)
☐ Program income reconciled (Section 6.10)
☐ Interest earnings reviewed (Section 6.11)
☐ Prior month adjustments documented
☐ No duplicate or unsupported costs included
☐ Expenditures align with funding stream restrictions

This verification must be documented using a Monthly Certification Review Checklist and retained.

6.14.5 Executive Director Certification

After completion of internal verification:

The Executive Director shall:

• Conduct secondary review.
• Confirm documentation is on file.
• Confirm consistency with program activity and approved budgets.
• Ensure no expenditures appear questionable, unallowable, or inconsistent.

Upon satisfactory review, the Executive Director shall sign a certification statement affirming:

"Appropriate documentation is on file to support all expenditures and obligations claimed herein. The report is accurate, complete, and reconciled to internal financial records to the best of my knowledge."

Signed certifications must be retained in accordance with Section 12.

6.14.6 Documentation Packet Requirements

Each monthly reporting packet must include:

• Signed MEDR
• Signed CPS
• Finance Manager Review Checklist
• General ledger detail
• Payroll summaries
• Allocation worksheets
• Draw confirmation documentation
• Obligation reconciliation summary
• Match reconciliation summary
• Program income summary (if applicable)
• Adjustment documentation

Records shall be maintained electronically in secure systems with restricted access.

6.14.7 Quarterly Oversight Review

Quarterly, the Executive Director shall review:

• Cumulative expenditures
• Cumulative draw totals
• Administrative cap status
• Match status
• Projected burn rate
• Risk of lapse or deficit

Quarterly review shall be documented and retained.

6.14.8 Questioned Costs and Irregularities

If discrepancies suggest:

• Misclassification of costs
• Unallowable expenditures
• Fraudulent activity
• Material misstatements

The Executive Director shall:

• Initiate internal review
• Document findings
• Implement corrective action
• Notify Virginia Works or applicable funder if required
• Escalate to appropriate authorities when warranted

All actions shall be documented in accordance with Section 13.

6.14.9 Continuous Improvement

These procedures shall be reviewed annually as part of the internal control risk assessment process (Section 13.10).

Any updates shall be documented, approved, and communicated to fiscal staff.