

CASH MANAGEMENT

Control Objectives

To provide reasonable assurance that:

1. Drawdown of federal cash is only for immediate need.
2. Reimbursement is requested only after costs have been incurred.
3. States comply with applicable Treasury agreements.
4. Recipients limit payments to subrecipients to immediate cash needs.

Control Environment

- Appropriate assignment of responsibility for approval of cash draw-downs, requests for reimbursement, and payments to subrecipients.
- Budgets for drawdowns are consistent with realistic cash needs.
- Reimbursement is requested only after costs have been incurred.
- Risk Assessment
- Mechanisms exist to anticipate, identify, and react to routine events that affect cash needs.
- Routine assessment of adequacy of subrecipient cash needs.
- Management has identified programs that receive cash advances and/or reimbursements and is aware of cash management requirements.

Control Activities

- Cash flow statements by program are prepared to determine essential cash flow needs.
- Accounting system is capable of scheduling payments for accounts payable and requests for funds from Treasury to avoid time lapse between draw down of funds and actual disbursements of funds.

- Appropriate level of supervisory review of cash management activities.
- Written policy that provides:
 - a. Procedures for requesting cash advances as close as is administratively possible to actual cash outlays and reimbursement only after costs have been incurred;
 - b. Monitoring of cash management activities; and
 - c. Repayment of excess interest earnings where required.
- For State programs subject to a Treasury-State agreement, a written policy exists which includes:
 - a. Programs covered by the agreement.
 - b. Methods of funding to be used.
 - c. Method used to calculate interest.
 - d. Procedures for determining check clearing patterns (if applicable for the funding method).

Information and Communication

- Variance reporting of expected versus actual cash disbursements of federal awards and drawdowns of federal funds.
- Established channel of communication between pass-through entity and subrecipients regarding cash needs.

Monitoring

- Periodic independent evaluation (e.g. by internal audit, top management) of entity cash management, budget and actual results, repayment of excess interest earnings, and federal drawdown activities.
- Subrecipients' requests for federal funds are evaluated.
- Review of compliance with Treasury-State agreements.