

North Carolina Division of Workforce Solutions
Financial Management Policy
For Workforce Innovation and Opportunity Act Funds

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I. RECIPIENT FUNDING

A. Administrative Adjustment/NFA Process

The Division of Workforce Solutions (DWS) issues planning allocations to Local Area Workforce Development Boards (WDBs) and other recipients based on preliminary allocations provided to the state by the U.S. Department of Labor (USDOL). These preliminary allocations are subject to change; therefore, allocations are not official until the state receives a Notice of Award (NOA) from the USDOL. Once the state has received an NOA from the USDOL, Notices of Fund Availability (NFAs) are issued via Workforce Information System Enterprise (WISE), showing the funds available to the recipient. The funds are awarded by Program Year and must be tracked accordingly. Program Year funds are awarded for a period of two years unless indicated otherwise on the NFA letter as maintained in WISE. Funds availability may be reduced after issuance if the state's NOA is reduced by the USDOL.

The NFA letters include the WDB/grant recipient funding level by fund and program year. A Program Year fund amount will remain in WISE until the final audit for the Program Year has been reconciled, resolved, and agreed upon by both DWS and the WDB. The WDB should contact their assigned DWS Planner to submit an Administrative Adjustment via WISE to de-obligate any funds that will not be spent. Monthly Financial Reports (MFRs) are required until the NFA equals the Expenditures and Cash Drawdowns.

B. Obligational Authority

The NFAs are awarded to recipients when the funds become available to the state. However, "Obligational Authority" is not granted to recipients until an approved Local Area Plan, or another application, as appropriate, is approved by DWS. Recipients are not authorized to incur costs or allowed to request cash drawdowns until the funds are approved in WISE. The Plan must be prepared in accordance with the guidelines provided in the North Carolina Instructions for Local and Regional Workforce Development Area Plans Commission Policy Statement.

II. CASH MANAGEMENT

A. Cash Drawdowns

The DWS will utilize the Electronic Payments method to transfer funds to recipients. Both the Authorization Agreement for Automatic Deposit and the Electronic Payment Form documents must be completed, signed, and returned prior to initiating a recipient's first request for drawdown. These forms must be faxed or scanned to DWS with the signed originals mailed in order for bank accounts to be set up on the payment system in a timely manner. When a cash transfer has been completed, notification will be sent to the recipient via email as indicated on the Electronic Payment Form. Cash requests will be processed once a week.

All requests submitted via WISE by 11:59 pm on Monday will typically be transferred to the recipient's account by the following Friday.

There will be no exceptions granted concerning the 11:59 pm deadlines. Any changes in the cash drawdown schedule due to observed holidays or other planned events will be noted in correspondence issued by DWS.

Each recipient and subrecipient must develop cash management procedures that ensure no excess cash is on hand. Excess cash is defined as any cash that is not disbursed within three working days after receipt of cash and exceeds your immediate cash needs.

When a recipient determines there is excess cash on hand, and cash is to be returned to DWS, a request for drawdown in a negative amount equal to the refund may be entered if additional drawdowns, when netted against the refund, exceed \$1 for that Program Year on the date requested.

B. Sanctions

When a recipient demonstrates an inability or unwillingness to follow established procedures minimizing time between cash drawdowns and disbursements; cannot adhere to laws, regulations, or special conditions; or is unable to submit reliable and/or timely reports, DWS may withhold fund requests in WISE.

III. FINANCIAL REPORTING

A. Monthly Financial Reports

Expenditures will be reported on a monthly basis by Program Year on a MFR via WISE. **MFRs are due by the last working day of the month following the report month for any open Program Year.** Any reports not keyed by the due date are considered delinquent. The fiscal reporting period for **ALL** MFRs is July through the following June. Cash expenditures are to be reported monthly to reflect the cumulative amount for the Program Year, while accruals are also reported monthly. In the event that Program Year funds are not fully expended by the end date specified on the Program Year budget, an administrative adjustment to de-obligate the remaining funds should be requested in WISE.

The DWS will approve all MFRs on the first working day of the month. Once approved, WISE does not allow for modification. Any changes will be reported in the following month's MFR. If the approval has not yet been made, the DWS Finance staff can be notified to return the MFR. This will allow the Local Area to re-submit a corrected MFR.

B. Delinquent MFRs

Delinquent MFRs will result in the following consequences:

1. Cash draw requests will be suspended on all Program Years until the delinquent report(s) is in the system.
2. A letter will be written notifying recipient officials of the occurrence of delinquent report(s) as follows:
 - a. First occurrence within a fiscal year - Letter is written to the Local Area Director with an offer of technical assistance.

- b. Second occurrence within a fiscal year - Letter is written to the Local Area Director, Workforce Development Board (WDB) Chair, and Chief Local Elected Official (CLEO).

IV. FEDERAL OFFICE OF MANAGEMENT AND BUDGET (OMB) UNIFORM GUIDANCE

A. Uniform Guidance

The OMB Uniform Guidance provides instruction in several administrative areas, including: (1) financial management and cost principles, (2) audit, (3) grants management, (4) records management, and (5) property management. In some cases, the state requirements are more restrictive than the Uniform Guidance. In cases where the DWS and Uniform Guidance requirements conflict, the most restrictive requirement must be followed.

References: 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and 2 CFR Part 290 Grants and Agreements

B. Cost Principles

In determining allowable costs under a grant or contract, the recipient must **(unless granted prior written approval by DWS):**

1. Follow federal cost principles, including any subsequent amendments to the Uniform Guidance cited which are applicable to the recipient's organization.
2. Allow only those costs permitted under the cost principles which are reasonable, allocable, necessary to achieve approved program goals, and which are in accordance with recipient policy and terms of the grant or contract.

The following general cost principles may be used in determining allowability for grants:

- Costs must be necessary and reasonable: Any cost charged to a grant must be necessary and reasonable for the proper and efficient performance and administration of the grant. A grantee or subgrantee is required to exercise sound business practices and to comply with its procedure for charging costs.
- Costs must be allocable: A grantee or subgrantee may charge costs to the grant if those costs are clearly identifiable as benefiting the grant program. Costs charged to the grant should benefit only the grant program, not other programs or activities. In order to be allocable, a cost must be treated consistently with like costs and incurred specifically for the program being charged.
- Costs must be authorized or not prohibited under Federal, State or Local laws or regulations: Costs incurred must not be prohibited by any Federal, State or Local laws.
- Costs must receive consistent treatment by a grantee: A grantee or subgrantee must treat a cost uniformly across program elements and from year to year. Costs that are indirect for some programs cannot be considered direct Employment and Training Administration (ETA) grant costs.
- Costs must not be used to meet matching or cost-sharing requirements: A grantee may not use

federally funded costs, whether direct or indirect, as a match to meet matching fund requirements unless specifically authorized by law.

- Costs must be adequately documented: A grantee must document all costs in a manner consistent with Generally Accepted Accounting Principles (GAAP). Examples include retaining evidence of competitive bidding for services or supplies, adequate time records for employees who charge time against the grant, invoices, receipts, purchase orders, etc.
- Costs must conform to ETA grant exclusions and limitations: A grantee or subgrantee may not charge a cost to the grant that is unallowable per the grant regulations, or the cost limitations specified in the regulations.

V. DE-OBLIGATION AND REALLOCATION

A. De-obligation

Consistent with WIOA expenditure policies, it is the policy of the State of North Carolina that all WDBs expend their full WIOA allocations within a two-year time frame from the original award year, as further described below. Any exceptions will be noted in correspondence issued by DWS.

1. Effective June 30 of the second full fiscal year after a WIOA allocation, all funds must be expended. Any unspent funds will be de-obligated from the Local Area and returned to the state via WISE.
2. Any change in funding necessitated by the de-obligation/reallocation policy will be made on an NFA.

Rapid Response or State Set Aside funding follows the end date as stated in the NFA Letter.

B. Reallocation

The DWS will redistribute de-obligated funds.

VI. AUDIT

A. Audit Requirements

Non-Federal subrecipients that expend \$1,000,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of Uniform Guidance 2 CFR Part 200 Subpart F 200.501 Audit Requirements. Details are provided in the Uniform Guidance relating to specified types of subrecipients. Any entity that spends less than \$1,000,000 a year in Federal funds is exempt from the audit requirements, but records must be made available for review or audit by Federal agencies or the passthrough entity, if requested.

Audit reports are to be submitted within thirty days after receipt of the auditor's report or no later than nine months after the end of the audit period. The reports are to be submitted to the Federal Audit Clearinghouse. A copy of the audit report is also to be submitted to DWS no later than nine months after the end of the audit period. Recipients (who may also be subrecipients), whether a State or Local Area, that pass down funds to another subrecipient must ensure that the entity receiving the

funds has an audit conducted if the entity meets the \$1,000,000 expenditure threshold. The grantor agency is also responsible for ensuring that findings are resolved within six months of receipt of the audit report.

B. Audit Resolution

DWS is responsible for resolving the findings that arise from the state's monitoring reviews, investigations, and audits. Each entity that receives WIOA funds and awards a portion of those funds to one or more subrecipients shall:

1. Ensure that each subrecipient complies with the applicable audit requirements;
2. Resolve all audit findings that impact WIOA with its sub-recipient and ensure that corrective action for all such findings is instituted within six months after receipt of the audit report and where appropriate, corrective action shall include debt collection action for all disallowed costs; and
3. Maintain an audit resolution file documenting the disposition of reported questioned costs and corrective actions taken for all findings.

The debt collection policies and procedures and the auditee's right to appeal an audit determination will be in accordance with 2 CFR Part 200.516 Audit Findings, resolution of findings from monitoring and oversight reviews.

VII. PROPERTY PROCEDURES

A. Equipment and Property Management

The Grant Administration Agreement between DWS and the WDB in the 'Property' Section 3.6, sets forth the state policies for equipment and property. The Grant Administrator and subrecipients shall adhere to all state and local government procurement policies and procedures when acquiring all non-expendable property.

Title to property acquired with WIOA funds becomes vested with the Grant Administrator, who retains the title to the property and is responsible for the identification, accountability, inventory, and proper maintenance and security of all property under its control.

Property means tangible non-expendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$500 or more per unit, and as outlined in the 'Property' Section 3.6 of the Grant Administration Agreement.

Property records shall be maintained, and a physical inventory of equipment shall be taken at least annually and reconciled to the property records. An appropriate control system shall be used to safeguard property, and equipment shall be adequately maintained by the Local Area.

In addition to the subgrantee's inventory system, additional information must be entered to accurately identify the property:

1. Source of funding

2. Manufacturer's name and serial number or other identification number (such as inventory tag).
3. Description of item
4. Unit cost including taxes, shipping and handling
5. Location of property
6. Acquisition date (or date received, if the property was furnished by the federal government)
7. Date of disposal and sale price
8. Percentage of federal participation in the project costs for the federal award under which the property was acquired

In addition to the requirements above, the following must occur:

- A physical property inventory must be conducted and the results reconciled with the property records at least annually.
- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property; any loss, damage or theft of property must be investigated.
- Adequate maintenance procedures must be established to keep the property in good operating order.
- Proper sales procedures must be established to ensure the highest possible return (Uniform Guidance Section 200.313(d) and Section 97.32(d)).

B. Auditable Areas

All subgrantees are responsible for establishing a property inventory system to cover the auditable areas of property management to include the following items:

1. Acquisition
2. Proper Local Area (LA) utilization
3. Maintenance
4. Inventory
5. Disposition
6. Exact location of property

The Grant Administrator and subrecipients are responsible for assuring activities funded under WIOA are audited in accordance with the requirements set forth in the "Recordkeeping, Reporting and Accounting" section of the Grant Administration Agreement.

Stand-in costs, if used for repayment, must have been recorded and reported as uncharged program costs under the same WIOA title, in the same program and during the same period in which the disallowed costs were incurred. The accounting for these stand-in costs are a function of Local Area financial accounting and are not identified separately in WISE.

C. Acquisition

All property with unit costs of \$10,000 or more or an aggregate purchase (a purchase of multiple items of the same product) of \$10,000 or more (taxes, shipping, software including licenses, and

handling costs included) must have DWS approval and written certification by a Financial monitor that the Local Area is in compliance with applicable state and federal laws and regulations and are necessary and reasonable. Subrecipients/service contractors must abide by these requirements as well.

All purchase requests must be submitted to the assigned DWS Financial Monitor and accompanied by the following documentation:

1. Full justification of need and include the funding source.
2. Assurance that local procurement procedures were followed and that competitive bid determined the selection of one item over another.
3. Documentation that alternative methods of acquisition have been explored.
4. Location where property will be used.
5. The accepted bid with the exact cost of property items, including installation, taxes, shipping, and handling charges.

D. Lease Equipment

In order to minimize the use of Local Area funds for the purchase of non-expendable property having unit costs of \$10,000 or more, subgrantees should explore alternate methods of acquisition rather than direct purchase.

All leases with options to purchase over \$10,000 must have DWS's review and written compliance certification.

E. IT/Computer Equipment

When submitting a request to purchase computer equipment, the unit cost must reflect the total sum of the individual cost of the components (keyboard, logic unit/ CPU, monitor/display screen, software both installed and acquired through licensing, and installation).

Software installed on computer hard drives and accessed through purchased licenses is considered an asset at 2 CFR 200 and becomes part of the computer cost.

F. Missing, Stolen, or Maliciously Damaged Property

All situations involving missing, stolen, or maliciously damaged property items with unit costs of \$5,000 or more must be reported to DWS immediately.

All missing, stolen, or maliciously damaged property items with unit costs between \$500 and \$4,999 will follow established written procedures as prescribed by the Local Area Policy.

The DWS will require the subgrantee to obtain a written report form from the proper law enforcement agency and submit a copy of the report to DWS.

G. Disposition of Property

Based on the DWS contract agreement that items valued at \$500 or greater must be added to the asset listing/inventory, and equipment items with a current per unit fair market value of *less than \$500* may be retained, sold or disposed of with no obligation to the North Carolina Division of Workforce Solutions.

For equipment with a fair market value of **\$5,000 to \$9,999.99**, recipients of WIOA funds should take steps as outlined in 29 CFR § 97.32 (e) (2) - (3), 29 CFR § 95.34 (c), and 29 CFR § 95.34 (g).

For equipment with a fair market value of **\$10,000 or more**, recipients of WIOA funds should take steps as outlined in 29 CFR § 200.313 (e) (1) - (4), 29 CFR § 97.34 (g) and 29 CFR § 95.34 (c).

Steps that should be followed for equipment with a fair market value of **\$5,000 to \$9999.99** or a fair market value of **\$10,000 or more**:

1. The recipient may use the equipment in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by federal funds.
2. If the equipment is no longer needed by the original program/project, the recipient shall use the equipment in connection with its other federally sponsored activities. Priority should be given to programs funded by the DOL ETA.
3. If the equipment is no longer needed by the program/project or used in connection with other federally sponsored activities, the recipient may:
 - a. Retain the equipment for other uses
 - b. Transfer the title to a third party or
 - c. Sell the equipment

If the equipment is retained, transferred, or sold, then compensation must be made for the WIOA federal funds used in the purchase. The amount of compensation shall be computed by applying the percentage of WIOA federal funds used in the purchase. If only WIOA federal funds were used for the purchase, then the percentage would be 100 percent. If both WIOA federal and local funds were used in the purchase, then use the WIOA federal funds percentage for the calculation. This percentage is applied to the fair market value or proceeds of the sale of the equipment. Recipients of subgrants are permitted to deduct actual reasonable selling and handling expenses (\$500 or 10 percent of the proceeds of the sale, whichever is less) from the proceeds of the sale. The balance of WIOA federal funds must be sent within 30 days to the DWS Finance Unit. The Name of the Entity, Agreement Number, Program Year, and Funding Stream must be provided when submitting the funds.

1. In the case of retention, transfer, or sale of the equipment, a Request for Transfer or Disposition of Excess Property should be submitted and communicated to DWS for pre-approval. All such forms, yearly inventory reports, and requests for disposition approvals must be submitted to the respective DWS Financial Monitor.
2. **Computation of "Fair Market" Value:** The selling price of an item that is sold through auction, advertisement, or a dealer is the fair market value of the item regardless of any prior estimates. An item that is not sold but retained by the entity

has a fair market value based on similar items that are offered for sale, using the selling price if known. Methods for determining fair market value include, but are not limited to: Auction, Classified advertisements for similar used items, Dealers and Licensed appraisers. (For automobiles, trucks, and vans, the standard authority on the value of used vehicles is the Kelley's Blue Book).

Property Records Retention: Property records (*for all WIOA property items costing \$500 and above*) must be maintained from the date of acquisition, through final disposition. Sub recipients must also retain those records for a period of three years from the date of their last expenditure report submitted to the DWS. If any litigation, claim, or audit is started before the expiration of the three-year period, all records must be retained until all findings have been resolved and final action taken.

VIII. CONSULTANTS, PERSONAL SERVICE, AND PURCHASE AGREEMENTS

Local Area WDBs and their subrecipient/contractors must file requests for consultant contracts, purchase of personal services, and planned purchase agreements (quotes, purchase orders, requisitions, etc.) when the deliverables are specifically defined and priced at or over \$10,000. The contracts and purchase agreements must be filed with the DWS Financial Monitor before the contract is finalized. The filing is to be submitted to DWS for a minimum of **fifteen (15) business days** prior to the execution of contract. The Financial Monitor will review the filing and provide feedback. During the onsite monitoring, the DWS Financial Monitor will review the contract documentation against the filing submitted to DWS. The filing submitted to the Division must include:

1. The cost of the proposed consultant contract, personal services contract and/or purchase agreement;
2. The starting and ending dates of planned contract or agreement;
3. The purpose of the consultant contract, personal services contract, and/or purchase agreement;
4. List whether the procurement is Competitive or Non-Competitive; and
5. The funding source to be used.

IX. OUTREACH MATERIALS

Pursuant to the Uniform Administrative Guidance 2 CFR 200.421 (b)(4), WDBs may purchase program outreach materials to advertise WIOA services and programs to eligible audiences and other specific purposes necessary to meet the federal award requirements. The USDOL has provided guidance on the purchase of outreach material, included below, as additional guidance when planning to purchase outreach material. The DWS highly recommends that WDBs consult with their assigned Financial Monitor prior to the purchase of outreach materials to ensure that the purchase is necessary, reasonable, allowable, and allocable. The Financial Monitor will provide feedback as needed. Outreach material purchases, for which the total cost is above \$10,000, must be submitted and approved per section VII-C of this policy.

Regardless of whether the board chooses to consult with their Financial Monitor, the board must maintain the following documentation on all purchases of outreach materials:

1. A description of the materials to be purchased. The material must contain information related to the WIOA program.
2. A description that details the event or events for which the outreach materials will be provided, to include the potential dates, estimated attendees and purpose of the event and the purpose of the items selected as they relate to the planned events.
3. Detail the measures for safeguarding the outreach materials.
4. Documentation of three quotes. A minimum of three quotes is required for procurement of outreach materials, regardless of cost.
5. Indication of the specific funding source to be used.

In addition to the information found in Uniform Administrative Guidance 2 CFR 200.421 (b)(4), below are some things to consider when using WIOA funds to purchase items for program outreach and recruitment from the Department of Labor:

Policy, Limitations, and Supporting Documentation

The local area/board purchasing such items must have a policy in place that employs sound management practices and adheres to consistent and equitable treatment. It is expected that managers and staff are trained on such policies to ensure consistent treatment and application across offices, programs, and participants. The allowability and allocability of providing such materials or goods are based upon the necessity and reasonableness for the proper and efficient performance and administration of the Federal award.

The seven guiding factors determining the allowability of a cost as found in the Uniform Guidance at 2 CFR part 200 are the following:

- a) Be reasonable for the performance of the award and be allocable thereto under these principles.
- b) Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
- c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization.
- d) Be accorded consistent treatment.
- e) Be determined in accordance with GAAP.
- f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
- g) Be adequately documented

Please also be aware of the terms contained in your grant agreement that must be considered as well:

Requirement to Provide Certain Information in Public Communications/Stevens Amendment

When issuing statements, press releases, requests for proposals, bid solicitations, and other documents describing projects or programs funded in whole or in part with Federal money, all non-Federal entities receiving Federal funds shall clearly state:

1. The percentage of the total costs of the program or project that will be financed with federal money;

2. The dollar amount of federal funds for the project or program; and
3. The percentage and dollar amount of the total costs of the project or program that will be financed by non-governmental sources.

The requirements of this part are separate from those in the 2 CFR 200 and, when appropriate, both must be complied with.

Prudent Person

When making such purchases, the standards of reasonableness using the prudent person standards prevail. The concern seen throughout the system is when the item appears to be promotional in nature or is high in the eyes of a prudent person that it becomes questionable and ultimately unallowable.