



**NORTH CAROLINA DEPARTMENT OF COMMERCE  
DIVISION OF WORKFORCE SOLUTIONS**

**DWS POLICY STATEMENT NUMBER: PS 19-2013**

**Date: October 14, 2013**

**Subject: Financial Management Policy for Workforce  
Investment Act Funds**

**From:**

*Roger Shackleford*

**Roger Shackleford, Assistant Secretary**

- Purpose:** To transmit the current Division of Workforce Solutions Financial Management policies; and to rescind Local Area Issuance No. 2005-08.
- Background:** This Policy Statement updates the Division's financial management and property policies previously contained in the aforementioned Issuance.
- Action:** Local Workforce Development Areas and Subgrantees are required to adhere to the attached financial policies and procedures for the administration of the Workforce Investment Act.
- Effective Date:** Immediately
- Expiration:** Indefinite
- Contact:** Division Finance Director
- Attachment:** Financial Management Policy

**NORTH CAROLINA DIVISION OF WORKFORCE SOLUTIONS**

**FINANCIAL MANAGEMENT POLICY  
FOR WORKFORCE INVESTMENT ACT FUNDS**

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**RESCINDED**

## **I. RECIPIENT FUNDING**

### **A. ADMINISTRATIVE ADJUSTMENT/NFA PROCESS**

The Division of Workforce Solutions (DWS) issues planning allocations to Local Workforce Development Areas (Local Areas) 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 Obligation Authority (NOO) from the USDOL. Once the State has received a Notice of Obligation authority 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 (PY) 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 NOO is reduced by the USDOL.

NFA letters include the Local Area funding level by fund and program year. A PY fund amount will remain in WISE until the final audit for the PY has been reconciled, resolved and agreed upon by both DWS and the Local Area. Sixty days before the end date on the NFA letter, WISE will send an email reminder of the impending closeout date. The Local Area should submit an Administrative Adjustment via WISE to de-obligate any funds that will not be spent. Monthly Financial Reports are required until the NFA equals the Expenditures and Cash Drawdowns.

### **OBLIGATIONAL AUTHORITY**

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 cost 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 Planning Instruction Policy Statement.

## **II. CASH MANAGEMENT**

### **A. CASH DRAWDOWNS**

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 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 PY 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 (PY) on a Monthly Financial Report (MFR) via WISE. **MFRs are due by the last working day of the month following the report month for any open PY.** 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 PY, while accruals are reported monthly. In the event that a PY is not fully expended by the end date specified on the PYA budget, an administrative adjustment to de-obligate the remaining funds should be requested in WISE.

DWS will approve all MFR's 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, 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 PYs 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 Elected Official (CEO).

#### **IV. OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULARS AND COST PRINCIPLES**

##### **A. CIRCULARS**

OMB Circulars provide guidance 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 Circular. In cases where the DWS policy and OMB Circular requirements conflict, the most restrictive requirement must be followed.

REFERENCES – OMB Circular A-21 – “Cost Principles for Education Institutions;” OMB Circular A-87 – “Cost Principles for State and Local Governments;” 29 CFR Part 97 - “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments;” 29 CFR Part 95 – Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education;” OMB Circular A-122 – “Cost Principles for Non-profit Organizations;” OMB Circular A-133 – “Audits of States, Local Government and Non-Profit Organizations.”

##### **B. COST PRINCIPLES**

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

1. Use Federal cost principles, including any subsequent amendments to the OMB circular cited which are applicable to the recipient’s organization.
2. Ensure that each recipient receives a copy of applicable cost principles.
3. 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.

Different OMB Circulars apply to different organizations. If a recipient or subrecipient/contractor is a state or local government, OMB Circular A-87 applies. If a recipient or subrecipient/contractor is an institution of higher education, OMB Circular A-21 applies. Other nonprofit organizations must follow the principles outlined in OMB Circular A-122. Organization-specific requirements are described below.

1. State, Local and Federally-Recognized Indian Tribal Governments

OMB Circular A-87 provides principles for determining cost applicable to grants and contracts with state, local and federally-recognized Indian tribal governments. Regional Councils of Governments (COGs) are considered quasi-governmental, as are vocational technical schools, and as such are obligated to comply with OMB Circular A-87. OMB assigns primary responsibility for negotiation, approval, and audit or indirect cost proposals of department or organizations within a state to a single federal cognizant agency. An organization which needs to have a cognizant agency identified or which otherwise needs additional information should contact the deputy chief of the Financial Management Branch at the Office of Management and Budget, (202) 395-3993.

2. Institutions of Higher Education

OMB Circular A-21 provides principles for determining costs applicable to grants and contracts with public and private institutions of higher education. An educational institution may be a subrecipient to, e.g., a COG. Federal policy requires that the educational institution adhere to OMB Circular A-21 even though the COG is bound by A-87; the application of the Circular is determined by the lowest level to which funding flows.

3. Other Non-profit Organizations

OMB Circular A-122 provides principles for determining costs applicable to grants and contracts with non-profit organizations, other than institutions of higher education which are governed by OMB Circular A-21, as previously described. Again, the application of the Circular is determined by the lowest level to which funding flows.

**V. DE-OBLIGATION AND REALLOCATION**

**A. DE-OBLIGATION**

Consistent with WIA expenditure policies, it is the policy of the State of North Carolina that all Local Areas expend their full WIA 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 at June 30 of the second full fiscal year after a WIA 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 a NFA.

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

**B. REALLOCATION**

Division of Workforce Solutions will redistribute de-obligated funds.

## **VI. AUDIT**

### **A. AUDIT REQUIREMENTS**

Non-Federal sub-recipients that expend \$500,000 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 OMB Circular No. A-133 (Audits of States, Local Governments, and Non-Profit Organizations), as revised June 26, 2007. An auditee may be a recipient, a sub-recipient, and a vendor. Federal awards expended as a recipient or a sub-recipient would be subject to audit under these audit requirements. The payments received for goods or services provided as a vendor would not be considered Federal awards. Each agency is responsible for arranging its own independent audit. In procuring audit services, auditees shall follow the procurement standards in the Grants Management Common Rule (A-102 Common Rule), Circular A-110, or the Federal Acquisition Regulation (FAR) [48 CFR Part 42]. If a non-Federal subrecipient is not authorized to arrange or procure audit services, then the auditor selection provisions of this paragraph do not apply.

For-profit agencies (commercial organizations), which are sub-recipients and which expend \$500,000.00 or more in a year in Federal awards, to operate WIA Title I shall have either an organization-wide audit conducted in accordance with A-133 or a program specific financial and compliance audit. For-profit subrecipient (commercial organizations) audits shall be either:

1. An independent financial and compliance audit of Federal awards that includes coverage of WIA within its scope, and is conducted and prepared in accordance with generally accepted government auditing standards; or
2. An organization-wide audit that includes financial and compliance coverage of WIA within its scope.

Except for the provisions of biennial audits provided, audits shall be performed annually. All audits shall be completed and submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant agency, oversight agency or the Federal agency that provided the funding or a different period is specified in a program specific audit guide. Unless restricted by law or regulation, the auditee shall make report copies available for public inspection.

Unless prohibited by law, the cost of audits made in accordance with the provisions of these audit requirements are allowable charges to Federal awards. The cost of auditing a non-Federal entity which has Federal awards expended of less than \$500,000.00 per year is an unallowable Federal award cost.

### **B. AUDIT RESOLUTION**

DWS is responsible for resolving the findings that arise from the State's monitoring reviews, investigations, and audits (including OMB Circular A-133 audits of subrecipients). Each entity that receives WIA 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 WIA 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 20 CFR at 667.500, resolution of findings from monitoring and oversight reviews.

## **VII. PROPERTY PROCEDURES**

### **A. EQUIPMENT AND PROPERTY MANAGEMENT**

The Subgrant Administration Agreement between DWS and the Local Area in the 'Property' section 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 WIA 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 of the Subgrant Administration Agreement.

Property records shall be maintained; 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. DWS will carry a master inventory for only those items with unit costs of \$5,000 or more.

When property with a current per unit fair market value in excess of \$5,000 is no longer needed for a Federal Program, it may be retained or sold with the Federal Agency having a right to a proportionate amount of the current fair market value.

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

1. Funding source
2. Manufacturer's name
3. Serial number (if applicable)
4. Description of item
5. Unit cost including taxes, shipping and handling
6. Location of property
7. Date of delivery

**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 WIA are audited in accordance with the requirements set forth in the "Recordkeeping, Reporting and Accounting" section of the Subgrant Administration Agreement.

Stand-in costs, if used for repayment, must have been recorded and reported as uncharged program costs under the same WIA 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 \$5,000 or more (taxes, shipping and handling costs included) must have DWS written certification that the Local Area is in compliance with applicable State and Federal laws and regulations, and, are necessary and reasonable.

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

1. Full justification of need.
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. 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 \$5,000 or more, subgrantees should explore alternate methods of acquisition rather than direct purchase.

All leases with options to purchase over \$5,000 must have DWS's review and written compliance certification.

**E. 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 or CPU, monitor/display screen, and diskette drive).

Software installed on computer hard drives become a part of the computer cost.

**F. MISSING, STOLEN, OR MALICIOUSLY DAMAGED PROPERTY**

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

All situations involving property items with unit costs between \$500 and \$4,999 will follow established written procedures as prescribed by the Local Area.

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.

**VIII. CONSULTANTS AND PERSONAL SERVICE**

Consultants and personal services contract, costing \$5000 and over, must have DWS review and written compliance certification before the contract is finalized. Requests are to be submitted to the assigned DWS Field Services Financial Monitor.

As a minimum, the letter to DWS requesting review and written compliance certification must contain the following information:

1. The cost of the proposed contract;
2. The starting and ending dates;
3. The purpose of the contract;
4. The assurance of adherence to local and state procurement policies; and
5. The funding source to be used.