



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

DWS POLICY STATEMENT NUMBER: PS 19-2015

Date: October 7, 2015

**Subject: Financial Management Policy for Workforce
Innovation and Opportunity Act – Title I**

From:

William H. Collins, Jr.
Assistant Secretary for Workforce Development

Purpose: To transmit the current Division of Workforce Solutions Financial Management policies and to rescind DWS Policy Statement Numbers: PS 19-2013 and PS 19-2013, Change 1.

Update to reflect Workforce Innovation and Opportunity Act and Federal Office of Management and Budget (OMB) Uniform Guidance.

Action: Local Workforce Development Areas and Subgrantees are required to adhere to the attached financial policies and procedures for the administration of the Workforce Innovation and Opportunity Act - Title I.

Effective Date: Immediately

Expiration: Indefinite

Contact: Division Finance Director

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 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 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 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 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.

B. 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 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 Monthly Financial Report (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 filed 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 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.

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 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 Elected Official (CEO).

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

A. Uniform Guidance

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 policy 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 cost 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.

Special Organization-specific requirements are now combined in the Uniform Guidance but are readily identified in separate sections as stated in the Electronic Code of Federal Regulations. (http://www.ecfr/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)

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 Local Areas 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 at 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 a NFA.

Rapid Response or State Set Aside funding follow 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 \$750,000 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.

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 200.416 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 Local Area 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.

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 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 \$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 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. 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 \$5,000 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.

Rescinded