Workforce Investment Field Instruction (WIFI) No. 12-99

Date:	March 22, 2000
To:	Maryland JTPA /WIAGrant Recipients
Subject:	Financial Management Handbook
Reference:	Public Law 105-220, Workforce Investment Act 20 CFR 652, Workforce Investment Act; Final Rule OMB Circulars A-87, A-122, A-21, 48 CFR Part 31 OMB Circular A-133 DOL Regulations, 29 CFR Part 97, 29 CFR Part 95
Background Information:	Part 667 of the WIA regulations establishes the administrative provisions, which apply to WIA programs. It specifies the rules that are applicable to the management and use of WIA funds
Action To Be Taken:	The OET Financial Management Handbook contains the administrative rules applicable to the management of WIA funds. It is designed to assist Local Workforce Investment Areas with financial management, property management, procurement standards, and other administrative issues. Local WIAs should adhere to the standards contained in the handbook.
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Effective Date:	

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STATE OF MARYLAND
Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act

FINANCIAL MANAGEMENT HANDBOOK

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CHAPTER 1. STANDARDS FOR FINANCIAL MANAGEMENT

I. Introduction

The administrative rules applicable to the management and use of Workforce Investment Act (WIA) funds are found in the Department of Labor (DOL) regulations at 29 CFR 97 and 29 CFR 95. These regulations contain the codification of the uniform administrative requirements of OMB Circular A-102 and A-110. 29 CFR Part 97 contains the rules applicable to States, local and Indian tribal governments. 29 CFR Part 95 contains the rules applicable to institutions of higher education and other non-profit organizations. DOL has also extended the use of 29 CFR Part 95 to commercial organizations. In addition to the requirements for property management, cash management, procurement, and other grant management topics, both Part 97 and Part 95 describe what constitutes a proper system for managing and accounting for WIA funds.

II. Governmental Grantees

Section 97.20(a), Standards for Financial Management Systems specifies the requirements for administrative and financial management systems for States:

(a) A State must expend and account for Federal grant funds using the same State laws and procedures used in expending and accounting for State funds. Fiscal control and accounting procedures of the State as well as its subgrantees must be sufficient to:

(1) Permit preparation of required reports, and

(2) Permit the tracing of funds to a level of expenditures adequate to establish that funds have not been used in violation of applicable restrictions on the use of such funds.

29 CFR 20(b) states that local governments and Indian tribes must maintain financial management systems that meet the following standards.

1. Financial Reporting- Accurate, current, and complete disclosure of the financial results of WIA activities must be made in accordance with WIA reporting requirements.

2. Accounting Records- Grantees and subgrantees must maintain records which adequately identify WIA funds. These records must maintain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, or expenditures, and income.

3. Internal Control- Effective control and accountability must be maintained for all grant and subgrant cash, property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

4. Budget Control- Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be acceptable whenever possible.

5. Allowable Costs- Applicable OMB cost principles, WIA regulations, and the terms of the grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

6. Source of Documentation- Accounting records must be supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

7. Cash Management- Procedures for minimizing the time elapsing between the transfer of funds from the primary grantor and the disbursement by subgrantees must be followed when the advanced payment procedure is used. When advances are made by electronic fund transfer the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor the cash drawdowns of their subgrantees to assure that they conform to proper cash management procedures.

An awarding agency may review the adequacy of the financial management system of any applicant for financial assistance as part of a preaward review or at any time subsequent to the award.

III. Nongovernmental Grantees

Section 29 CFR Part 95.21 specifies the requirements for administrative and financial management systems for non-profits, institutions of higher education, and commercial organizations that are recipients of WIA funds. Part 95.21 (a) requires grantees to relate the financial results of the program to performance results. The standards of the financial management system are substantially the same as those applied to governments and are:

1. Accurate, current, and complete disclosure of the financial results of the WIA program, in accordance with its reporting requirements. Though DOL requires reporting on an accrual basis, a grantee is not required to establish an accrual accounting system. The grantee may develop accrual data for its reports through an analysis of the documents on hand.

2. Records that adequately identify WIA grant awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest.

3. Effective control and accountability for WIA funds, property, and other assets. Grantees must ensure assets are used only for WIA purposes.

4. Must be a comparison of expenditures to budget amount. Whenever appropriate, financial information should be related to performance and unit cost information.

5. Written procedures to minimize the time between receipt of funds and the issuance of checks and warrants. Procedures must be consistent with the requirements of the Cash Management Improvement Act or the procedures codified at 31 CFR Part 205.

6. Written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the applicable OMB circulars and items of the WIA grant.

7. Accounting records that are supported by source documentation.

IV. Additional Requirements

WIA regulation 667.300(b)(2) requires that financial systems must be sufficient to track:

a. program income
b. stand-in costs
c. profits earned

Section 667.300 (b)(3) requires that reported expenditures, program income, and profits be accumulated by year of appropriation.

V. Generally Accepted Accounting Procedures

OMB regulations stipulate that all recipients financial transactions should be conducted, and records maintained in accordance with Generally Accepted Accounting Principles (GAAP). GAAP are accounting rules and procedures that have evolved through custom and common usage and are now recognized by authoritative bodies.

GAAP includes some basic concepts and principles that apply to all entities, financial systems and financial reporting requirements. The principles are also embodied in OMB Circulars A-87 and A-122, and are reflected in the standards for financial systems found at 29 CFR 97.20 and 29 CFR 95.21.

The central theme of GAAP is accountability. GAAP is intended to provide standards, guidance, and policy for financial accounting and reporting. GAAP assures that a reader of financial information will be receiving data and reports that are consistent, comparable, and present fairly the financial results of an organization.

VI. Records Retention

Financial reports, supporting documents, statistical records, and all other records pertinent to a grant award shall be retained for a period of three years from the date of submission of the final expenditure report to the State of Maryland, Department of Labor Licensing and Regulation, Office of Employment Training. However, if any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. Records for real property and equipment acquired with Federal funds shall be retained for three years after the final disposition.

CHAPTER 2. COST CLASSIFICATION/ALLOWABLE COSTS

I. Introduction

This chapter provides guidance on the classification of costs in the WIA program and, discusses the definition of administration, and the administrative cost limitation under WIA.

II. Cost Categories and Activities

Cost classification is described in OMB Circular A-87 as the process used to assign cost to benefiting cost objectives. In the WIA program the benefiting cost objectives that may receive costs are the following cost categories:

1. administration – direct and indirect costs associated with the specified administrative functions.

2. technology/computerization –the cost of hardware and software needed for tracking and monitoring of WIA program, participant, or performance requirements; or for collecting, storing and disseminating information under the core services. (these are now program costs and this category may be removed from the reporting requirement)

3. adult – costs associated with adult program functions

4. dislocated worker – costs associated with dislocated worker program functions

5. out-of-school youth- costs associated with youth; who are school dropouts, who have received a secondary school diploma, or its equivalent, but are basic skills deficient, unemployed, or underemployed.

6. in-school youth- costs associated with youth that are in school. Youth in alternative schools are considered in-school youth.

7. summer employment activities- costs spent on summer employment opportunities.

III. Administrative Costs and Limitations

Administrative costs are limited in the WIA program to a maximum of 10 percent of each program year's allocation for the adult, youth, and dislocated worker funding streams. These funds may be used for the administrative costs of any local workforce investment activities, and need not be allocated back to the individual funding streams. The administrative funds from the adult, youth, and dislocated worker funding streams will be combined in a single grant and will not be subject to the State's recapture or reallocation policy.

IV. Definition of Administration

The definition of administration has been revised so that program planning, negotiating MOUs, and public relations will not be charged to administration. **Only the listed functions are now considered to be administrative**. In addition, only the oversight and travel associated with the specifically identified administrative functions are to be considered an administrative cost. Except for awards to vendors and or subrecipients, which are for the performance of administrative functions, all costs below the one-stop operator level are program costs.

A. The costs of administration are that allocable portion of necessary and reasonable allowable costs of State and local workforce investment boards, direct recipients, including State grant recipients under subtitle B of title I, and recipients of awards under subtitle D of title I, as well as local grant recipients, local grant subrecipients, and local fiscal agents that are associated with those specific functions identified in paragraph B. of this section and which are not related to the direct provision of workforce investment services, including services to participants and employers. These costs can be both personnel and non-personnel and both direct and indirect.

B. The costs of administration are the costs associated with performing the following functions:

1. Performing the following overall general administrative functions and coordination of those functions under WIA title I;

    (i) accounting, budgeting, financial and cash management functions;
    (ii) procurement and purchasing functions;
    (iii) property management functions;
    (iv) personnel management functions;
    (v) payroll functions;
    (vi) coordinating the resolution of findings arising from audits, reviews, investigations, and incident reports;
    (vii) audit functions;

(viii) general legal services functions;
(ix) developing systems and procedures, including information systems, required for these administrative functions;

2. Performing oversight and monitoring responsibilities related to WIA administrative functions,

3. Costs of goods and services required for administrative functions of the program, including goods and services such as rental or purchase of equipment, utilities, office supplies, postage, and rental maintenance of office space;

4. Travel costs incurred for official business in carrying out administrative activities or the overall management of the WIA system; and

5. Costs of information systems related to administrative functions (for example, personnel, procurement, purchasing, property management, accounting and payroll systems) including the purchase, systems development and operating costs of such systems.

C. Only that portion of the costs of One-Stop operators which are associated with the performance of the administrative functions described in paragraph B of this section and awards to subrecipients or vendors that are solely for the performance of administrative functions are classified as administrative costs. All other costs of one-stop operators are classified as program costs.

D. Personnel and related non-personnel costs of those who perform both administrative functions specified in paragraph B. of this section and programmatic services or activities are to be allocated as administrative or program costs to the benefiting cost objectives/categories based on documented distributions of actual time worked or other equitable cost allocation methods.

E. Continuous improvement activities are charged to administration or program category based on the purpose or nature of the activity to be improved. Documentation of such charges must be maintained.

V. Program Costs

Program costs include but are not limited to:

1. Responsibilities of the State and Local Workforce Investment Boards and chief elected officials or boards of chief elected officials required for the local public/private partnership. The specific responsibilities of these boards and officials include, but are not limited to, those identified in the sections of the Act dealing with workforce investment boards and areas, and one-stop systems, (WIA Sections. 111(d), 116, 117(d), (e) & (h)(4), and 121(a)).

2. Costs of staff who provide program services directly to participants, first line supervisors, team leaders responsible for staff who provide program services.

3. Preparing program plans.

4. Negotiating MOUs.

5. Conducting public relations activities.

6. Specific costs charged to an overhead or indirect cost pool that can be identified directly as a program cost are to be charged as a program cost. Documentation of such charges must be maintained.(These costs may be accumulated in a program cost pool).

7. Costs of the following information systems including the purchase, systems development, and operating (e.g. data entry) costs are charged to the program category.

   (i) Tracking or monitoring of participant and performance information;
   (ii) Employment statistics information, including job listing information, job skills information, and demand occupation information;
   (iii) Performance and program cost information on eligible providers of training services, youth activities, and appropriate education activities;
   (iv) Local area performance information;
   (v) Information relating to supportive services and unemployment insurance claims for program participants;

8. All costs below the One-Stop level except for awards to vendors and subrecipients which are for the performance of administrative functions.

9. Oversight and monitoring not dealing specifically with administrative functions.

10. Travel not for administrative functions.

VI. Allowable Costs

Guidance on allowable WIA costs is provided in a series of Federal guidelines issued by the Office of Management and Budget (OMB Circulars). These are OMB Circular A-21, Cost Principles for Educational Institutions; A-87 Cost Principles for State, Local and Indian Tribal Governments, and A-122, Cost Principles for Non-Profit Organizations. For commercial organizations the cost principles detailed in the FAR, 48 CFR Part 31, apply.

The following general cost principles are specified in the stated OMB circulars, and must be adhered to in determining the allowability of WIA costs.

Costs must be necessary and reasonable. Any costs charged to a WIA grant must be necessary and reasonable for the proper and efficient performance and administration of the grant. A grantee is required to exercise sound business practices and to comply with its procedures for charging costs. A grantee is expected to exercise the same prudence with WIA funds as a person would with his or her own funds.

Costs must be allocable. A grantee can charge costs to the grant if these costs are clearly identifiable as benefiting the WIA program. Costs charged to WIA should benefit only the WIA program, not other programs. If a grantee conducts other programs in addition to WIA, allocation methods must be used to determine what share of costs should be charged to the WIA program.

Costs must be authorized under Federal, State, or local laws. Costs incurred should not be prohibited by any Federal, State, or local laws. For example, entertainment and alcoholic beverages are prohibited from being charged to any Federal grant program.

Costs must receive consistent treatment by a grantee. A grantee must treat a cost uniformly across program elements or from year to year. Costs which are indirect for some programs cannot be considered a direct WIA cost. A cost may not be charged the WIA grant as a direct cost if any other cost incurred for the same purpose in like circumstances has been charged to another grant as an indirect cost.

Costs must be adequately documented. A WIA grantee must document all costs in a manner consistent with GAAP.

Grantees should be aware that the OMB Circulars are designed to offer guidance on determining the allowability of costs and should be used as the first source of reference. The circulars do not address every possible cost, however they are the groundwork for all grant financial management. If a cost is not mentioned it should be treated consistently with the standards provided for similar or related costs.

Attached is a reference chart that summarizes items of cost that are listed in OMB cost circulars A-21, A-87, A-122 and 48 CFR Part 31. Some of the items of cost are allowable, some are allowable with conditions, or with prior approval. Some items of cost that may be treated in one circular may not be treated in another. Also there are some costs that are allowable in WIA that are not addressed in the circulars at all.

Summary of Cost Items

(FOR USE WITH CHARTS ON PAGES 13-15)

KEY

NT = Not treated in circular
A = Allowable
AC = Allowable with conditions
AP = Allowable with prior approval of either the Grant Officer or Governor
U = Unallowable
A/U = Some categories within the particular activity are allowable, while some are not. Please consult respective circular for precise explanations.
UW = Unallowable by the WIA regulations (grantees should note that these costs could be allowable by the circulars)

	Activities	Circular A-21	Circular A-122	Circular A-87	48 CFR PART 31
1	Accounting systems	NT	NT	A	NT
2	Advertising and public relations	AC	AC/U	AC/U	AC
3	Advisory councils	NT	NT	A	NT
4	Alcoholic beverages	U	U	U	U
5	Alumni/ae activities	U	NT	NT	NT
6	Asset valuations from business combinations	NT	NT	NT	A
7	Audit services	See A-133	See A-133	A	NT
8	Automatic electronic data processing	NT	NT	AC	NT
9	Bad debts	U	U	U	U
10	Bid and proposal costs	Item 65	Reserved	Item 65	Item 65
11	Bonding costs	NT	A	A	NT
12	Budgeting	NT	NT	A	NT
13	Civil defense costs	A	NT	NT	A/U
14	Commencement & convocation costs	U	NT	NT	NT
15	Communication costs	A	A	A	NT
16	Compensation for personal services	A/U	A/U	A/U	A/U
17	Contingency provisions	U	U	U	U
18	Cost of money	U	U	U	AC
19	Deans of faculty and graduate schools	A	NT	NT	NT
20	Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringement	U	U	A/U	U

	Activities	Circular A-21	Circular A-122	Circular A-87	48 CFR PART 31
21	Deferred research and development costs	NT	NT	NT	AC/U
22	Depreciation and use allowances	AC	AC	AC	AC
23	Disbursing service	NT	NT	A	NT
24	Donations and contributions	U	U	U	U
25	Economic planning costs	UW	UW	UW	UW
26	Employee morale, health, and welfare costs and credits	A	A	A	U
27	Entertainment costs	U	U	U	U
28	Equipment and other capital expenditures	A/U	AP	AP	AP
29	Executive lobbying costs		U	U	U
30	Fines and penalties	U	U	U	U
31	Fund raising and investment management costs	NT	NT	U	U
32	Gains and losses on disposition of depreciable property and other capital assets Item 64	NT	NT	A	A
33	Gen'l Gov't expenses	NT	NT	U	NT
34	Goods/services for personal use	NT	NT	NT	U
35	Goodwill	U	U	NT	A
36	Housing and personal living expenses	U	AC/U	NT	NT
37	Idle facilities and capacity	NT	AC/U	AC/U	AC/U
38	Independent research and development	NT	Reserved	NT	AC
39	Insurance and indemnification	A	A	A	A
40	Interest, funds raising, and investment management costs	A/U	A/U	A/U	U
41	Labor relations costs	AC	AC	NT	AC
42	Lobbying	U	U	U	U
43	Losses on other sponsored agreements/ contracts	U	U	U	U
44	Maintenance and repair costs	A	A	A	A
45	Manufacturing and repair costs	NT	NT	NT	A
46	Manufacturing and product engineering costs	NT	NT	NT	A
47	Material costs	A	A	A	A
48	Meetings and conferences	NT	A	See item 2	See item 2
49	Memberships, subscriptions, and professional activity costs	A/U	A/U	A/U	NT
50	Motor Pools	NT	NT	A	NT

	Activities	Circular A-21	Circular A-122	Circular A-87	48 CFR PART 31
51	Organization costs	NT	AP	NT	U
52	Other business expense	NT	NT	NT	A
53	Overtime, extra-pay shift and multi-shift premiums	NT	AC	AC	See item 16
54	Page charges in professional journals	NT	A	NT	NT
55	Participant support costs	NT	A	NT	NT
56	Patent costs	A	A/U	NT	A/U
57	Plant protection costs	NT	NT	NT	A
58	Plant reconversion costs	NT	NT	NT	U
59	Plant security costs	U	A	NT	NT
60	Preagreement costs	U	NT	NT	NT
61	Pre-award costs	NT	AP		NT
62	Precontract costs	NT	NT	NT	AP
63	Professional services costs	A	A	A	A
64	Profits & losses on plant equipment	A	A	See item 32	See item 32
65	Proposal costs	AP	Reserved	AP	AP
66	Publication and printing costs	NT	A/U	A	NT
67	Rearrangement and alteration costs	A	A	A	A
68	Reconversion costs	A	A	A	A
69	Recruiting costs	A/U	A/U	See item 2	A
70	Relocation costs	NT	A	NT	A/U
71	Rental costs of buildings and equipment	AC	AC	AC	AC
72	Royalties and other costs for use of patents	A	A	NT	A
73	Sabbatical leave costs	A	NT	NT	NT
74	Scholarships and students aid	A	NT	NT	NT
75	Selling and marketing	U	U	NT	A/U
76	Service and warranty costs	NT	NT	NT	A
77	Severance Pay	AC	AC	AC	AC
78	Special tooling and special test equipment costs	NT	NT	NT	A
79	Specialized service facilities	A	A	NT	NT
80	Student activity costs	U	NT	NT	NT
81	Taxes	AC	AC	AC	AC
82	Termination costs	NT	A	NT	A/U
83	Trade, business, technical, and professional activity costs	AC	AC	AC	AC
84	Training and education costs	AC	AC	AC	AC
85	Transportation	AC	AC	AC	AC
87	Termination costs	A	NT	NT	NT
88	Trustees	A	A	NT	NT
89	Under recovery of costs under Federal agreements	U	U	U	U

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CHAPTER 3. COST ALLOCATION

I. Introduction

The total cost of a grant program is comprised of the allowable direct costs incident to its performance, plus the allocable portion of allowable indirect costs. The Workforce Investment Act(WIA) requires the use of OMB Circular A-87, A-21, and A-122 in determining the allocability and allowability of costs.

Costs are allowable to WIA if:

1. Reasonable and necessary to the grant award
2. Conform to any limitations found in the Uniform Cost Principles or grant award
3. Consistent with policies and procedures that apply uniformly to all activities
4. Accorded consistent treatment
5. In accordance with GAAP
6. Not a cost used to meet a matching requirement
7. Adequately documented

Allocability is a measure of the extent to which a cost benefits the WIA program in general and its cost objectives in particular. To the extent that a cost does not benefit the program the cost cannot be charged to WIA. Each program must bear its fair share of costs.

Direct costs are readily identified with and directly charged to a specific cost objective. Costs that are not readily chargeable to a final cost objective are often aggregated into intermediate cost objectives called cost pools, and are periodically allocated to final cost objectives using an appropriate allocation methodology. Cost pools can be established for any type of cost when it is beneficial or necessary to pool costs. All pooled costs must ultimately be allocated to the final cost objectives in proportion to the relative benefits received by each cost objective.

A. Direct Costs

Direct Costs are costs that can be identified specifically with a particular cost objective. Direct costs are charged directly to a final cost objective such as a cost category, and do not receive any further allocation or breakdown.

EXAMPLE:

The salary of a case manager taking care of Adult participants is directly assignable to the program cost category since the case manager function is classified as a program activity. It is fully chargeable to the Adult funding stream since the case manager is serving only Adult participants.

B. Indirect Costs

Indirect costs are costs incurred for a common or joint purpose benefiting more than one cost objective, and are not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. These costs are shared indirect costs and general indirect (overhead/G&A)costs.

Shared Indirect Costs. Shared Indirect costs are costs that cannot be readily assigned to a final cost objective, but which are directly charged to an intermediate cost objective or cost pool and subsequently allocated to final objectives. These costs are incurred for common or joint purpose benefiting more than one cost objective. These costs are similar to the general indirect costs in that it is easier to assign or allocate them based on some measure of benefit received than to assign them directly to final cost objectives.

EXAMPLE:

Case management services to participants in all funding streams are provided by case management staff in the One-Stop center. It is difficult to identify time spent by case management staff by funding stream. Costs could be directly charged to the program cost category and later distributed to the proper funding stream using an appropriate allocation method such as the number of participants enrolled.

General Indirect (Overhead/G&A) Costs. These costs may originate in the recipient's own organization or in other departments that supply goods, services and facilities to the WIA program. Most often however indirect costs are administrative costs that are incurred to support the overall operation of the organization, and for which a direct relationship to WIA cannot be shown without effort disproportionate to the results received. To distribute indirect costs equitably and consistently a indirect cost plan or rate must be used.

EXAMPLE:

WXYZ OET is a department within the county, and the County Treasurer processes WIA invoices and other department vouchers for payment. Staff in the Treasurer's office cannot readily identify the time and other costs associated with processing WIA vouchers. The county's approved indirect cost rate is used to charge WIA its share of the processing costs.

C. Treatment of Costs

Measuring Benefit: Measuring benefit is the critical requirement and central task to be performed in allocating costs. Costs are allocable to a particular cost objective to the extent of benefits received by that cost objective. Costs that do not benefit a particular cost objective are not allocable to and cannot be charged to that cost objective. When the direct measurement of benefit cannot be done efficiently and effectively then it is appropriate to pool the costs for later distribution. The allocation base is the mechanism used to allocate the pooled costs to the final cost objectives. Care should be taken to ensure that the base chosen does not distort the results.

Consistent Treatment: For a cost to be allocable to a particular cost objective, it must be treated consistently with other costs incurred for the same purpose in like circumstances. A cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to an award as an indirect cost. Costs identified specifically with other final objectives of the organization are direct costs of those cost objectives and are not to be assigned to other awards directly or indirectly.

Any cost allocable to a particular grant or other cost objective under these principles may not be shifted to other Federal grants to overcome funding deficiencies, to avoid restrictions imposed by law or grant agreement, or for other reasons.

II. Cost Allocation Plan

Cost allocation is a procedure to ensure that costs are properly and equitably distributed to the benefiting cost objective. The cost allocation plan (CAP) is a document that identifies accumulates, and distributes allowable direct and indirect costs, and identifies the allocation methods used for distributing the costs. A plan for allocating joint costs is required to support the distribution of those costs to the grant program. All costs included in the plan must be supported by formal accounting records to substantiate the propriety of the eventual charges.

A. Developing a Cost Allocation Plan

The cost allocation plan is developed to properly, and equitably allocate costs. Once pooled costs to be shared are identified, a basis of allocation must be agreed upon that is fair to benefiting cost objectives. The basis of allocation must be measurable, consistent, and supported by ongoing data collection. Different bases may allocate different pools. A cost allocation plan is required to document the allocation process and is to include at least the following elements:

- Organization chart that identifies all programs, types of services provided, and staff functions

- Descriptions of the types of services provided, all revenue sources and cost objectives

- Copy of budgets

- Expense items included in the cost of services. This would include all joint or pooled costs needing to be allocated (such as staff whose work benefits more than one cost objective, and all other costs that cannot be readily assigned to a single cost objective).

- The methods used in distributing the expenses to benefiting cost objectives. This requires identifying the basis for allocating each type of joint or pooled cost, and the documentation for supporting each basis for allocation.

- Certification by an authorized official that the plan has been prepared in accordance with WIA regulations and other applicable requirements.

Consider the following suggestions when developing a Cost Allocation Plan:

Keep It Simple- Use the simplest and least costly method possible, based on a measure of relative benefit received, that will produce an equitable allocation of programs, and cost categories.

Make It Replicable- The process you develop must be replicable at any time.

Simplify Your Organization Structure-Make your organizational structure no more complicated than necessary to allocate costs.

Consider What Is Required- The required structure and capabilities of your accounting system must be considered in designing an operable cost allocation process.

Make Changes Prudently- Changes in an organization's cost allocation plan that result in a retroactive redistribution of costs to the benefiting cost objective are allowable where the change results in a more equitable distribution of costs. Such changes in an allocation methodology require prior approval and should be justified and well documented.

Costs that are prohibited in a program may not be charged to that program under a cost allocation agreement. In addition, the preference is the use of non-pooled costs over the use of pooled costs whenever possible.

B. Cost Pools

Cost pooling is the process of accumulating costs into pools pending allocation to benefiting programs. Similar allocable costs, which may be combined to simplify the allocation process, should be pooled. Many types of cost pools are acceptable if established and managed properly in the entity's accounting systems.

EXAMPLES INCLUDE:

-Administrative cost pools
-Intake cost pools
-Facility cost pools
-Categorical cost pools
-Indirect cost pools

Administrative Cost Pools One of the benefits of an administrative cost pool is that very often administrative costs benefit multiple programs and the effort of directly classifying portions of a cost to a number of programs is burdensome. WIA regulation section 667.210 (a)(3) states that Title I administrative funds can be pooled, and are not required to be allocated back to the individual funding streams.

Other Cost Pools Cost pools other than administrative can be established for any types of common costs when it is more practical or necessary to pool such costs. Care should be taken that the allocation method fairly distributes the costs to all affected funding sources.

EXAMPLE:

A One-Stop has intake staff that conduct the initial intake for all of the programs in the One-Stop center. An intake manager is responsible for overseeing and managing the client flow process, and supervising the intake workers. All costs are unassignable and are initially pooled and charged temporarily to an intake related cost pool account. These costs include the salary and fringe benefits of the line staff and the intake manager, materials, phones, and other related costs required to carry out the intake function.

Then, based on an approved method that allocates costs based on benefits received by each program(such as the number of eligibility determinations for each program), the costs are charged back to the appropriate programs.

Personnel service costs(salary and fringe benefits) of internal staff who spend a portion of their time in administrative and a portion of their time in allowable participant service functions can be individually distributed among the respective cost categories using staff time records or other verifiable means. A supporting time record that prorates the time between two or more functions is recommended. Time records should include hours spent of each cost objective.

Non-personnel service costs that can benefit more than one cost objective can be allocated to more than one cost objective. Such allocations must be based on an appropriate allocation methodology.

C. **Allocation**

To determine the allocation process, you must first understand the nature of the cost and how the benefits will be received. There are four major requirements for a cost to be allocable.

1. A cost is allocable to a particular cost objective if the goods and services involved are chargeable or assignable to that cost objective in accordance with relative benefits received.
2. All activities, which benefit from the organization's direct costs, will receive an appropriate allocation of indirect costs.

3. Any cost allocable to a particular federal award or cost objective under the principles provided for in these guidelines may not be charged to other Federal awards to overcome fund deficiencies, to avoid restriction imposed by law or term of the Federal awards, or

for other reasons. However, this prohibition would not preclude governmental units from shifting costs that are allowable under two or more awards in accordance with existing program agreements.

4. Where an accumulation of indirect costs will ultimately result in charges to a Federal award, a cost allocation plan will be required.

D. Allocation Bases

When costs are pooled instead of being directly assigned to a final cost objective the ability to directly assign benefit for each item is lost. Instead the pool contains a group of common costs to be allocated by using an indirect or approximate measure of benefit. The approximate measure of benefit is the allocation base. An allocation base is the method of documentation to measure the extent of benefits received when allocating joint cost among multiple cost objectives.

Many different types of bases can be used in allocating costs. The most appropriate base will vary with the circumstances previously in each instance. An organization is likely to use several different bases for allocating different types of costs. The basis used to allocate a particular type of cost should be used consistently over time and described in the Cost Allocation Plan.

An allocation base is acceptable if it represents a fair measure of cost generation or cost benefits, and if it results in an equitable distribution of the costs of services rendered or goods provided. Each base should be considered on its own merits as to the purpose of using it and the degree of equity it will achieve in allocating joint costs. Consider the following in selecting an allocation base.

- **Minimal distortion.** The base should distribute costs in a fair and equitable manner without distorting the results. This requires that the base be as related as possible to the types of costs being allocated so that benefit can be measured as accurately as possible.

- **General acceptability.** The base should be generally accepted and in conformance with GAAP. It should be consistently applied over time. The base should also be drawn from the same period in which the costs to be allocated have been incurred. It is not appropriate to change the base for allocating pooled cost from quarter to quarter. It is also not appropriate to use last year's participant data as the basis for allocating this year's expenditures.

- **Represents actual cost or effort expended.** The base should be within management's ability to control on a timely basis. The base should produce reliable and fairly predictable results. If the base is erratic and unpredictable, beyond management's ability to control, or not timely, it is likely to produce unacceptable results.

- **Consistency with variations in funding.** The base must be able to accommodate and withstand changes in funding during the year, and from year to year. If the base excludes factors that are affected by variations in funding, it will produce distorted results.

- **Materiality of cost involved.** The complexity of the base should be commensurate with materiality of the cost to be allocated. The grantee should not spend more on obtaining the information needed to allocate pooled costs than the pool warrants. The base should be sufficiently detailed to provide the most equitable and accurate allocation possible. At the same time the base should be simple enough to be efficient while still attaining a fair distribution of costs.

- **Practicality and cost of using the base.** The base should be as efficient as possible in terms of the cost or effort in developing it. Thus, wherever possible, a data base that already exists in the financial or participant record keeping and reporting systems should be used rather than create a separate data base to be used only for allocating costs.

E. INPUT VS. OUTPUT

Traditionally, the most commonly used allocation bases have been those that identify and measure the cost of inputs associated with the program process. Inputs are the quantity and quality of resources used to provide a process, activity, or service. Inputs are measured in increments of time, case counts, space usage, and other measures of effort used to track and assign individual items of costs to funding sources and cost categories.

Output based cost allocation is based on performance. Outputs are the end results that an activity or process accomplishes. Outputs should directly relate to the purpose of the activity and measure the benefit actually derived from the activity. Outputs are a useful measure of the costs incurred to accomplish program results. For example the objective of the job development function is to place people into jobs. The output can be quantified and measured in terms of the number of job placements actually accomplished. The cost for each program can be assigned by the placements for each program.

There are some activities that do not have identifiable outputs associated with them. An example, universal services, can be allocated based on the percentage of program expenditures, enrollments, or total applicants.

There is no single answer as to what is the best allocation base. The answer varies based on the types of cost to be allocated, the availability of types of data to use as a base, and the accounting and participant reporting systems involved. When choosing among available bases, input or output, the base should be chosen that is more directly related to, and the better measure of the costs being allocated and the benefits being received.

Commonly Used Allocation Bases are:

Inputs

1. Staff time/ Time sheets
2. Equipment /Machine hours
3. Facilities/Space usage
4. Supplies/Usage
5. Copy machine/# of copies
6. Electronic data bases/usage time
7. Accounting services/# of transactions

Outputs

1. Intake/# of new enrollments, # of applicants
2. Case management/# of current enrollees, # counseled
3. Job placement/# of job placements, # receiving services
4. Administration/% of program expenditures
5. Facilities/% of program expenditures
6. Universal services/% of program expenditures, # of total applicants, # of total enrollments

Unacceptable Allocation Bases

Unacceptable allocation bases are those that:

- Distort the final results

- Do not represent actual effort or actual expenditures

- Are not used consistently over time and with variations in funding

- Do not have an integral relationship to the types of costs being allocated

Some commonly used bases that fall into this unacceptable category include the use of:

- Relative funds available to allocate unassigned direct costs

- Job descriptions to allocate staff cost

- Fixed or predetermined number of staff hours assigned to an activity to allocate staff costs

- Planned participant levels to allocate participant related costs
- Results from prior periods to allocate current period costs

Common Errors

A common error in choosing a base is to use a plan, budget, or other estimate of future effort or cost. In most circumstances, this type of base is not acceptable because it does not measure actual activity, effort, or cost, and too often later adjustments based on actual data are not made. In most instances the most reliable measure of the amount of cost incurred, the effort expended, and the benefit received can occur only when the activity actually is performed.

III. One Stop Cost Allocation

WIA regulations at section 667.270 state that the particular arrangements for funding the services provided through the One-Stop center and the operating costs of the center must be described in the MOU between the partners. Each partner must contribute a fair share of the costs of the center based on the use of the center by individuals attributable to the partners' program. There are a number of methods, consistent with the requirements of the relevant OMB Circulars, that may be used for allocating costs among the partners. Some of these methodologies include allocations based on direct charges, cost pooling, indirect cost rates, and activity-based cost allocation plans.

There are different types of One-Stop centers. The full integration One-Stop center where all partners' programs are coordinated and administered under one management structure and accounting system. The simple co-location One-Stop where partners retain their identities, and programs are administered under separate management, accounting, and MIS systems. The One-Stop partners are simply sharing space. The electronic data sharing One-Stops are satellite offices where only program information is provided.

The One-Stop partners need to first identify the total cost of operation. In their MOU they need to identify the types and amounts of services and activities that they will provide within each center. The direct cost associated with each partner and indirect cost shared by each partner should be detailed. Each partner should contribute services and or pay for costs comparable in amount to the value of benefits received. A partner should only pay for costs which are both allowable and allocable to that partner's program. Agreement should be reached on the total funding needed to conduct the activities. Considerations should include staff, facilities, equipment and other operating costs. The identification of costs and the funding in support of those costs are necessary to make One-Stop centers operable.

Decisions about how activities will be funded, and each partners' level of responsibility for each activity, are negotiated among the parties based on factors such as each partners' ability to perform the activity, and the types of resources available to each partner. A budget should be developed showing each partners' planned share of the One-Stop's activities.

The MOU should identify an appropriate basis or method for allocating cost. The choice of a base should correspond to factors such as, the types of costs involved, how efficient the base is to use, the availability of documentation to support the allocation, and other factors.

There are exceptions to the general principle requiring cost to be shared proportionately among the partners. The exceptions include the following:

- Costs that are allowable to more than one program may be paid in part or in whole by one of the programs without regard to the rules on cost allocation. For example: if a service is allowable under WIA as well as WtW, and that service is provided to someone eligible to receive services under either program, the cost of the service may be paid in full by WIA, or in full by WtW, or in any other portions negotiated between the two programs.

- Unrestricted funds may be used to pay for any negotiated portion of the costs, since there are no restrictions on the type or amount of costs these funds may pay for. An example of unrestricted funds is local general revenue funds.

    - Partially restricted funds may be used to provide allowable services to the general population. Usually the types of services are restricted, but who is eligible to receive the services is not restricted. Examples of partially restricted funds include the Wagner-Peyser program which provides labor exchange services to all employers and job seekers, and restricted corporate funds which may partially limit the services to be provided or the eligibility of those services.

    - Immaterial costs represent those costs which are so minor that they do not need to be allocated.

Allocating Each Partner's Share of Costs

It is important that each partner's estimated and actual share of pooled costs, contributions, and related cost be documented. This data will form the audit trail. Actual costs and number of participants served must be reviewed at least quarterly.

EXAMPLE #1

Program 1, Program 2, and **Program 3**, are partners in a full-integration One-Stop. The partners decide that they will need a total of three intake staff, and three counselors, an office manager, and a receptionist. The One-Stop will be located in a facility provided by **Program 1**. Each staff member will need an office containing the standard furniture, equipment, and a personal computer.

The partners have reviewed the total cost of their operation and have decided that **Program 1** will provide the facility, the computers, copier, and office furniture. **Program 2** will provide the costs of three intake staff and a fax machine. **Program 3** will provide three counselors, an office manager, and a receptionist. The partners will share the costs of the utilities, telephone, and the cost of maintenance.

The partners have decided to pool all facilities costs and allocate them based on square feet of space occupied, and to pool all equipment costs and salary costs and allocate them based on # of applicants. These allocations will determine benefits received by each program.

After allocating all pooled costs based on benefits received, and comparing each program's contribution to the One-Stop, **Program 3** owes **Program 1** $390, and **Program 2** $1,950 and owes $20,000 in One-Stop expenditures.

EXAMPLE #1

Program 1 will provide the facility. The facility will benefit all three partners and will be included in the cost pool with utilities and maintenance.

FACILITY COST POOL

RENT	$25,000		
UTILITIES	$4,000		
MAINTENANCE	$10,000		
TOTAL	$39,000		

ALLOCATION FACILITY COST POOL

	SQUARE FEET OF SPACE OCCUPIED		
PROGRAM 1	600	24.00%	$9,360
PROGRAM 2	500	20.00%	$7,800
PROGRAM 3	1,400	56.00%	$21,840
TOTAL	2,500	100.00%	$39,000

Program 1 will provide the computers, copier, and office furniture. **Program 2** will provide the fax machine. These costs benefit all partners and will be included in a cost pool with the telephone costs.

EQUIPMENT COST POOL

COMPUTERS	$15,000		
TELEPHONES	$6,000		
COPIER	$15,000		
FURNITURE	$20,000		
FAX MACHINE	$5,000		
TOTAL	$61,000		

ALLOCATION EQUIPMENT COST POOL

	# OF APPLICANTS		
PROGRAM 1	500	25.00%	$15,250
PROGRAM 2	500	25.00%	$15,250
PROGRAM 3	1,000	50.00%	$30,500
TOTAL	2,000	100.00%	$61,000

Program 2 will provide the three intake staff. **Program 3** will provide the three counselors, the office manager, and the receptionist. These staff benefit all three partners, and their salaries are part of the cost pool.

SALARY/FRINGE COST POOL

OFFICE MANAGER	$50,000		
RECEPTIONIST	$20,000		
INTAKE STAFF(3)	$60,000		
COUNSELORS(3)	$70,000		
TOTAL	$200,000		

ALLOCATION SALARY/FRINGE COST POOL

	# OF APPLICANTS		
PROGRAM 1	500	25.00%	$50,000
PROGRAM 2	400	20.00%	$40,000
PROGRAM 3	1,100	55.00%	$110,000
TOTAL	2,000	100.00%	$200,000

Program 1 contributes $75,000 as its share of pooled costs, ($25,000 for rent for the facilities $15,000 for the computers, $15,000 for the copier, and $20,000 for the office furniture). **Program 2** contributes $65,000 as its share of pooled costs, ($5,000 for the fax machine, and $60,000 for the salaries of the 3 intake staff). **Program 3** contributes $140,000 as its share of pooled costs, ($70,000 for the salaries of the 3 counselors, $50,000 for the salary of the office manager, and $20,000 for the salary of the receptionist.

CONTRIBUTIONS

	PROGRAM 1	PROGRAM 2	PROGRAM 3
STAFF COSTS	$0	$60,000	$140,000
FACILITIES	$25,000	$0	$0
FURNITURE	$20,000	$0	$0
EQUIPMENT	$30,000	$5,000	$0
TOTAL	$75,000	$65,000	$140,000

The partners hope to minimize the payment of cash among the partners, and have worked out the following plan for offsetting costs. **Program 3** owes **Program 1** $390 and **Program 2** $1,950. **Program 3** also owes the One-Stop $20,000 to cover costs.

PARNTER RECONCILATION

PROGRAM 1			
	FACILITY	**$9,360**	
	EQUIPMENT	**$15,250**	
	SALARY	**$50,000**	
	TOTAL COSTS	**$74,610**	
	TOTAL CONTRIBUTIONS	**$75,000**	
	BALANCE	**($390)**	

PROGRAM 2			
	FACILITY	**$7,800**	
	EQUIPMENT	**$15,250**	
	SALARY	**$40,000**	
	TOTAL COSTS	**$63,050**	
	TOTAL CONTRIBUTIONS	**$65,000**	
	BALANCE	**($1,950)**	

PROGRAM 3			
	FACILITY	**$21,840**	
	EQUIPMENT	**$30,500**	
	SALARY	**$110,000**	
	TOTAL COSTS	**$162,340**	
	TOTAL CONTRIBUTIONS	**$140,000**	
	BALANCE	**$22,340**	

EXAMPLE #2

Partner 1, **Partner 2**, and **Partner 3** form a full integration One-Stop center. The partners have estimated their costs for the year, developed a cost allocation plan and a MOU. They have decided that **Partner 1** will be the fiscal agent for the One-Stop. **Partner 1** will pay all of the One-Stop's expenditures during the quarter. At the end of each quarter **Partner 1** will allocate the costs of the One-Stop based on benefits received by each partner. **Partner 2** and **Partner 3** will reimburse **Partner 1** for their share of the One-Stop's expenditures.

FACILITY COST POOL

RENT	$3,000		
UTILITIES	$1,000		
MAINTENANCE	$2,500		
TOTAL	$6,500		

QUARTERLY ALLOCATION FACILITY COST POOL

	SQUARE FEET OF SPACE OCCUPIED		
PARTNER 1	500	20.00%	$1,300
PARTNER 2	600	24.00%	$1,560
PARTNER 3	1,400	56.00%	$3,640
TOTAL	2,500	100.00%	$6,500

EQUIPMENT COST POOL

TELEPHONES	$600		
COPIER	$1,000		
FAX MACHINE	$500		
TOTAL	$2,100		

QUARTERLY ALLOCATION EQUIPMENT COST POOL

	# OF PARTICIPANTS		
PARTNER 1	500	25.00%	$525
PARTNER 2	500	25.00%	$525
PARTNER 3	1,000	50.00%	$1,050
TOTAL	2,000	100.00%	$2,100

SALARY/FRINGE COST POOL

OFFICE MANAGER	**$12,000**		
RECEPTIONIST	**$5,000**		
INTAKE STAFF(3)	**$15,000**		
JOB COUNSELORS(3)	**$18,000**		
TOTAL	**$50,000**		

QUARTERLY ALLOCATION SALARY/FRINGE COST POOL

	# OF PARTICIPANTS		
PARTNER 1	**500**	**25.00%**	**$12,500**
PARTNER 2	**400**	**20.00%**	**$10,000**
PARTNER 3	**1,100**	**55.00%**	**$27,500**
TOTAL	**2,000**	**100.00%**	**$50,000**

TOTAL QUARTERLY COSTS

PARTNER 1			
	FACILITY	**$1,300**	
	EQUIPMENT	**$525**	
	SALARY	**$12,500**	
	TOTAL	**$14,325**	

PARTNER 2			
	FACILITY	**$1,560**	
	EQUIPMENT	**$525**	
	SALARY	**$10,000**	
	TOTAL	**$12,085**	

PARTNER 3			
	FACILITY	**$3,640**	
	EQUIPMENT	**$1,050**	
	SALARY	**$27,500**	
	TOTAL	**$32,190**	

Partner 2 will reimburse **Partner 1** $12,085 at the end of the quarter, and **Partner 3** will reimburse **Partner 1** $32,190 at the end of the first quarter.

CHAPTER 4. CASH MANAGEMENT

I. Introduction.

This chapter describes the cash management requirements for grantees and subgrantees, and provides guidance and suggestions on efficient and effective cash management procedures. Cash management is the process through which a grantee or subgrantee forecasts its cash needs. It is the process of scheduling receipt of cash to be as close as it is administratively feasible to its actual disbursement, in order to avoid excess cash on hand. The regulations governing cash management are found at 29 CFR 97 and 29 CFR 95, and are substantially the same for governmental and non-governmental grantees and subgrantees.

II. Governmental Grantee Cash Management

Governmental agencies are required to follow the regulations for cash management found at 29 CFR 97.21. Section 97.21 (c) states that grantees and subgrantees may be paid on the advance method provided they have a system in place to minimize the time elapsed between receipt of Federal funds and actual disbursement. If the grantee is unwilling or unable to comply, then the reimbursement method must be used. Also, governmental agencies may elect to be paid on a reimbursement basis.

III. Non-Governmental Grantee Cash Management

Institutions of higher education, hospitals, and other nonprofit organizations and commercial entities are bound by the cash management requirements of 29 CFR 95.22. 29 CFR 95.22 (b) states that in order to be paid on an advance basis, grantees must maintain a financial management system in accordance with 29 CFR 95.21, Standards for Financial Management Systems. Grantees must also have written procedures to ensure that the time elapsing between the receipt of funds and disbursement is minimized. Cash advances to a grantee must be limited to the minimum amounts needed, and must be timed as administratively feasible to the actual disbursements of the grantee. Grantees are authorized to submit requests for cash advances monthly when electronic fund transfers are not used. 29 CFR 95.22 (e) also requires that funds be maintained in interest-bearing accounts and encourages the use of minority and women owned banks.
If the grantee is either unwilling or unable to comply with the required cash management standards, then the reimbursement method must be used. Also, grantees may elect to be paid on a reimbursement basis. 29 CFR 95.22 states that

payments may not be withheld from grantees unless they had either failed to comply with conditions of the grant award or have a current unpaid debt with the Federal government.

IV. Cash Management at the Subgrantee Level

Subgrantees receiving funds on an advance basis are bound by the requirements found at 29 CFR Parts 97.21 and 95.22. Grantees are responsible for developing and maintaining systems for payments to subgrantees. The following cash management issues should be addressed in developing a subgrantee payment system.

Cash on Hand

Any cash available for disbursement, whether from drawdowns, program income, rebates, etc is considered to be WIA cash on hand and should be used by the grantee or subgrantee before requesting additional funds. Even if the grantee or subgrantee does not spend the program income until a later date, the cash associated with that program income must be disbursed before additional cash is requested. The cash proceeds from earned program income should be used immediately for cash requirements. Grantees and subgrantees should not leave cash resulting from earned program income sitting idle in a bank account.

Subgrantees should obtain funds from their grantee as needed for disbursement. Transfer of cash from a grantee to a subgrantee is subject to the requirements at 29 CFR 97.21 and 95.22. To receive cash advances, subgrantees must demonstrate that they will maintain procedures that support Federal cash management requirements, and minimize cash on hand. Subgrantees should limit cash advances to the minimum amounts needed and should time their advances to meet actual, immediate cash needs.

Subgrantee disbursement cycles and payment policies can be weekly, biweekly, or on some other cycle. To improve cash management, subgrantees must establish a system to thoroughly analyze cash needs and minimize excess cash in hand.

Cash Forecasting

Cash forecasting identifies specific needs within a specific time frame and should be required. Cash forecasting can be daily, weekly, on some other defined disbursement cycle, or as needed. The point is not to prescribe a specific cash forecasting period, but to gear the cycle to when cash is actually paid out at the bank. A valid clearance pattern is an acceptable method of cash forecasting.

Net payroll, not gross salaries and wages should be used for cash forecasting purposes. Normally, payroll deductions and tax deposits are disbursed at different times from the payroll dates. Fringe benefits such as retirement, medical, FICA, and Worker's Compensation are also normally paid in a period different from the corresponding payroll dates. In many agencies, fringe benefit costs are paid in advance by the employing agency and allocated back to the various departments on a quarterly basis. In such instances cash should not be requested until the actual disbursement dates for items such as payroll tax and fringe benefit costs.

Accrued expenses often will exceed cash disbursements. Cash is not needed to accommodate an accrual until the check written to pay an invoice is paid out at the bank. Also, incurring an obligation does not require cash. Cash is needed only when checks written against these obligations are presented at the bank for clearance.

V. Reimbursement Method

As stated in 29 CFR 97.21 and 95.22 reimbursement is the method of payment to be used when the grantee is unwilling or unable to comply with the specified cash management practices. Grantees may also elect to be paid on the reimbursement method. Under this method payment is made after the costs have been incurred and a request for payment has been submitted to the awarding agency.

VI. Working Capital Advance Method

Working capital advance is the method for advancing funds to the grantee to cover its estimated disbursement needs for a given initial period, and then providing reimbursement payments for subsequent periods. This method would not be used for grantees that qualify for advances. However, this method can be used in place of the reimbursement method if it is determined that the grantee lacks sufficient working capital.

The amount of the advance should be geared to the grantee's disbursement cycle. After the initial period, the payments are approximately equal to the grantee's unreimbursed program payments. After the initial advance, the grantee will be reimbursed for its actual cash disbursements. The advance is a one-time process designed to facilitate the start-up of projects that need and qualify for an advance.

Generally, working capital advances can be made only when the advance method of payment is not available. This method cannot be used if the reason for using it is the unwillingness or inability of the awarding agency to provide timely advances to the grantee to meet its actual cash disbursements. If an awarding agency is reluctant or unwilling to implement efficient and speedy cash management procedures, the agency is disqualified from making working capital advances.

STATE OF MARYLAND
Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act

CHAPTER 5. PROGRAM INCOME

I. Introduction

The requirements governing the use of program income are found at 29 CFR 95.24 for non-profits and at 29 CFR 97.25 for governmental grantees. These regulations define program income and encourage earning program income as a method of defraying program costs.

Workforce Investment Act regulation 667.200(a)(5) states that the addition method must be used for all program income earned under WIA grants. In the addition method, program income may be added to the funds committed to the grant agreement, and may be used for the purposes and under the conditions of the grant agreement.

II. Definition of Program Income

Program income is defined at 29 CFR 97.25(b) as the gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period.

Program Income Inclusions

WIA program income includes but is not limited to:

A. Fee for Services - Income from fees charged for services.

B. User or Rental Fees - Income from the use or rental of personal property acquired with grant funds.

C. Sale of Products - Income from the sale of goods constructed under a grant agreement.

D. Any excess of revenue over costs incurred for services provided by a government or non-profit entity.

E. Interest- Interest earned on WIA funds.

Program Income Exclusions

WIA program income does not include:

A. Applicable Credits - Reductions to grant costs as a result of refunds, rebates, credit, discounts, or the interest earned on them. (The rebate is not considered program income. The proper accounting for the rebate is a reduction to the line item cost of the WIA program.)

B. Sale of Property - Proceeds from the sale of personal property.

C. Royalties - Income from royalties and license fees for copyrighted material, patents, and inventions developed by a grantee or subgrantee. The income is considered to be program income only if specifically identified as such in the grant agreement.

D. Income Earned After the Grant Period Had Ended – The grantee is not accountable for income earned after the end of the award period. However, the grantee must report program income expended after the grant period if the income was earned during the grant period.

III. Accounting for Revenue and Cost of Generating Program Income

There are two methods used in accounting for revenue and cost associated with generating program income- the gross income method and the net income method.

Net Income Method

With the net income method, the costs incidental to the generation of program income are deducted from gross program income to determine the amount of net program income. The expenditures and revenues associated with performing the activity that generates program income are tracked separately in the accounting records. Periodically, revenue and expenses are netted to determine the amount of net program income. Net program income is then recorded in the WIA program income account.

Example: A non-profit WIA training provider operates a training program using fixed-unit price performance –based contracts. The expenditures incurred and revenues earned are accounted for separately. The expenditures and revenues are netted, and the net income is then recorded as program income.

Gross Income Method

With the gross income method, all gross revenues derived from program income activities are accounted for as program income. In turn WIA's share of the allocable costs associated with generating that revenue are charged to the appropriate WIA program activities or cost categories. In the accounting records, the entire amount of gross revenue would be recorded in the program income account for the funding period. The corresponding expenditures are charged to the same funding period, and appropriate cost category.

Example: A LWIA funds a small business development course for WIA participants on a cost reimbursement basis. The participants prepare business plans and engage in the manufacture or production of items for sale to the general public. WIA is billed for the cost of training, tools, and parts that are used in production. All costs are charged to the appropriate cost categories and program activity. All revenue collected from the sales is program income and is recorded as program income in the books of account and is used to provide additional services in WIA.

IV. Accounting for the Expenditure of Program Income

Once the amount of program income has been determined and the funding period identified, two alternative approaches may be used to account for the expenditure of the program income.

Separate Accounting

When using the separate accounting method, program income is treated as additional funds committed to the grant agreement for which separately identifiable services are performed and the expenditure of program income is accounted for separately from the original agreement. For accounting purposes the program income is treated as if it were a separate grant or cost objective.

Example: A nonprofit organization earned $5,000 in program income, which was the amount by which revenues exceeded costs under a fixed-unit price agreement funded by WIA. The organization used the program income to provide additional training and placement services consistent with the terms of the agreement and established WIA accounts by cost category to record the expenditures incurred in providing additional services.

Transfer of Expenditures

When using the transfer of expenditure method, expenditures are initially recorded in the accounts of the original agreement and are subsequently transferred to the program income account to offset the amount of program income earned. The result is that program income is accounted for as fully expended while expenditures charged under the grant agreement are reduced by the amount of expenditures that have now been applied to program income.
Example: During the grant period, the service provider had recorded $1,000 in program income. To expend the program income within the grant period, the service provider transfers $1,000 in expenditures already incurred under the subgrant for the appropriate cost categories to the program income account, and reduces subgrant expenditures in the corresponding cost categories by that same amount, which frees up the $1,000 to be used for additional expenditures under

the subgrant. When submitting its expenditure report, the service provider reports amount of program income earned, the amount expended by cost category, and final net expenditures charged to the subgrant.

V. Uses of Program Income

The requirements for using WIA funds also apply to the use of program income with the exception of the administrative cost limitation. These requirements include:

Allowable cost guidelines
Cost classification guidelines
Inclusion of program income earnings and expenditures in the audit
Rules on procurement and selection of service providers
Participant records and other record-keeping requirements
Sanctions for misuse

VI. Effect of Program Income on Cash Management

29 CFR 97.21 states that program income is considered WIA cash on hand and should be used by grantees and subgrantees before requesting additional funds. Grantees will be required to identify program income earned to date on WIA requests for cash. The amount of program income earned will be deducted from the overall cash needs of the grantee. In addition, grantees will be required to report the amount of program income earned to date, and the amount of program income expended to date on each WIA quarterly and final expenditure report.

CHAPTER 6. PROCUREMENT

I. Introduction

The WIA regulations at 20 CFR 667.230 apply the "Uniform Administrative Requirements" to the management of grants. These requirements provide guidance on the procurement of goods and services under the WIA program. They include a discussion of the various methods available for procurement and the development of policies and procedures. The provisions applicable to procurement of goods and services for States and other governmental grantees are contained at 29 CFR 97.36. The provisions governing the procurement of goods and services for nonprofit organizations, institutions of higher education, hospitals, and commercial organizations are found at 29 CFR 95.40-48.

II. States and Local Governments

29 CFR 97.36 contains the requirements pertaining to the procurement of goods and services for States and local governments. Local governmental, and Indian tribal grantees and subgrantees may follow their own policies and procedures if they reflect State and local laws and regulations, and their procurements conform to the standards of 29 CFR 97.36.

Written Procedures

Grantees and subgrantees are required to maintain a system for the administration of contracts. In order to comply with these requirements, grantees and subgrantees should maintain written procedures that at a minimum, meet the following standards.

a. Grantees and subgrantees will maintain a contract administration system that ensures contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

b. Grantees and subgrantees will maintain a written code of standards of conduct for their employees engaged in the award and administration of contracts. The standards for conduct included at 20 CFR 667.2200 (a)(4) which addresses conflict of interest provisions must be included. No employee, officer, or agent of the grantee shall participate in the selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent would be involved.

c. Grantee and subgrantee procedures will provide for a review of proposed procurements to avoid purchase of unnecessary or duplicate items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate an analysis will be made of lease vs. purchase alternatives, and any other appropriate analysis to determine the most economical approach.

d. To foster greater economy and efficiency, grantees are encouraged to enter into State and local intergovernmental agreements for procurement or use of common goods and services.

e. Grantees and subgrantees are encouraged to use Federal excess and surplus property in lieu of purchasing new equipment whenever such use is feasible and reduces project costs.

f. Grantees and subgrantees will make awards only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

g. Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of the contract price.

h. Grantees and subgrantees alone will be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to source evaluation, protests, claims, and disputes. These standards do not relieve the grantee or subgrantee of any contractual responsibilities under its contracts. Federal agencies will not substitute their judgement for that of the grantee or subgrantee unless the matter is primarily a Federal concern. Violations of law will be referred to the local State or Federal authority having proper jurisdiction.

i. Grantees and subgrantees will have protest procedures to handle and resolve disputes relating to their procurements and shall in all instances disclose information regarding the protest to the awarding agency. A protestor must exhaust all administrative remedies with the grantee before pursuing a protest with the Federal agency. Reviews of the Federal agency will be limited to:

   (a) Violations of Federal law or regulations and the standards of this section (violations of State or local law will be under the jurisdiction of State or local authorities) and;

(b) Violations of the grantee's or subgrantee's protest procedures for failure to review a complaint or protest. Protests received by the Federal agency other than those specified above will be referred to the grantee or subgrantee.

Procurement Methods

Competition

1. All procurements will be conducted in a manner providing full and open competition consistent with the standards of 29 CFR 97.36. Some of the situations considered to be restrictive of competition include but are not limited to:

   a. Placing unreasonable requirements on firms in order for them to qualify to do business.

   b. Requiring unnecessary experience and excessive bonding;

   c. Noncompetitive pricing practices between firms or between affiliated companies or organizations;

   d. Noncompetitive awards to consultants that are on retainer contracts;

   e. Organizational conflict of interest;

   f. Specifying only a "brand name" product instead of allowing "an equal" product to be offered and describing the performance of other relevant requirements of the procurement; and

   g. Any arbitrary action in the procurement process.

2. Grantees and subgrantees will conduct procurement in a manner that prohibits the use of statutorily or administratively imposed in-State or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts state licensing laws.

3. Each grantee should have written selection procedures for procurement transactions. These procedures should ensure that all solicitations:

   a. Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description shall not, in competitive procurements, contain features which unduly restrict competition;

   b. The description may include a statement of the qualitative nature of the material, product, or service to be procured. When necessary the description shall set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use.

c. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equal” description may be used as a means to define the features of the performance requirements of a procurement. The specific features of the named brand which must be met by offerors shall be clearly stated; and

d. identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

4. Grantees and subgrantees will ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also grantees and subgrantees will not preclude potential bidders from qualifying during the solicitation period.

Methods of Procurement

There are four methods discussed in 29 CFR 97.36 which grantees may use to procure goods or services.

1. Small Purchase. Small purchase is a relatively informal method used primarily to procure goods such as supplies and equipment not costing more than $100,000 in total. If the small purchase procedures are used, price or rate comparisons from an adequate number of sources must be obtained. This method is appropriate only when price is the overriding factor and may be easily quoted and compared, delivery is standardized, and performance outcomes are not dependent upon the content of the goods being procured. While the Federal threshold for small purchase is currently $100,000, the locally imposed threshold may be substantially smaller and grantees must adhere to the lower threshold.

2. Sealed Bids (Formal Advertising). Under sealed bid procedures, bids are publicly solicited and a firm-fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all material terms and conditions of the invitation for bids, is the lowest in price.

a. In order for sealed bidding to be feasible, three conditions must be met:

(1.) A complete, adequate, and realistic specification of required goods or services is available and part of the solicitation

(2.) Two or more responsible bidders are willing and able to compete effectively.

(3.) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder may be made principally on the basis of price.

b. If sealed bids are used the following requirements apply:

(1.) The invitation for bids (IFB) is publicly advertised and bids are solicited from an adequate number of known suppliers.

(2.) The IFB contains all pertinent specifications and defines the items or services to be procured in sufficient detail for a response.

(3.) All bids are publicly opened at the time and place prescribed in the invitation for bids.

(4.) A firm fixed-price contract is awarded to the lowest and most responsive and responsible bidder. Where specified in bidding documents factors such as discounts, transportation costs, and life cycle costs shall be considered in determining which cost is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually put to use.

(5.) Any or all bids may be rejected if there is a sound documented reason.

3. **Competitive Proposals.** Competitive proposals are used where there is more than one prospective bidder, the lowest price is not necessarily the determining factor for award, and either a fixed price or cost-reimbursement agreement will be awarded. It is generally used when conditions are not appropriate for the use of sealed bids. The competitive proposal method also meets the standards for "full and open competition" and is appropriate when the agency seeking goods or services is looking for a variety of methods that may be employed to achieve the results called for in the Request for Proposal (RFP). Often, the evaluation factors will focus on approach, program design, innovation, coordination, and experience. The following requirements apply:

   a. RFP's are publicized. They must contain the specifications for the proposed goods or services and identify all the evaluation factors and their relative importance or weight in selection of successful bidders. Any response to publicized RFP's shall be honored to the maximum extent practical.

   b. Proposals are solicited from an adequate number of qualified sources.

   c. A method for conducting technical evaluation of proposal and selection of awardees is in place.

   d. Awards are made to selected bidders whose proposals are most advantageous to the program based on price and the other evaluation factors.

4. **Non-Competitive Proposals (Sole Source) Non-competitive proposals** are procurements through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.

   a. Procurement by non-competitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids, or competitive proposals and one of the following conditions apply:

      (1.) The item is available from only one source.

      (2.) Public emergency precludes delay.

      (3.) The awarding agency authorizes the specific noncompetitive procurement (upon a formal request for approval) or

      (4.) Competition is determined inadequate. This usually occurs after a competitive process has been used and there are insufficient bidders.

b. A cost analysis is required. This entails verification of the proposal cost data and evaluation of the specific elements of costs and profits.

c. Grantees and subgrantees may be required to submit the proposed non-competitive procurement to their awarding agency for approval.

d. Non-competitive procurements are allowable under 29 CFR 97.36 but are considered to be a "last resort" option and used only when there is a documented reason for a sole source selection. Grantees should exercise caution when using non-competitive procurements and ensure that the competitive process is open and fair.

Minority Firms

The grantee will take all necessary affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible. Affirmative steps will include:

a. Placing qualified small and minority businesses and women's business enterprises on solicitation lists.

b. Assuring that small and minority businesses and women's business enterprises are solicited whenever they are potential sources.

c. Dividing total requirements, when economically feasible, into smaller tasks to permit maximum participation by small, minority, and women's business enterprises.

d. Establishing delivery schedules where the requirement permits, which encourage participation by small, minority, and women's business enterprises.

e. Using the services and assistance of the Small Business Administration, and the Minority Business Development Agency of the Department of Commerce.

f. Requiring the prime contractor, if subgrants are to used, to take the above affirmative steps.

Contract Cost and Price

Grantees and subgrantees must perform a cost or price analysis in connection with every procurement action including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but at a minimum, grantees must make independent estimates before receiving bids or proposals. A cost analysis must be performed when the offerer is required to submit the elements of his estimated cost. A cost analysis will be necessary when adequate price competition is lacking, or for sole source procurements, including contract modifications or change orders, unless price reasonableness can be established on the basis of a catalog or market price of a commercial product sold in substantial quantities to the general public, or based on prices set by law or regulation. A price analysis will be used in all other instances to determine the reasonableness of the proposed contract price.

Grantees and subgrantees will negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration will be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its records or past performance, and industry profit rates in the surrounding geographical area for similar work.
Costs or prices based on estimated costs for contracts under grants will be allowable only to the extent that costs incurred or cost estimates included in negotiated prices are consistent with Federal cost principles. Grantees may reference their own cost principles that comply with applicable Federal cost principles.

Awarding Agency Review

Grantees and subgrantees must make available upon request of the awarding agency, technical specifications on proposed procurements where the awarding agency believes such review is needed to ensure that the item or service specified is the one being proposed for purchase. This review generally takes place prior to the time the specification is incorporated into a solicitation document. However, if the grantee or subgrantee desires to have the review accomplished after a solicitation has been developed, the awarding agency may still review the specifications with such review limited to the technical aspects of the proposed purchase.

Grantees and subgrantees must on request make available for the awarding agency review, pre-award procurement documents such as requests for proposal, or invitations for bids, independent cost estimates, etc. when

a. A grantee's or subgrantee's procurement procedures or operation fails to comply with the procurement standards in this section; or

b. The procurement is expected to exceed the simplified acquisition threshold and is to be awarded without competition, or only one offer is received in response to a solicitation.

c. The procurement which is to exceed the simplified acquisition threshold specifies a brand name product, or

d. The proposed award is more than the simplified acquisition threshold and is to be awarded to other than the low bidder under a sealed bid procurement

e. A proposed contract modification changes the scope of the contract or increases the contract amount by more than the simplified acquisition threshold.

A grantee or subgrantee will be exempt from the pre-award review if the awarding agency determines that its procurement systems comply with the standards or this section.

a. A grantee or subgrantee may request that its procurement system be reviewed by the awarding agency to determine whether its systems meets these standards in order for its system to be certified. Generally those reviews occur where there is a

continuous high dollar funding and third party contracts are awarded on a regular basis.

b. A grantee or subgrantee may self-certify its procurement system. Such self-certification should not limit the awarding agency's right to survey the system. Under a self-certification procedure, awarding agencies may wish to rely on written assurances from the grantee or subgrantee that is complying with these requirements and have its system available for review.

III. Institutions of Higher Education, Non- Profits, Commercial Organizations

Procurement Policies and Procedures

Institutions of Higher Education, Non-Profits, and Commercial Organizations that receive WIA grants must follow the procurement rules of 29 CFR 95.40-48. The standards are furnished to ensure that procurement procedures are in compliance with applicable Federal requirements.

Recipient Responsibilities

The standards contained in this section do no relieve the recipient of the contractual responsibilities arising under its contracts. The recipient is the responsible authority regarding the settlement of all contractual and administrative issues arising out of procurements entered into in support of an award or other agreement.

Codes of Conduct

Each recipient must maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts. No employee, officer, or agent shall participate in the selection, award or administration of a contract supported by Federal funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her

partner, or an organization which employs or is about to employ any of the indicated parties, has a financial or other interest in the firm selected for an award. The officers, employees, and agents of the recipients shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to subagreements. However, recipients may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct shall provide for disciplinary actions to be applied for violation to such standards by officers, employees, or agents of the recipient.
WIA regulation 667.200(a)(4) states in addition, a State Board member or Local Board member, or Youth Council member must neither cast a vote on, nor participate in, any decision making capacity on the provision of services by such member(or any organization which that member directly represents), nor any member which would provide any direct financial benefit to that member or a member of his immediate family. Neither membership on the State Board, the Local Board, or the Youth Council nor the receipt of WIA funds to provide training and related services, by itself violates these conflict of interest provisions.

Competition

All procurement transactions must be conducted in a manner to provide, to the maximum extent practical, open and free competition. The recipient should be alert to organizational conflicts of interest as well as noncompetitive problems among contractors that may restrict or eliminate competition or otherwise restrict trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specification requirements, statements of work, invitations for bids, or requests for proposals shall be excluded from competing for such procurements. Awards should be made on the basis of the most responsive bid or offer and the one most advantageous to the recipient after consideration of price, quality, and other factors contained in the solicitation. Solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by the recipient. Any or all bids or offers may be rejected when it is in the recipients' interest to do so.

Procurement Procedures

All recipients must establish written procurement procedures that provide for:

a. No purchase of unnecessary items

b. An analysis of lease or purchase options to determine the most economic and practical procurement.

All solicitations for goods and services must provide for:

a. A clear and accurate description of the technical requirements for the goods or services being procured. In competitive procurements, the description must not contain features which restrict competition.

b. All requirements that must be fulfilled and other factors used in evaluating bids or proposals.

c. Technical requirements described in terms of functions to be performed or performance required, and including a range of acceptable or minimum acceptable standards.

d. Specific features of “brand-name or equal” descriptions if included in the solicitation.

e. If procuring goods or certain types of services, the acceptability of metric measurements.

f. Preference, to the extent practicable and economically feasible, for ecologically sound and energy efficient products.

Recipients are also responsible for the resolution of all contractual and administrative issues arising out of the procurements, unless the issues concern violations of statute. Those matters are to be referred to the proper Federal, State or local authority.

Efforts should be made to ensure that minority owned firms and women’s business enterprises are used whenever possible. Efforts should be made to make information on forthcoming opportunities available to facilitate participation by small businesses, minority owned firms and womens’ enterprises. Efforts should be made to contract with consortiums of small businesses, minority owned firms, and women’s business enterprises when a contract is too large for one of these firms to handle individually.

The type of procuring instruments used (e.g. fixed price contracts, cost reimbursable contracts, purchase orders, and incentive contracts) shall be determined by the recipient, but shall be appropriate for the particular procurement and for promoting the best interest of the program or project involved.

Contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources.

Recipients shall on request make available to their awarding agency pre-award and procurement documents such as request for proposals, invitations for bids, etc., when any of the following conditions apply:

a. A recipient's procurement procedures or operation fails to comply with the procurement standards in this part.

b. The procurement is expected to exceed the small purchase threshold, and is to be awarded without competition or only one bid or offer is received in response to a solicitation.

c. The procurement which is expected to exceed the small purchase threshold specifies a "brand name product".

d. The proposed award over the small purchase threshold is to be awarded to other than the apparent low bidder under a sealed bid procurement.

e. A proposed contract modification changes the scope of a contract or increased the contract amount by more than the amount of the small purchase threshold.

Procurement Methods

29 CFR Part 95 does not prescribe specific methods of procurement as does 29 CFR Part 97. The regulations do require that procurement be conducted in a manner designed to provide full and open competition. However the four methods described earlier in this chapter are appropriate methods to procure both goods and services under the provisions of Part 95, with certain stipulations.

a. The small purchase threshold for grantees is $100,000. This also applies to subgrants and subawards made. Grantees are cautioned that the small purchase threshold applicable to their organization may be lower.

b. While there is no requirement for prior approval from the awarding agency for non-competitive procurements, any such procurements are subject to the review by the awarding agency.

Cost and Price Analysis

Some form of price analysis must be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotation submitted, market prices, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability, and allowability.

Procurement Records

Procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum:

a. basis for contractor selection,

b. justification for lack of competition when competitive bids or offers are not obtained

c. basis for award cost or price

Contract Administration

A system for contract administration shall be maintained to ensure contractor conformance with the terms, conditions and specifications of the contract and to ensure adequate and timely follow up of all purchases. Recipients shall document as appropriate, whether contractors have met the terms, conditions, and specifications of the contract.

IV. Required Contract Clauses

The type of agreement entered into by a grantee may be fixed price or cost reimbursement, depending on the method of procurement and goods or services being procured. Each agreement must contain the specific clauses contained in 29 CFR 97.36, 29CFR 95.48 and Part 95 Appendix A.

Contracts in excess of the small purchase threshold shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms and provide for such remedial sanctions and penalties as may be appropriate.

Termination for cause and convenience by the awarding agency including the process for exercising the clause and any basis for settlement (applies to contracts in excess of $10,000)

All negotiated contracts (except those for less than the small purchase threshold) awarded by recipients shall include a provision to the effect that the recipient, DOL, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers and records of the contractor which are directly pertinent to a specific program for the purpose of audits, examinations, excerpts, and transcriptions.

Notice of awarding agency requirements and or regulations related to patent rights, copyrights, and rights in data record retention requirements as specified in 29 CFR 97.42 or 95.53

A provision requiring compliance with Equal Employment Opportunity provisions in Executive Order (E.O.) 11246, as amended by E.O. 11375 and supplemented by the requirements of 41 CFR Part 60. These are codified for DOL programs at 29 CFR 33 and 34.

Compliance with sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330)(all contracts in excess of $2,500 that involve employment of mechanics or laborers).
Compliance with the applicable standards, orders, or requirements issued under Section 306 of the Clean Air Act, Section 508 of the Clean Water Act, E.O. 11738, and Environmental Protection Agency regulations (40 CFR part 15)(applies to contracts, subgrants, and in excess of $100,000).

Mandatory standards and policies related to energy efficiency, which are contained in the state energy conservation plan issued in compliance with the Energy Policy Conservation Act (Public Law 94-163).

A provision requiring compliance with the Byrd Anti-Lobbying Amendment (31 U.S.C. 1352). This requirement is also found in 29 CFR Part 93.

A provision requiring compliance with the debarment and suspension requirements (E.O. 12549 and 12689). This requirement is also found in 29 CFR Part 98.

CHAPTER 7. PROPERTY MANAGEMENT

I. Introduction

The Workforce Investment Act regulations stipulate that the acquisition, management, and disposition of property purchased with WIA funds is governed by the rules found at 29 CFR 95 and 29 CFR 97.

II. State and Local Governments

Real Property

29 CFR 97.31 establishes the rules for title, use, and disposition of real property. Because the purchase or construction of real property is prohibited unless specifically authorized by ETA, these guidelines will not apply to the WIA program.

Equipment

Equipment is defined at 29 CFR 97.3 as tangible, non-expendable property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit, including all costs related to the property's intended use. Grantees may use their own definition of equipment provided it includes the above minimum requirements.

Grantees must use the equipment in the program for which it was acquired as long as it needed, whether or not the program continues to be supported by Federal funds. When no longer needed for the original program, the equipment may be used in other activities currently or previously supported by the Federal government. The grantee must make the equipment available for use on other programs currently or previously supported by the Federal government to the extent that such use will not interfere with its use in WIA programs.

Procedures for managing equipment must, at a minimum, meet the following requirements:

a. Equipment records must be maintained that include the following data on each piece of equipment;

    (1.) description,
    (2.) serial number,

(3.) funding source of property,
(4.) title holder,
(5.) acquisition date and cost,
(6.) percentage of Federal participation in the cost,
(7.) location, use, condition of the property,
(8.) ultimate disposition data utilizing date of disposal and sale price.

b. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

c. A control system must be developed to ensure adequate safeguards to prevent loss (including acts of nature such as floods and earthquakes) damage, or theft of property. Any loss, damage, or theft must be investigated,

d. Adequate maintenance procedures must be developed to keep the property in good condition.

e. Proper sales procedures must be established to ensure that property that is sold will yield the highest possible return.

If equipment, with a current per-unit-fair market value in excess of $5,000 is no longer needed for the original project or program (or for other activities currently or previously supported by a Federal agency) it can be sold. The awarding agency's share of the proceeds is determined by multiplying the current market value (or the proceeds) by the awarding agency's share of the equipment.

Equipment with a current per unit fair market value of less than $5,000 may be kept, sold, or disposed of with no obligation to the awarding agency. The awarding agency may dispose of the equipment if the acquiring agency does not take appropriate action.

Supplies

29 CFR Part 97.33 states that title to supplies acquired with WIA funds vests in the grantee. If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate fair market value upon termination of the award, and if the supplies are not needed for any other federally sponsored program, the grantee must compensate the awarding agency for its share.

Copyrights

29 CFR Part 97.34 states that the Federal awarding agency reserves a royalty-free, nonexclusive, and irrevocable right to reproduce, publish, and otherwise use, and authorize others to use, for Federal government purposes:

- The copyright in any work developed under a grant, subgrant, or contract under a grant or subgrant

- The rights of copyright bought with grant funds by a grantee, subgrantee, or contractor.

III. Non-Profits, Commercial Recipients, Institutions of Higher Education

The property standards for institutions of higher education, hospitals, non-profit organizations, and commercial organizations are found at 29 CFR 95.30 through 95.37.

Equipment is defined as tangible, nonexpendable personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit that was charged directly to the grant or subgrant.

The grantee has the right to use the property in the program for which it was acquired as long as it is needed, whether or not the program continues to be supported by WIA funds. When no longer needed for use in the original program the grantee may use it in connection with its other Federally sponsored activities.

Procedures for managing equipment must meet the following standards:

a. Records must be maintained that include the following data on the equipment;

   1. description;
   2. identification number
   3. funding source of property;
   4. title holder,
   5. acquisition date,
   6. percentage of Federal participation in the project cost,
   7. location, condition, and last inventory date,
   8. acquisition cost
   9. ultimate disposition data, including date of disposal, and sale price, or current market value.

b. A physical inventory must be taken and the results reconciled with the equipment records at least once every two years. The grantee must verify the existence, use, and need for the equipment.

c. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated.

d. Adequate maintenance procedures must be developed to keep the equipment in good condition.

e. Proper sales procedures must be established to provide competition and to ensure that equipment when sold will yield the highest possible return. When acquiring replacement equipment, the subrecipient may use the old equipment as a trade-in or use the sale proceeds to offset the cost of the replacement equipment with the written approval of the awarding agency.

When the property is no longer needed, the grantee must dispose of it in accordance with the following standards. For property with a current per unit fair market value less than $5,000 the grantee has no further obligation to the awarding agency. For property with a current per unit fair market value of $5,000 or more, the grantee may retain the property for other uses provided that compensation is made to DOL. The grantee shall compute the amount due DOL by applying the percentage of WIA participation in the cost of the original grant or agreement under which the property was obtained, to the current fair market value of the property. If the grantee has no further use for the property, disposition instructions are to be requested of DOL as stipulated in 29 CFR 95.34(g)(1) through (4).

1. Sell the equipment and reimburse DOL for its percentage of participation. The grantee may retain up to 10% or $500, whichever is less, for selling and handling expenses.

2. If instructed to ship the equipment elsewhere the grantee is reimbursed according to its percentage of participation plus shipping and interim costs.

3. If instructed to otherwise dispose of the equipment, the grantee is reimbursed for all costs of disposition.

4. DOL reserves the right to transfer the title to the equipment to another eligible grantee.

Supplies

The recipient will maintain possession of supplies and other expendable property upon acquisition. If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate value upon termination of the program, and the supplies are not needed for any other federally sponsored program, the recipient will retain the supplies for use on non-Federal sponsored activities or sell them. In either case, the recipient must compensate the Federal government for its share. The amount of compensation should be computed in the same manner as equipment.

Copyrights

The subrecipient may copyright work developed or purchased under a WIA award. DOL has a royalty free, nonexclusive, and irrevocable right to reproduce, publish, and otherwise use, and authorize others to use the work for Federal purposes.

Leasing

The decision to lease or buy property must be governed by considerations of economy. Considerations may differ by property type and according to market conditions. Thus, leasing generally is the least economical method of obtaining equipment. However, in obtaining real property administrative requirements make leasing the only option, because the construction and purchase of real property is not allowed under the WIA grant. The lease of real property is limited to operating leases, not capital leases because capital leases are arrangements that result in ownership of property and are treated in the cost principles as purchases.

STATE OF MARYLAND
Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act

ANNUAL GRANTEE PROPERTY INVENTORY REPORT
INSTRUCTIONS

GRANTEE:

ENTER THE NAME OF THE GRANTEE.

ADDRESS:

ENTER THE ADDRESS OF THE GRANTEE.

ITEM:

ENTER A DESCRIPTION OF THE PROPERTY. IDENTIFY TYPE OF ITEM, COLOR, SIZE, ETC.

SERIAL NUMBER:

ENTER THE MANUFACTURER'S SERIAL NUMBER.

UNIT COST:

ENTER THE COST OF THE ITEM.

ACQUISITION DATE:

ENTER THE DATE OF RECEIPT.

CONDITION CODE:

ENTER THE APPROPRIATE CODE.

LOCATION:

ENTER THE PHYSICAL LOCATION OF THE PROPERTY.

CERTIFICATION:

Enter the signature of the grantee official authorized to sign the report. Enter the date signed and the telephone number at which the official may be reached.
Note: Rubber stamped signatures cannot be accepted.

STATE OF MARYLAND

Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act

ANNUAL GRANTEE PROPERTY INVENTORY REPORT

GRANTEE: ______________________________

ADDRESS: ______________________________

ITEM	SERIAL NUMBER	UNIT COST	ACQUISITION DATE	CONDITION CODE	LOCATION

CERTIFICATION: To the best of my knowledge and belief this inventory is correct and complete.

______________________________ (SIGNATURE OF AUTHORIZED OFFICIAL)

______________________________ (DATE SIGNED)

______________________________ (TELEPHONE NUMBER)

PROPERTY RECORD CARD

ITEM DESCRIPTION	Serial No.		Model No.	Inventory No.
	Unit Cost		Acquisition Source	Fund Source
Location 1	Date Received	Condition Code		
Location 2	Date Received	Condition Code		
Location 3	Date Received	Condition Code		
Location 4	Date Received	Condition Code		
Location 5	Date Received	Condition Code		

DISPOSITION INFORMATION	Disposition Date
	Selling Price

PROPERTY CONDITION CODES

CODE

N - 1	New or unused property in excellent condition. Ready for use and identical or interchangeable with new items delivered by a manufacturer or normal source supply.
N - 2	New or used property in good condition. Does not quite qualify for N - 1 (because slightly shopworn, soiled, or similar), but condition does not impair utility.
N - 3	New or used property in fair condition. Soiled shopwork, rusted, deteriorated, or damaged, to the extent that utility is lightly impaired.
N - 4	New or used property so badly broken, soiled, rusted, mildewed, deteriorated, damaged, or broken that its condition is poor and its utility is seriously impaired.
E - 1	Used property, but repaired or renovated and in excellent condition.
E - 2	Used property which has been repaired or renovated and while still in good usable condition, has become worn from further use and cannot qualify for excellent condition.
E - 3	Used property, which has been repaired or renovated, but has deteriorated since reconditioning and is only in fair condition. Further repairs or renovation required or expected to be needed in near future.
E - 4	Used property which has been repaired or renovated and is in poor condition from serious deterioration, such as from major wear and tear, corrosion, exposure to weather, or mildew.
O - 1	Property, which has been slightly or moderately used, no repairs required, and still in excellent condition.
O - 2	Used property, more worn than O - 1 but still in good condition, with considerable use left before any important repairs would be required.
O - 3	Used property which is still in fair condition and usable without repairs, however, somewhat deteriorated, with some parts (or portion) that should be replaced.
O - 4	Used property which is still usable without repairs but in poor condition and undependable or uneconomical in use. Parts badly worn and deteriorated.
R - 1	Used property, still in excellent condition, but minor repairs required (estimated repairs would cost no more than 10% of acquisition cost).

CODE

R - 2	Used property in good condition, but considerable repairs required. Estimated repair costs would be from 11% to 25% of acquisition cost.
R - 3	Used property, in fair condition, but extensive repairs required. Estimated repair costs would be from 26% to 40% of acquisition cost.
R - 4	Used property, in poor condition, and requiring major repairs. Badly worn, and would still be in doubtful condition of dependability and uneconomical in use if repaired. Estimated repair costs between 41% to 65% of acquisition cost.
X	Salvage. Personal property that has some value in excess of its basic material content but which is in such condition that has no reasonable prospect of use for any purpose as a unit (either by the holding or any other Federal agency). Repairs or rehabilitation estimated to cost in excess of 65% of acquisition cost.

CHAPTER 8. AUDIT REQUIREMENTS

I. Introduction

Section 667.200 of the Workforce Investment Act regulations describes the audit requirements that apply to entities operating the Workforce Investment Act program. The regulation stipulates that all governmental and non-profit organizations administering WIA funds are required to follow the audit requirements of OMB Circular A-133. This requirement is imposed at 29 CFR 97.26 for governmental organizations, and at 29 CFR 95.26 for institutions of higher education, hospitals, and other non-profit organizations. Commercial organizations are covered by the DOL regulations at 29 CFR 96.32. Operating entities for the WIA program are required to have an annual financial and compliance audit (single audit) if they spend more than $300,000 in a year. Audit reports are to be submitted within 30 days after the audit is completed, or no later than 9 months after the end of the audit period. Furthermore, operating entities that receive WIA funds and award a portion of these funds to subrecipients must ensure that each subrecipient complies with the audit requirements at OMB Circular A-133.

II. Audit Requirements

OMB Circular A-133 revised June 24,1997 sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards. This circular rescinds OMB Circular A-128, and supersedes OMB Circular A-133 issued April 12,1996. The provisions of this circular apply to audits of fiscal years beginning after June 30,1996.

OMB Circular A-133 requires that recipients of Federal funds that expend $300,000 or more in Federal awards have a single audit or program specific audit for that year. When an auditee expends Federal funds under only one program and the Federal program's laws, regulations, or grant agreements do not require a financial statement audit, the auditee may elect to have a program specific audit.

The circular states that recipients that expend less than $300,000 a year in Federal awards are exempt from Federal audit requirements for that year. However, their records must be available for review or audit by appropriate officials of the Federal agency, pass-through entity, and General Accounting Office.
The cost of auditing an entity which has expended less than $300,000 in Federal funds cannot be charged to Federal awards. However, a pass- through entity may

charge to Federal awards the cost of a limited scope audit to monitor its subrecipients, provided the subrecipient does not have a single audit. As required by this circular, limited scope audits only include agreed-upon procedures conducted in accordance with AICPA's generally accepted auditing standards that are paid for and arranged by a pass-through entity. A limited scope audit would address only one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; matching; level of effort; earmarking; and reporting.

III. Program-Specific Audits

An entity expending more than $300,000 a year under only one Federal program has the option of electing to have a program-specific audit. In many cases, a program-specific audit guide will be available to provide specific guidance to auditors with respect to internal control, compliance requirements, suggested audit procedures, and audit reporting requirements. The auditor should contact the Office of Inspector General of the Federal agency to determine whether such a guide is available. When a current program-specific audit guide is available, the auditor should follow GAGAS and the guide when performing a program-specific audit.

When a program-specific audit guide is not available, the auditee and the auditor have basically the same responsibilities for the Federal program as they would for an audit of a major program in a single audit.

IV. Subrecipient and Vendor Determinations

Recipients and subrecipients expending more than $300,000 a year in Federal funds are required to have a single audit. Vendors are not required to have a single audit regardless of their funding level. The payments received for goods or services provided as a vendor would not be considered Federal awards.

A subrecipient is a legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds provided. Characteristics of a subrecipient are:

a. Determines who is eligible to receive what Federal financial assistance;

b. Has its performance measured against whether the objectives of the Federal program are met;

c. Has responsibility for programmatic decision making;

d. Has responsibility for adherence to applicable Federal program compliance requirements; and

e. Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

A vendor is a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program. Characteristics of a vendor are:

a. Provides the goods and services within normal business operations;

b. Provides similar goods or services to many different purchasers;

c. Operates in a competitive environment;

d. Is not subject to the compliance requirements of the Federal program.

In most cases, the auditee's compliance responsibility for vendors is only to ensure that the procurement, receipt, and payment for goods and services comply with laws, regulations, and the provisions of contracts or grant agreements.

V. Auditee Responsibilities

The auditee should identify in its accounts all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification should include, as applicable, the CFDA title and number; award number and year, name of the Federal agency and name of the pass-through entity.

The auditee should maintain internal control over Federal programs and assure compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The auditee should comply with laws, regulations, and provisions of contracts or grant agreements related to each of its Federal programs.
The auditee should prepare appropriate financial statements, including the schedule of expenditures of Federal awards.
The auditee should ensure that the audits required by this part are properly performed and submitted when due and with all of the documents required for submission.

The auditee should follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan for current findings. The summary schedule of prior audit findings should report the status of all audit findings included in the prior year's schedule of findings and questioned cost.

Grantees and subgrantees are responsible for obtaining the services of the independent auditors in accordance with applicable procurement procedures. Audit firms that prepared indirect cost proposals or CAP's that included the recovery of more than $1,000,000 in indirect costs may not be selected to perform the organization-wide audit.

VI. Reporting Package Submission

The audit should be completed and the reporting package should be submitted within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The reporting package should include the financial statements and schedule of Federal expenditures, the auditor's required reports, the summary of prior findings, the corrective action plan, and the data collection form. The corrective action plan must include the name of the person responsible for the corrective action, the planned action, and an anticipated completion date. If the auditee disagrees with the audit finding an explanation and specific reasons must be included in the plan. The summary schedule and corrective action plan must be included with the audit report as part of the total audit package submitted to the Federal clearinghouse.

The data collection form should state whether the audit was completed in accordance with audit requirements, and provides information about the auditee, its Federal programs, and the results of the audit. The data collection form should include the following data elements:

a. The type of report the auditor issued in the financial statements of he auditee (unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)

b. Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether such conditions were material weaknesses.

c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee.

d. Where applicable, a statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses.

e. The type of report the auditor issued on compliance for major programs (unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion).

f. A list of the Federal awarding agencies which will receive a copy of the reporting package.

g. A yes or no statement as to whether the auditee qualified as a low-risk auditee.

h. The dollar threshold used to distinguish between Type A and Type B programs.

i. The CFDA number of each Federal program

j. The name of each Federal program and identification of each major program.

k. The amount of expenditures in the schedule of expenditures of Federal awards associated with each Federal program.

l. For each Federal program, a yes or no statement as to whether there are audit findings in each of the compliance requirements and the total amount of any questioned costs.

m. Auditee name, Employer Identification Number(s), Name and Title of Certifying Official, Telephone Number, Signature, and Date.

n. Whether the auditee has either a cognizant or oversight agency for audit

o. The name of the cognizant or oversight agency for audit.

The entire reporting package must be submitted to the Federal clearinghouse for acceptance and distribution to all affected Federal agencies. A copy of the audit report and verification that the reporting package was submitted to the Federal Clearinghouse should be submitted to the Office of Employment Training.

Federal Agencies and Pass-through Entities' Responsibilities

Recipients expending more than $25 million in a year in Federal awards are required to have a cognizant agency for audit. The designated cognizant agency for audit should be the Federal awarding agency that provides the predominant amount in direct funding to a recipient unless OMB makes a specific cognizant agency for audit assignment.
The cognizant agency for audit is required to provide technical audit advise to auditees and auditors, and advise the auditor and auditee of any deficiencies found in the audits when the deficiencies require corrective action.

The cognizant agency for audit is required to consider auditee requests for extensions to the report submission due date, and obtain or conduct quality control reviews of selected audits made by non-Federal auditors.

The Federal awarding agency should identify Federal awards made by informing each recipient of the CFDA title and number, award name and number, and award year.

The Federal awarding agency should advise recipients of requirements imposed on them by Federal laws and regulations, and ensure that audits are completed and reports are received in a timely manner.

A pass-through entity must monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts or grant agreements and that performance goals are achieved.
A pass-through entity must ensure that subrecipients expending $300,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part.

A pass-through entity should issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

VIII. Scope of Audit.

The audit should be conducted in accordance with GAGAS. The audit should cover the entire operations of the auditee, or at the option of the auditee the audit should include a series of audits that cover departments, agencies, and other organizational units, which expended or otherwise administered Federal awards during the year. The audit should encompass the financial statements and schedule of expenditures of Federal awards for each such department, agency, and other organizational unit. The financial statements and schedule of expenditures of Federal awards should be for the same fiscal year.
The auditor should determine whether the financial statements of the auditee are presented fairly in all material respects in conformity with generally accepted accounting principles.

In addition to the requirements of GAGAS the auditor should perform procedures to obtain an understanding of internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs.
In addition to the requirements of GAGAS, the auditor should determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each of its major programs.

IX. Audit Reporting

The auditor's report may be in the form of either combined or separate reports, and should include an opinion as to whether the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles. The report must also include an opinion as to whether the schedule of expenditures of Federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.

The auditor's report should include a report on internal control related to the financial statements and major programs. The report should describe the scope of testing of internal control and the results of the tests.

The auditor's report should include a report on compliance with laws, regulations, and the provisions of contracts or grant agreements, which could have a material effect on the financial statements. This report should also include an opinion as to whether the auditee complied with laws, regulations, and the provisions of contracts or grant agreements, which could have a direct and material effect on each major program.

The auditor's report should include a schedule of findings and questioned cost, which would include a summary of the auditor's results, findings relating to the financial statements which are required to be reported in accordance with GAGAS, and findings and questioned costs relating to Federal awards.

X. Major Program Determination

The auditor must now use a risk-based approach to determine which programs are major programs. Previously major programs were determined by the amount of expenditures. This risk-based approach should include consideration of: current and prior audit experience, oversight by Federal agencies and pass-through entities, and the inherent risk of the Federal program.

The auditor should audit as major programs Federal programs with Federal awards expended that, in the aggregate, encompass at least 50 percent of total Federal awards expended. If the auditee meets the criteria for a low-risk auditee, the auditor need only audit as major programs Federal programs with Federal funds expended that, in the aggregate, encompass at least 25 percent of total Federal awards expended.

XI. Audit Findings

The auditor is required to report as audit findings in a schedule of findings and questioned costs that are greater than $10,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. The auditor should also report known questioned costs when likely questioned costs are greater than $10,000 for a type of compliance for a major program. In reporting questioned costs, the auditor should include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

XII. Audit Resolution

Recipients must issue a management decision detailing audit resolution activities within six months after receipt of the audits of subrecipients that have received

$300,000 or more of Federal funds in a fiscal year. The responsibility for resolving all findings related to WIA programs and funds rests with the awarding agency (the recipient or subrecipient organization that directly provided the funds). Audit findings, including administrative findings must be resolved within six months after receipt of the audit report.

Upon receipt of the final audit report, specific controls should be established to ensure that resolution takes place within required time frames. It is suggested that an audit control log be maintained to include the following:

- Date of audit
- Period covered by audit
- Date received
- Auditor
- Questioned costs (number of findings and amounts)
- Administrative findings (number of findings)
- Assigned audit number
- Date(s) Initial and Final Determination(s) scheduled, issued, and appealed.

The initial determination is a preliminary decision on whether to allow or disallow question costs and resolve any non-monetary (administrative) findings. It offers the auditee/recipient an opportunity for informal resolution.

In most instances a cost will be disallowed if the basis is a clear and unequivocal violation of law and regulations. Costs incurred must be supported by required source documentation such as time and attendance records, bills and invoices, and cancelled checks. The auditee/subrecipient's inability to produce such documentation is in itself supportable grounds for disallowing questioned costs. The informal resolution period follows the initial determination. During this phase, the subrecipient has an opportunity to agree to corrective action before the awarding agency initiates sanctions.

The Final Determination should be sent to the auditee/ subrecipient within a reasonable time, but not more than six months, after the awarding agency receives the final audit report. The Final Determination should:

- Reference the Initial Determination
- State the awarding agency's final decision to disallow any costs, listing each disallowed cost specifically and noting the reasons for each disallowance.
- Identify the questioned cost in the audit report that have been allowed and the basis for the allowance.
- Demand repayment of disallowed costs.
- Describe debt collection actions and other sanctions that may be imposed if the repayment is not made.
- Inform the auditee/recipient of its right to appeal.
- Restate the status of each administrative finding.

When a cost is disallowed in the Final Determination, a debt is created. However, if the auditee/subrecipient appeals no further collection action can be taken pending the outcome of the appeal.

XIII. Stand-in Costs

WIA regulations allows the use of stand-in costs as a substitute for costs disallowed in an audit. If an auditee agrees that an auditor's questioned cost is unallowable and wishes to propose the use of stand-in costs as a substitute, the proposal must be included with the auditee's comments to the awarding agency.

Stand-in costs are non-Federal costs that may be substituted for certain WIA costs when certain conditions are met. Stand-in costs must meet the following criteria:

- To be considered, proposed stand-in cost shall have been allowable uncharged WIA program costs, included in the scope of the audit and accounted for in the auditee's financial system.

- To be accepted, stand-in costs must come from the same appropriation year as the costs that the are proposed to replace, and they must not cause a violation of the administrative or other cot limitations.

CHAPTER 9. FISCAL REPORTING REQUIREMENTS

I. Introduction

Section 667.300 of the Workforce Investment Act regulations requires financial reporting on a quarterly basis and costs to be reported by year of appropriation. Financial reports must include:

A. The tracking and reporting of obligations as well as expenditure information.

B. The tracking and reporting of both program income earned and program income expended.

C. The tracking and reporting of non-federal recipient funds expended for WIA programs. (Such costs can be used as "stand-in" costs for federal costs which have been disallowed as a result of audit or other review).

II. Fiscal Reports

The following fiscal reports are to be submitted to the Office of Employment Training no later than 30 days after the end of each quarter.

A. Administrative Quarterly Status Report - This report shall be used to report combined administrative expenditures for the Adult, Youth, and Dislocated Worker Administrative funds.

B. Adult Quarterly Status Report - This report shall be used to report expenditures for the Adult program funds.

C. Youth Quarterly Status Report – This report shall be used to report expenditures for the Youth program funds.

D. Dislocated Worker Quarterly Status Report – This report shall be used to report expenditures for the Dislocated Worker program funds.

The report periods are:

1. July 1 - September 30 - due October 30
2. July 1 - December 31 - due January 30
3. July 1 - March 31 - due April 30
4. July 1 - June 30 - due July 30

Funds must be reported by year of appropriation and annual allocations are available for a two-year period. Recipients must continue to submit quarterly reports for each grant until all funds are totally expended or the two-year period has ended.

III. WIA Requisition for Cash

The WIA Requisition for Cash shall be prepared on a cumulative basis. This means WIA total cash receipts and cash expenditures are reported from the beginning of the grant agreement.
Requisitions should be submitted on as needed basis but not to exceed once per week.

IV. WIA Closeout Documents

WIA Closeout Documents are to be submitted for each separate grant agreement as follows:

1. If all grant funds are expended prior to the end of the two year funding period, the closeout documents shall be submitted within 90 days after the funds have been fully expended.

2. If funds are available through the end of the two-year funding period, closeouts shall be submitted no later than 60 days after the end of the two-year funding period.

STATE OF MARYLAND
Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act

INSTRUCTIONS FOR COMPLETING ADMINISTRATIVE QUARTERLY STATUS REPORT

Grant Number: Enter the number assigned to the grant agreement.

Grantee's Name and Address: Enter the name and address of the grant recipient.

Quarterly/Final Report: Enter an X on the appropriate line. The final closeout report should indicate the final report.

Grant Period: Enter the beginning and ending date of the grant agreement.

Report Period: Enter the beginning date of the grant agreement and the ending date of the report period.

A. **Total Federal Funds Available:** Enter the total amount of the grant agreement. **T**his amount equals the total administrative funds allocated for the adult, youth, and dislocated worker grants.

B. **Total Federal Obligations:** Enter the amount of funds which have been obligated through the end of the report period. The amount of reported obligations should include any accrued expenditures and obligations. Obligations mean the amounts of orders placed, contracts and grants awarded, goods and services received, and similar transactions during a funding period that will require payment by the recipient during the funding period.

C. **Total Federal Accrued Expenditures:** Enter the total amount of accrued administrative expenditures through the end of the report period. (Line 1)

1. **Administration:** Enter the total amount of funds expended for WIA administration through the end of the report period. Costs for this category should consist of all direct and indirect costs associated with the administration of the program. (Do no include any expenditures included on line 2.)

2. **Technology/Computerization:** Enter the total amount of accrued expenditures for the purchase of hardware and software that is used for participant tracking and monitoring, program participant requirements, and core services information. These costs are excluded from the administrative cost limit calculation. (Do not include any expenditures included on line 1.)

D. **Total Program Income Earned to Date:** Enter the total amount of program income earned through the end of the report period. Must use addition method.

E. **Total Program Income Expended to Date:** Enter the total amount of program income expended through the end of the report period.

F. **Total Grantee Funds Expended for WIA:** Enter the total amount of recipient funds expended through the end of the report period.

Grantee funds expended on WIA activities can be used as "stand-in" costs for Federal costs which have been disallowed as a result of an audit or other reviews. (For additional information on stand-in costs see the audit section of the handbook)

Remarks: Provide any comments if appropriate.

Certification: The authorized representative of the recipient should sign and date the report and enter their title and telephone number.

STATE OF MARYLAND

Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act

INSTRUCTIONS FOR COMPLETING ADULT QUARTERLY STATUS REPORT

Grant Number: Enter the number assigned to the grant agreement.

Grantee's Name and Address: Enter the name and address of the grant recipient.

Quarterly / Final Report: Enter an X on the appropriate line. The final closeout report should indicate the final report.

Grant Period: Enter the beginning and ending date of the grant agreement.

Report Period: Enter the beginning date of the grant agreement and the ending date of the report period.

A. **Total Federal Funds Available:** Enter the total amount of the grant agreement. (Sum of Line 1 and Line 2)

1. **Annual Allocation:** Enter the amount of the annual allocation as adjusted for any reallocation of funds.

As stipulated in WIA regulations the State may reallocate adult, youth, and dislocated worker funds among local areas on an annual basis. The amount available for reallocation is equal to the amount by which the unobligated balance of allocated funds exceeds 20 percent of that year's allocation for the program, less any amount reserved (up to 10 percent) for the costs of administration. To be eligible to receive funds under the reallocated procedure, local areas must have obligated at least 80 percent of the program year's allocation, less any amount reserved (up to 10 percent) for the costs of administration.

2. **Transfers To/From Dislocated Workers:** Enter the amount of funds transferred to or from the dislocated worker program.

WIA regulations stipulate that local areas may transfer up to 20 percent of a program year allocation for adult employment training activities, and up to 20 percent of a program year allocation for dislocated worker employment training activities between the two programs.

B. **Total Federal Obligations:** Enter the amount of funds which have been obligated through the end of the report period. The amount of reported obligations should include any accrued expenditures and obligations. Obligations mean the amounts of orders placed, contracts and grants awarded, goods and services received, and similar transactions during a funding period that will require payment by the recipient during the funding period.

C. **Total Federal Accrued Expenditures:** Enter the total amount of accrued adult expenditures through the end of the report period.

D. **Total Program Income Earned to Date:** Enter the total amount of program income earned through the end of the report period. Must use addition method.

E. **Total Program Income Expended to Date:** Enter the total amount of program income expended through the end of the report period.

F. **Total Grantee Funds Expended for WIA:** Enter the total amount of recipient funds expended through the end of the report period.

Grantee funds expended on WIA activities can be used as "stand-in" costs for Federal costs which have been disallowed as a result of an audit or other reviews. (For additional information on stand-in costs see the audit section of the handbook)

Remarks: Provide any comments if appropriate.

Certification: The authorized representative of the recipient should sign and date the report and enter their title and telephone number.

STATE OF MARYLAND

Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act

INSTRUCTIONS FOR COMPLETING DISLOCATED WORKER QUARTERLY STATUS REPORT

Grant Number: Enter the number assigned to the grant agreement.

Grantee's Name and Address: Enter the name and address of the grant recipient.

Quarterly / Final Report: Enter an X on the appropriate line. The final closeout report should indicate the final report.

Grant period: Enter the beginning and ending date of the grant agreement.

Report Period: Enter the beginning date of the grant agreement and the ending date of the report period.

A. Total Federal Funds Available: Enter the total amount of the grant agreement. (Sum of Line 1 and Line 2)

1. **Annual Allocation:** Enter the amount of the annual allocation as adjusted for any reallocation of funds.

   As stipulated in WIA regulations the State may reallocate adult, youth, and dislocated worker funds among local areas on an annual basis. The amount available for reallocation is equal to the amount by which the unobligated balance of allocated funds exceeds 20 percent of that year's allocation for the program, less any amount reserved (up to 10 percent) for the costs of administration. To be eligible to receive funds under the reallocated procedure, local areas must have obligated at least 80 percent of the program year's allocation, less any amount reserved (up to 10 percent) for the costs of administration.

2. **Transfers To/From Adult:** Enter the amount of funds transferred to or from the adult program.

   WIA regulations stipulate that local areas may transfer up to 20 percent of a program year allocation for dislocated worker employment training activities, and up to 20 percent of a program year allocation for adult employment training activities between the two programs.

B. Total Federal Obligations: Enter the amount of funds which have been obligated through the end of the report period. The amount of reported obligations should include any accrued expenditures and obligations. Obligations mean the amounts of orders placed, contracts and grants awarded, goods and services received, and similar transactions during a funding period that will require payment by the recipient during the funding period.

C. **Total Federal Accrued Expenditures:** Enter the total amount of accrued dislocated worker expenditures through the end of the report period.

D. **Total Program Income Earned to Date:** Enter the total amount of program income earned through the end of the report period. Must use addition method.

E. **Total Program Income Expended to Date:** Enter the total amount of program income expended through the end of the report period.

F. **Total Grantee Funds Expended for WIA:** Enter the total amount of recipient funds expended through the end of the report period.

Grantee funds expended on WIA activities can be used as "stand-in" costs for Federal costs which have been disallowed as a result of an audit or other reviews. (For additional information on stand-in costs see audit section of the handbook)

Remarks: Provide any comments if appropriate.

Certification: The authorized representative of the recipient should sign and date the report and enter their title and telephone number.

STATE OF MARYLAND

Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act

INSTRUCTIONS FOR COMPLETING YOUTH QUARTERLY STATUS REORT

Grant Number: Enter the number assigned to the grant agreement.

Grantee's Name and Address: Enter the name and address of the grant recipient.

Quarterly / Final Report: Enter an X on the appropriate line. The final closeout report should indicate the final report.

Grant Period: Enter the beginning and ending date of the grant agreement.

Report Period: Enter the beginning date of the grant agreement and the ending date of the report period.

A. **Total Federal Funds Available:** Enter the total amount of the annual allocation as adjusted for any reallocation of funds.

As stipulated in WIA regulations the State may reallocate adult, youth, and dislocated worker funds among local areas on an annual basis. The amount available for reallocation is equal to the amount by which the unobligated balance of allocated funds exceeds 20 percent of that year's allocation for the program, less any amount reserved (up to 10 percent) for the costs of administration. To be eligible to receive funds under the reallocated procedure, local areas must have obligated at least 80 percent of the program year's allocation, less any amount reserved (up to 10 percent) for the costs of administration.

B. **Total Federal Obligations:** Enter the amount of funds which have been obligated through the end of the report period. The amount of reported obligations should include any accrued expenditures and obligations. Obligations mean the amounts of orders placed, contracts and grants awarded, goods and services received, and similar transactions during a funding period that will require payment by the recipient during the funding period.

C. **Total Federal Accrued Expenditures:** Enter the total amount of accrued youth expenditures through the end of the report period.

1. **Out-of-School Youth Expenditures:** Enter all expenditures through the end of the report period spent on youth who are school dropouts, who have received a secondary school diploma or its equivalent, but are basic skills deficient, unemployed, or underemployed. Local areas must expend 30 percent of youth funds on out of school youth.

2. **In-School Youth Expenditures:** Enter all expenditures through the end of the report period spent on youth who are in school. Youth in alternative schools are considered to be in school.
3. **Summer Employment Activities:** Enter all expenditures through the end of the report period spent on summer employment opportunities. All local boards must offer summer employment opportunities, however the proportion of youth funds used for employment is at the board and CLEO's discretion.

D. Total Program Income Earned to Date: Enter the total amount of program income earned through the end of the report period. Must use addition method.

E. Total Program Income Expended to Date: Enter the total amount of program income expended through the end of the report period.

F. Total Grantee Funds Expended for WIA: Enter the total amount of recipient funds expended through the end of the report period.

Grantee funds expended on WIA activities can be used as "stand-in" costs for Federal costs which have been disallowed as a result of an audit or other reviews. (For additional information on stand-in costs see the audit section of the handbook)

Remarks: Provide any comments if appropriate.

Certification: The authorized representative of the recipient should sign and date the report and enter their title and telephone number.

STATE OF MARYLAND
Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act
ADMINISTRATIVE QUARTERLY STATUS REPORT

GRANT NUMBER:

GRANTEE NAME AND ADDRESS:

GRANT PERIOD:	REPORT PERIOD:
FROM: ____________ TO: ____________	FROM: ____________ TO: ____________
QUARTERLY REPORT ________	FINAL REPORT ________

A.	TOTAL FEDERAL FUNDS AVAILABLE	______________________
B.	TOTAL FEDERAL FUND OBLIGATIONS	______________________
C.	TOTAL FEDERAL ACCRUED EXPENDITURES	______________________
	1. ADMINISTRATION	______________________
	2. TECHNOLOGY/COMPUTERIZATION	______________________
D.	PROGRAM INCOME EARNED	______________________
E.	PROGRAM INCOME EXPENDED	______________________
F.	TOTAL GRANTEE FUNDS EXPENDED FOR WIA	______________________

REMARKS:

CERTIFICATION: I CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF, THE INFORMATION PROVIDED .IS COMPLETE AND ACCURATE.

SIGNATURE AND TITLE	DATE	TELEPHONE #

STATE OF MARYLAND
Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act
ADULT QUARTERLY STATUS REPORT

GRANT NUMBER:

GRANTEE NAME AND ADDRESS:

GRANT PERIOD:	REPORT PERIOD:
FROM: ________ TO: ________	FROM: ________ TO: ________
QUARTERLY REPORT ________	FINAL REPORT ________

A.	TOTAL FEDERAL FUNDS AVAILABLE	________
	1. ANNUAL ALLOCATION	________
	2. TRANSFER TO/FROM DISLOCATED WORKER	________
B.	TOTAL FEDERAL FUND OBLIGATIONS	________
C.	TOTAL FEDERAL ACCRUED EXPENDITURES	________
D.	PROGRAM INCOME EARNED	________
E.	PROGRAM INCOME EXPENDED	________
F.	TOTAL GRANTEE FUNDS EXPENDED FOR WIA	________

REMARKS:

CERTIFICATION: I CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF, THE INFORMATION PROVIDED .IS COMPLETE AND ACCURATE.

SIGNATURE AND TITLE	DATE	TELEPHONE #

STATE OF MARYLAND

Department of Labor, Licensing and Regulation

Office of Employment Training

Workforce Investment Act

DISLOCATED WORKER QUARTERLY STATUS REPORT

GRANT NUMBER:

GRANTEE NAME AND ADDRESS:

GRANT PERIOD:	REPORT PERIOD:
FROM: ____________ TO: ____________	FROM: ____________ TO: ____________
QUARTERLY REPORT ________	FINAL REPORT ________

A.	TOTAL FEDERAL FUNDS AVAILABLE	____________
	1. ANNUAL ALLOCATION	____________
	2. TRANSFER TO/FROM ADULT	____________
B.	TOTAL FEDERAL OBLIGATIONS	____________
C.	TOTAL FEDERAL ACCRUED EXPENDITURES	____________
D.	PROGRAM INCOME EARNED	____________
E.	PROGRAM INCOME EXPENDED	____________
F.	TOTAL GRANTEE FUNDS EXPENDED FOR WIA	____________

REMARKS:

CERTIFICATION: I CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF, THE INFORMATION PROVIDED .IS COMPLETE AND ACCURATE.

SIGNATURE AND TITLE	DATE	TELEPHONE #

STATE OF MARYLAND

Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act
YOUTH QUARTERLY STATUS REPORT

GRANT NUMBER:

GRANTEE NAME AND ADDRESS:

GRANT PERIOD:	REPORT PERIOD:
FROM: ____________ TO: ____________	FROM: ____________ TO: ____________
QUARTERLY REPORT ________	FINAL REPORT ________

A.	TOTAL FEDERAL FUNDS AVAILABLE	____________
B.	TOTAL FEDERAL FUND OBLIGATIONS	____________
C.	TOTAL FEDERAL ACCRUED EXPENDITURES	____________
	1. OUT-OF-SCHOOL EXPENDITURES	____________
	2. IN-SCHOOL YOUTH EXPENDITURES	____________
	3. SUMMER EMPLOYMENT EXPENDITURES	____________
D.	PROGRAM INCOME EARNED	____________
E.	PROGRAM INCOME EXPENDED	____________
F.	TOTAL GRANTEE FUNDS EXPENDED FOR WIA	____________

REMARKS:

CERTIFICATION: I CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF, THE INFORMATION PROVIDED .IS COMPLETE AND ACCURATE.

SIGNATURE AND TITLE	DATE	TELEPHONE #

STATE OF MARYLAND

Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act

INSTRUCTIONS FOR COMPLETING
REQUISITION FOR CASH

Grantee's Name and Address: Enter the name and address of the grant recipient.

Type of Program: Enter the name and appropriate funding source/title from the following list:

Adult	**Discretionary**
Youth	**Trade**
Dislocated Worker	**Other_________________**
Administration	**(**specify any other program if necessary)

Requisition Number: Enter the requisition number sequentially as they are submitted to OET.

Grant Number: Enter the grant number as shown on the grant signature sheet.

Federal Identification Number: Enter the Grantee's FID# as assigned by the United States Treasury Department.

Grant Amount: Enter the amount of funds currently obligated in the grant agreement. (The amount authorized on the most recent signature sheet).

Program Income: Enter the amount of program income earned to date.

Total Funds: Enter the sum of the grant amount and program income earned to date.

Line 1. Cash Expenditures: Enter the amount of cash expenditures as of the date reported.

Line 2. Projected Cash Expenditures: Enter the ending date covered by the projected cash expenditures, and the dollar amount of the projected cash expenditures through this period.

Line 3. Total Cash Expenditures: Enter the sum of lines 1 and 2.

Line 4. Cash Received to Date: Enter the amount of cash already received from the beginning date of the grant agreement.
Line 5. Program Income Earned to Date: Enter the amount of program income earned to date under this particular grant.
Line 6. Requisition in Transit: Enter the number(s) of any requisitions in transit and the total dollar amount of the requisition(s).

Line 7. Total Cash: Enter the sum of lines of 4, 5,and 6.

Line 8. Cash Balance: Enter the sum of lines 4 and 5 minus line 1 (This amount represents the amount of WIA cash received and program income earned to date minus the amount of cash expenditures as of the report date.) A negative balance should be enclosed in parenthesis.

Line 9. Additional Cash Needed: Enter the total of line 7 minus line 3 (This is the amount of additional cash need to operate the program.)

Remarks: Provide any comments if appropriate.

Certification: The authorized representative of the grantee should sign and date the report and enter their title and telephone number.

STATE OF MARYLAND

Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act
REQUISITION FOR CASH

GRANTEE NAME AND ADDRESS:	REQUISITION #: ______	
	GRANT #: ______	
	FEDERAL ID #: ______	
	GRANT AMOUNT: $ ______	
	PROGRAM INCOME: $ ______	
TYPE OF PROGRAM: ______ (See instruction for list of programs)	TOTAL FUNDS: $ ______	
1. CASH EXPENDITURES AS OF ______	$ ______	
2. PROJECTED CASH EXPENDITURES THROUGH PERIOD ENDING ______	$ ______	
3. TOTAL CASH EXPENDITURES (SUM OF LINES 1 &2)		$ ______
4. CASH RECEIVED TO DATE	$ ______	
5. PROGRAM INCOME EARNED TO DATE	$ ______	
6. REQUISITIONS IN TRANSIT #(S) ______	$ ______	
7. TOTAL CASH (SUM OF LINES 4, 5 & 6)		$ ______
8. CASH BALANCE (LINE 4 & 5 MINUS LINE 1)	$ ______	
9. ADDITIONAL CASH NEEDED (LINE 3 MINUS LINE 7)		$ ______
REMARKS:	**FOR STATE ONLY:**	

CERTIFICATION: I CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF, THE INFORMATION PROVIDED ON THIS REQUISITION FOR CASH IS CORRECT AND THAT THE ADDITIONAL CASH NEEDED WILL BE DISBURSED ONLY IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE GRANT AGREEMENT.

Signature and Title of Authorized Grantee Representative ______ Date ______ Telephone #

Signature and Title of Authorized Grantee Representative ______ Date

STATE OF MARYLAND

Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act

GRANTEE'S TRANSMITTAL OF CLOSE OUT DOCUMENTS

DATE: ______________________________

GRANT NUMBER: ______________________________

GRANTEE'S NAME: ______________________________

____

GRANTEE'S ADDRESS: ______________________________

____

To comply with the grant closeout procedures, I have taken the necessary actions regarding the closeout of this WIA grant. Enclosed are the following closeout documents: **(Check appropriate line. Each item must be covered. Provide an explanation for any item not submitted. Use separate sheet if necessary)**

IDENTIFICATION OF CLOSEOUT DOCUMENT	ENCLOSED	WILL BE SENT SEPARATELY BY: ____________	UNABLE TO FURNISH
FINAL EXPENDITURE REPORT	________	________	________
	EXPLANATION:		
FINAL REQUISITION FOR CASH	________	________	________
	EXPLANATION:		
REFUND CHECK FOR UNLIQUIDATED ADVANCE PAYMENTS	________	________	________
	EXPLANATION:		

IDENTIFICATION OF CLOSEOUT DOCUMENT	ENCLOSED	WILL BE SENT SEPARATELY BY: ____________	UNABLE TO FURNISH
UNCLAIMED PAYROLL OR ALLOWANCE CHECKS STATEMENT	________	________	________
	EXPLANATION:		
GRANTEE RELEASE FORM	________	________	________
	EXPLANATION:		
GRANT CLOSEOUT TAX CERTIFICATION STATEMENT	________	________	________
	EXPLANATION:		
LOCATION OF GRANT RECORDS FORM	________	________	________
	EXPLANATION:		
OTHER DOCUMENTS (Specify)	________	________	________
	EXPLANATION:		

____ ____________________

SIGNATURE AND TITLE **DATE**

GRANTEE RELEASE FORM

Pursuant to the terms of Grant Number __________________________ and in consideration of the sum of ____ dollars ($___________________), which has been or is to be paid under the said grant agreement to:

____

____

(Grantee's Name and Address)

Hereinafter called the Grantee or its assignee, if any the Grantee, upon payment of the said sum by the Department of Labor, Licensing and Regulation here in after called the Grantor, its officers, agents, and employees, of all liabilities, obligations, claims, and demands whatsoever under or arising from the said grant, except:

Specified claims in stated amounts or in estimated amounts where the amounts are not susceptible of exact statement by the Grantee, as follows (if none, so state):

____

____

____

Claims, together with reasonable expenses incidental thereto, based upon liabilities of the Grantee to third parties out of the performance of the said grant, which are not known to the Grantee on the date of the execution of this release and of which the Grantee notifies the Grantor in writing 30 days from such date of execution.

Claims after closeout, for which result from liability to pay Unemployment Insurance costs under a reimbursement system or to settle Worker's Compensation claims.

This release has been executed the ________ day of ____________________ 20 ______ .

Grantee Name: ______________________________ By: __________________________________

____ Title: __________________________________

GRANT CLOSEOUT TAX CERTIFICATION

In the performance of Grant Number: ______________________________ , I certify that I have complied with requirements of the Law and the Department of Labor, Licensing and Regulation, regarding the obtaining of employer identification numbers: collection, payment, deposit, and reporting of federal, state and local taxes, and the provision of W-2 forms to employees/enrollees who are not now my employees. For present employees/enrollees, formerly employed under the grant, W-2 forms will be furnished as specified in Circular E, Employer's Tax Guide.

Grantee's Name and
Address:

____

____

____

Employer's Identification Number:

____

Authorized Signature
and Date: ________________________________ ______________

GRANTEE CLOSEOUT
LOCATION OF GRANTEE RECORDS

GRANTEE'S NAME AND ADDRESS: ______________________

____

____

____

____

GRANT NUMBER: ______________________

TERM OF GRANT:

FROM: ______________________

TO: ______________________

LOCATION OF RECORDS

ADDRESS	RECORDS AT THIS LOCATION	NAME, ADDRESS AND PHONE NUMBER OF CONTACT PERSON

STATE OF MARYLAND

Department of Labor, Licensing and Regulation
Office of Employment Training
Workforce Investment Act

GLOSSARY OF TERMS

Accrued expenditures - Charges made to the WIA program. The expenditures are the sum of actual cash disbursements, the amount of indirect expense incurred, and the net increase or decrease in the amounts owed by the recipient or subrecipient for the goods and other property received, for services performed by employees, contractors, subgrantees, subcontractors, and other payees. It includes other amounts being owed under programs for which no current services or performance are required such as annuities, insurance claims, and other benefit payments.

Acquisition cost - The net invoice unit price of the property including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose for which it was intended.

Adult - Except for youth (18-21) The term adult means an individual who is age 18 or older.

Advance - Payment made to a recipient or subrecipient upon its request either before outlays are made by the recipient or subrecipient, or through the use of predetermined payment schedules.

Awarding agency - With respect to a grant the State, the United States Department of Labor, and with respect to a subgrant the party awarding the subgrant.

CFDA number - The number assigned to a Federal program in the Catalog of Federal Domestic Assistance (CFDA).

Cognizant agency - The Federal agency responsible for reviewing negotiating, and approving cost allocation plans or indirect cost proposals developed on behalf of all Federal agencies.

Commercial organization – Any business entity organized principally for profit (even if its ownership is in the hands of a nonprofit entity).

Common Rule - The Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments;
Corrective action - An action taken by the auditee to correct identified deficiencies, that produce recommended improvements, or demonstrate that audit findings are either invalid or do not warrant auditee action.

Cost - Accrued expenditures.
Cost objective - A function, organizational subdivision, contract, grant, or other activity for which cost data is needed and for which costs are incurred.

Disallowed costs - The charges to an award that DOL determines to be unallowable in accordance with the applicable Federal cost principles or other terms or conditions contained in the award.

DOL - The United States Department of Labor

Disallowed costs - Those charges to an award that are determined to be unallowable, in accordance with the applicable Federal cost principles or other terms and conditions contained in the award.

Equipment - Tangible non-expendable personal property including exempt property charged directly to the award having a useful life or more than one year and an acquisition cost of $5,000 or more per unit.

Federal awarding agency - The Federal agency that provides an award to the recipient.

Federal funds authorized - The total amount of Federal funds obligated by DOL for use by the recipient. This amount may include any authorized carryover of unobligated funds from prior funding periods when permitted by DOL.

Funding period - The period of time when Federal funding is available for expenditure by the recipient or the subrecipient. WIA regulations 667.107(a) states that funds allotted to the State are available for expenditure during the program year in which the funds are obligated and the two succeeding program years. Section 667.107(b) states that funds allocated to a local area for a program year are available for expenditure during that program year and the succeeding program year.

GAAP (Generally Accepted Accounting Principles) - Accounting rules and procedures established by authoritative bodies or conventions that have evolved through usage.

GAGAS Generally Accepted Government Auditing Standards - Issued by the Comptroller General of he United States which are applicable to financial audits.

Grant - An award of financial assistance by the Federal Government to an eligible grantee.

Grantee - The recipient to which a grant is awarded and which is accountable for the use of the funds provided.

Obligations - The amounts of orders placed, contracts and grants awarded, goods and services received, and similar transactions during a funding period, that requires payment by the recipient or subrecipient during the same or a future period.

OMB - The United States Office of Management and Budget

Prior Approval - Written approval by an authorized official evidencing prior consent.
Program Year - The period beginning on July 1 in the fiscal year for which the appropriation is made and ending on June 30 of the following year.

Program Income - Gross income earned by the recipient that is directly generated by a supported activity or is earned as a result of the award.

Recipient - An organization receiving financial assistance directly from DOL to carry out a program or project.

Stand-in Costs - Costs paid from non-federal sources which a recipient or subrecipient proposes to substitute for federal costs that have been disallowed as a result of an audit or other review. In order to be considered as valid substitutions the costs must have been reported by grantee and subgrantee as uncharged program costs under the same title and in the same year in which the disallowed costs were incurred; and must have been incurred in compliance with WIA laws, regulations, and contractual provisions.

Subgrant - An award of financial assistance made under a grant by a grantee to an eligible subgrantee.

Subgrantee (Subrecipient) - The legal entity to which a subgrant is awarded and which is accountable to the recipient for use of the funds provided.

Unliquidated Obligations - For reports prepared on an accrual basis, the amount of obligations incurred by the recipient or subrecipient for which an outlay has not been recorded.

Unobligated Balance - That portion of the funds available that have not been obligated by the recipient or subrecipient and are determined by deducting the cumulative obligations from the cumulative funds authorized.

Vendor - A dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program.

WIA - Workforce Investment Act

Working capital advance - a procedure whereby funds are advanced to the recipient to cover its estimated disbursement needs for a given initial period.

Youth- Individual who is not less than 14 and not more than 21