Welcome to EWDD

Financial Grants Management

August 6-7, 2014
Garland Building, 4th Floor

By: Catherine Bondoc
Financial Management Division
Course Outline

- Financial Management Systems
  - Financial Management Systems Standards
  - Chart of Accounts
- Financial Reporting
  - Required Reports
  - Obligations & Expenditures
  - WIA Administrative Costs
  - Salary & Bonus Limitation
- Cost Allocation
  - Direct, Shared & Indirect Costs
  - Indirect Costs – Admin vs Program
- Others
  - Cash Advance
  - Program Income
  - Stand-in Costs & Leveraged Resources
  - Records Retention
- Updates
  - New Omni-Circular
  - WIOA

OMB Circulars & Federal Regulations

- **Cost Principles**
  - 2 CFR 225 (OMB A-87): States, locals & Indian Tribal governments
  - 2 CFR 220 (OMB A-21): Educational institutions
  - 2 CFR 230 (OMB A-122): Non-profit organizations
  - 48 CFR Part 31: Commercial organizations

- **Audit Requirements**
  - 29 CFR Part 96: Commercial organizations
Uniform Administrative Requirements

- **DOL**
  - 29 CFR Part 97: States, locals & Indian Tribal governments
  - 29 CFR Part 95: All others

- **HUD**
  - 24 CFR Part 85: State, Local & Indian Tribal governments
  - 24 CFR Part 84: All others

Financial Management System

- Relate financial data to performance accomplishments of the Federal award.
- Must be sufficient to permit the preparation of required reports & the tracking of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.
Financial Management System

- **Must provide for the following:**
  - Identification of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.

Financial Management Systems

- Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand.
Financial Management Systems

- Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.
- Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.

Financial Management Systems

- Comparison of expenditures with budget amounts for each Federal award.
- Written procedures to implement the requirements for cash management.
- Written procedures for determining the allowability of costs.
Chart of Accounts

- Listing, usually numerical, that provides the organization with the proper codes against which to charge costs in the GL & to then report the financial results of operations.
  - Every organization is different – funding, grants, and organizational needs.
  - Each code should be defined, with examples of costs and documentation requirements.
  - Serves as documentation for allowable costs.
  - For auditors when tracing costs from ER to your books.

Financial Reporting

<table>
<thead>
<tr>
<th>CASH REQUEST</th>
<th>EXPENDITURE REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due by:</td>
<td>Due by the 15th calendar day</td>
</tr>
<tr>
<td>- For Cash Advances – 5 business days prior</td>
<td>- With required supporting schedules attached:</td>
</tr>
<tr>
<td>- For Reimbursements – by the 15th calendar day</td>
<td>- Schedule of Personnel</td>
</tr>
<tr>
<td></td>
<td>- Attachments – for WIA</td>
</tr>
<tr>
<td></td>
<td>- Schedule of Leveraged Resources</td>
</tr>
</tbody>
</table>
Financial Reporting - ER

- Must be on accrual basis
- Cost Classifications:
  - City Cost Categories
    - # Cost Category Name
    - #1000 Personnel Costs
    - #2000 Other Direct Costs
    - #2100 Participant Related Costs
    - #2200 Subcontractor Costs
    - #3000 Furniture & Equipment
    - #4000 Indirect Costs
    - #5000 Capital Costs

Financial Reporting - ER

- Administrative vs. Program Costs
  - Grant requirement – for WIA and most Workforce grants
  - For monitoring purposes – CDBG
- Program Costs – Additional Breakdowns
  - WIA Adult & Dislocated Worker
    - Core Self, Core Registration, Intensive, Training Services, and Others
  - WIA Youth
    - In-School and Out-of-School
  - Others – Check grant requirements.
Financial Reporting - ER

- **Others**
  - Program Income & Expenditures
  - Prior and Current Period Expenditures
  - Cash and Accrued Expenditures
  - **Stand-in Costs**
  - Cash Received, In-transit, Disbursements, On-hand
  - Closeout info – final expenditures & refund due to City
  - Unliquidated Obligations

Obligations & Expenditures

- **Obligations**
  - A binding legal agreement that will result in expenditure, immediately or in the future.
  - Amount of orders placed, contracts & subgrants awarded, goods & services received, & similar transactions during a given period that will require payment during the same or future period.
  - May occur at the time services are rendered or before services are rendered.
  - Not obligations – plans, budgets, projected staff time.
Obligations & Expenditures

- **Expenditures**
  - Must be reported on **full accrual basis**.
  - Referred to by the feds as “outlays”.

- **Why accrual basis?**
  - Required by grantor (DOL).
  - Cash basis understates true spending.
  - Provides more accurate data to Congress re the use of appropriated funds.
  - Inaccurate data & understated expenditures may impact future funding levels.

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Obligations & Expenditures

- **Accrued Expenditures**
  - Goods & other tangible property ________________.
  - Services by employees, contractors, subcontractors, & other payees ________________.
  - Amounts becoming owed but for which no current service or performance is required.
    - Examples: Annuities, insurance, benefit payments, cost of tuition paid up front for participants, etc.
### Obligations & Expenditures

**Salaries and fringe benefits of employees**
- **Obligation & expenditures** - when services are rendered, wages are earned.
- **Leave**
  - When earned – for funded systems
  - When taken – for unfunded systems

**Lease**
- **Obligation** – when space is occupied + cancellation penalty.
- **Expenditures** – when space is occupied.

**ITA**
- Issuance of ITA is **not** obligation but a budget limit for training & a commitment to a participant.
- **Obligation**:
  - Participant is enrolled.
  - Tuition is due and payable.
- **Expenditure**:
  - Participant attends class.
  - Tuition is due and payable.
- **Refund** – when payment has been made and participant drops out & does not complete training.
# Obligations & Expenditures

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Utilities</strong></td>
<td>When bill is received or service is rendered.</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td>When ticket is purchased, travel is performed.</td>
</tr>
<tr>
<td><strong>Advance Payments not allowed except for:</strong></td>
<td></td>
</tr>
<tr>
<td>Tuition (when required by institution)</td>
<td></td>
</tr>
<tr>
<td>Subscriptions</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>Memberships</td>
<td></td>
</tr>
</tbody>
</table>

## Exercise #2

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unobligated Balance =</td>
<td></td>
<td></td>
</tr>
<tr>
<td>______ + or - _________</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Obligations =</td>
<td></td>
<td></td>
</tr>
<tr>
<td>______ + or - _________</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenditures =</td>
<td></td>
<td></td>
</tr>
<tr>
<td>______ + or - _________</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unliquidated Obligations =</td>
<td></td>
<td></td>
</tr>
<tr>
<td>______ + or - _________</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unearned Grant =</td>
<td></td>
<td></td>
</tr>
<tr>
<td>______ + or - _________</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
WIA Administrative Costs

- **20 CFR 667.210** – sets the limit for administrative costs.
  - 5% of 15% set aside for State-wide activities
  - 10% at the local level
- **20 CFR 667.220** – defines functions & activities subject to the administrative cost limit.

Levels in the WIA system subject to the administrative cost limit:
- State
- Local Workforce Investment Boards
- Direct recipients
- Local grant recipients
- Local grant subrecipients
- Local fiscal agents
- One-Stop Operators (See 29 CFR 662.400)
Allocable portion of necessary & reasonable allowable costs that are associated with the **specific functions** and are not related to the direct provision of workforce investment services, including services to participants & employers.

- **Specific functions:**
  - Accounting, budgeting, financial & cash management,
  - Procurement & purchasing,
  - Property management,
  - Personnel management,
  - Payroll,
  - Coordinating the resolution of findings arising from audits, reviews, investigations, & incident reports,
  - Audit,
  - General legal services, and
  - Developing systems & procedures, including information systems, required for these administrative functions.
WIA Administrative Costs

- Performing oversight & monitoring of these administrative functions.
- Goods & services required for these administrative functions – rent, supplies, travel, equipment, information systems, etc.
- Below the One-Stop Operator level - Vendors or Subcontractors:
  - Administrative: If the contract is solely for the performance of administrative functions.
  - Program: All others even if administrative costs are included in the total costs.

WIA Administrative Costs

- Costs charged to an overhead or indirect cost pool that can be identified as program costs are to be charged as program. Documentation must be maintained.
- Continuous improvement activities are administrative or program based on the purpose or nature of the activity to be performed. Keep documentation.
WIA Administrative Costs

- Tracking by funding stream not required.
- Definition of administrative costs for other grants may be different. Check those grants’ regulations and/or your grant agreements.

Salary & Bonus Limitation

- Public Law 109-234 sets the limit on salary & bonus compensation for individuals paid by DOL-ETA funded programs at a rate equivalent to no more than an Executive Level II.
- These levels are adjusted **annually**.
  - Check Federal Office of Personnel Management website
- For calendar year 2014 = limit is **$181,500**
- Limit is prorated based on the amount of time the individual is dedicated to the ETA-funded grant.
Salary & Bonus Limitation

Example:
Executive Director’s 2014 W-2 Gross Compensation = $140,000. He worked part-time (.60 FTE) all year but 100% of his time benefited WIA.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 Salary &amp; Bonus Limit</td>
<td>$181,500</td>
</tr>
<tr>
<td>Prorated Salary &amp; Bonus Limit [$181,500 x (.60 x 100%)]</td>
<td>$108,900</td>
</tr>
<tr>
<td>Executive Director’s Total Gross Compensation</td>
<td>$140,000</td>
</tr>
<tr>
<td>Salary Benefiting WIA ($140,000 x 100%)</td>
<td>$140,000</td>
</tr>
<tr>
<td>Salary in Excess of Limit ($140,000 - $108,900)</td>
<td>$31,100</td>
</tr>
</tbody>
</table>

Therefore, $31,100 is unallowable and must be paid using non-Federal funds.

Class Exercise #3a:
Executive Director’s 2014 W-2 Gross Compensation = $140,000. He worked part-time (.50 FTE) all year but only 80% of his time benefited WIA.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 Salary &amp; Bonus Limit</td>
<td></td>
</tr>
<tr>
<td>Prorated Salary &amp; Bonus Limit</td>
<td></td>
</tr>
<tr>
<td>Executive Director’s Total Gross Compensation</td>
<td></td>
</tr>
<tr>
<td>Salary Benefiting WIA</td>
<td></td>
</tr>
<tr>
<td>Salary in Excess of Limit</td>
<td></td>
</tr>
</tbody>
</table>

Therefore, ________ is unallowable and must be paid using non-Federal funds.
Salary & Bonus Limitation

Class Exercise #3b:
Executive Director’s 2014 W-2 Gross Compensation = $160,000. He worked full time all year but only 50% of his time benefited WIA.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 Salary &amp; Bonus Limit</td>
<td></td>
</tr>
<tr>
<td>Prorated Salary &amp; Bonus Limit</td>
<td></td>
</tr>
<tr>
<td>Executive Director’s Total Gross Compensation</td>
<td></td>
</tr>
<tr>
<td>Salary Benefiting WIA</td>
<td></td>
</tr>
<tr>
<td>Salary in Excess of Limit</td>
<td></td>
</tr>
</tbody>
</table>

Therefore, ________ is unallowable and must be paid using non-Federal funds.

Cost Allocation

Allocability is one of the basic cost principles used in determining whether costs are allowable.

Costs not readily chargeable to a final cost objective are aggregated into a “cost pool” and then allocated to final cost objectives using an appropriate allocation methodology.

Measuring relative benefit received or fair share is the critical requirement.

Final cost objectives must be established to meet grant reporting requirements.
Cost Allocation

- **Direct Costs** – any costs specifically identified with and can be directly charged to a final cost objective. No allocation necessary.

- **Shared Costs** - 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 then subsequently allocated to final cost objectives.

Cost Allocation

- **Cost Pools**
  - Best base(s) vary by organization.
  - Should be described & documented.
  - Examples: Intake, Supplies Expense, Administrative

- **Allocation base – Measure of benefit**
  - Acceptable if it represents a fair measure and results in equitable distribution of costs.
  - Must not be burdensome.
  - Applied consistently.
Cost Allocation

- Example #1:
  - Case Manager serving City WIA Adult participants only.
- Example #2:
  - Case Manager serving City WIA Adult and LA County participants.
- Example #3:
  - 4 Case Managers serving WIA participants without regard to whether participants are Adult or DW.

## Cost Allocation

### Pool #1:
- Case Managers Salaries
- $80,000

### Allocation Base:
- # of Participants Enrolled

<table>
<thead>
<tr>
<th></th>
<th>Contract #1</th>
<th>Contract #2</th>
<th>Contract #3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Enrolled Participants</td>
<td>600</td>
<td>400</td>
<td>1,000</td>
<td>2,000</td>
</tr>
<tr>
<td>%</td>
<td>30%</td>
<td>20%</td>
<td>50%</td>
<td>100%</td>
</tr>
<tr>
<td>Share</td>
<td>$24,000</td>
<td>$16,000</td>
<td>$40,000</td>
<td>$80,000</td>
</tr>
</tbody>
</table>
Cost Allocation

Pool #2: Payroll Staff Salaries $60,000

Allocation Base: Direct Salaries

<table>
<thead>
<tr>
<th></th>
<th>Contract #1</th>
<th>Contract #2</th>
<th>Contract #3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Salaries</td>
<td>$200,000</td>
<td>$300,000</td>
<td>$500,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>%</td>
<td>20%</td>
<td>30%</td>
<td>50%</td>
<td>100%</td>
</tr>
<tr>
<td>Share</td>
<td>$12,000</td>
<td>$18,000</td>
<td>$30,000</td>
<td>$60,000</td>
</tr>
</tbody>
</table>

Adjustment – Funding shortage for Contract #3 $10,000 ($10,000) $0

Adjusted Share $22,000 $18,000 $20,000 $60,000
Cost Allocation

**Pool #2:** Payroll Staff Salaries $60,000

**Allocation Base:** Direct Salaries

<table>
<thead>
<tr>
<th>Contract #1</th>
<th>Contract #2</th>
<th>Contract #3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Salaries</td>
<td>$200,000</td>
<td>$300,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>%</td>
<td>20%</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>Share</td>
<td>$12,000</td>
<td>$18,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>Adjustment – Funding shortage for Contract #3</td>
<td>$10,000</td>
<td>($10,000)</td>
<td>$0</td>
</tr>
<tr>
<td>Adjusted Share</td>
<td>$22,000</td>
<td>$18,000</td>
<td>$20,000</td>
</tr>
</tbody>
</table>

Possibly Stand-in Costs?

X Can’t do that!!

Notes:
- 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 across funding sources, and/or
  - Do not have an integral relationship to the type of costs being allocated.
Cost Allocation

- Any cost allocable to a particular grant or other cost objective may not be shifted to other Federal grants:
  - To overcome funding deficiencies,
  - To avoid restrictions imposed by law or grant agreement,
    - Administrative cost limit
    - Salary limitations
  - Or for other reasons.

Cost Allocation

- **Indirect Costs:**
  - Costs incurred to support the general and overall operations of the organization and for which a direct relationship to a particular grant or program cannot be shown.
  - They are recovered from the grant or program using an **indirect cost rate**, approved by a federal cognizant agency (for direct federal grant recipients) or by the pass-thru awarding agency (i.e., State &/or local government).
Cost Allocation

- **Written Cost Allocation Plan (CAP):**
  - Document that identifies allowable direct and indirect costs and is used to accumulate & distribute such costs.
  - Identifies the allocation methods used for distributing costs.
- **Two types:**
  - Indirect Cost Plan
  - Organizational or Departmental CAP

Indirect Costs

- What cost category are indirect costs for City reporting?
- What are common examples of indirect costs?
- Can a cost be both direct & indirect?
- Are indirect costs also administrative costs?
- How can you recover your indirect costs from a grant?
- Is there a cap on indirect cost rates?
- Is the admin cap of 4% for WIA the same as the indirect cost rate?
Indirect Costs – Admin vs Program

Methodology for determining Admin/Program:

**Step 1**
- Review all the costs included in the indirect cost pool and label/identify as administrative or program.

**Step 2**
- Calculate the proportion (%) of each of the two categories to total indirect costs.

**Step 3**
- Calculate the total indirect cost amount attributable to the City contracts by applying the ICR to each contract’s direct base.

**Step 4**
- Apply the % calculated in Step 2 to the total indirect amount calculated in Step 3 to determine the breakdown between administrative and program.

Example:

<table>
<thead>
<tr>
<th>Contract/Grant</th>
<th>Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract #1 – WIA Adult</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Contract #2 – TANF</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>$3,000,000</td>
</tr>
</tbody>
</table>

- **Total Indirect Cost:** $30,000
- **Indirect Cost Rate:** 10% of Total Direct Salaries
Indirect Costs – Admin vs Program

Example:

<table>
<thead>
<tr>
<th>Contract/Grant</th>
<th>Contract #1 WIA Adult</th>
<th>Contract #2 TANF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding Amount</td>
<td>$ 1,000,000</td>
<td>$ 2,000,000</td>
<td>$ 3,000,000</td>
</tr>
<tr>
<td>Total Direct Salaries</td>
<td>$ 120,000</td>
<td>$ 180,000</td>
<td>$ 300,000</td>
</tr>
<tr>
<td>Indirect Cost Rate</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$ 12,000</td>
<td>$ 18,000</td>
<td>$ 30,000</td>
</tr>
</tbody>
</table>

- **Total Indirect Cost:** $ 30,000
- **Indirect Cost Rate:** 10% of Total Direct Salaries

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Indirect Costs – Admin vs Program

Example:

<table>
<thead>
<tr>
<th>Indirect Cost Pool Expenses</th>
<th>Admin</th>
<th>Program</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expense #1</td>
<td>$ 7,000</td>
<td></td>
<td>$ 7,000</td>
</tr>
<tr>
<td>Expense #2</td>
<td></td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Expense #3</td>
<td>2,000</td>
<td>11,000</td>
<td>13,000</td>
</tr>
<tr>
<td>Total</td>
<td>$ 9,000</td>
<td>$ 21,000</td>
<td>$ 30,000</td>
</tr>
<tr>
<td>%</td>
<td>30%</td>
<td>70%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Indirect Costs – Admin vs Program

Example: Contract #1 – WIA Adult

<table>
<thead>
<tr>
<th></th>
<th>Admin</th>
<th>Program</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Direct Salaries</td>
<td>$24,000</td>
<td>$96,000</td>
<td>$120,000</td>
</tr>
<tr>
<td>% of Direct Salaries</td>
<td>20%</td>
<td>80%</td>
<td>100%</td>
</tr>
<tr>
<td>Indirect Cost – Admin</td>
<td>30%</td>
<td>70%</td>
<td>100%</td>
</tr>
<tr>
<td>Program Ratio</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect Cost</td>
<td>$3,600</td>
<td>$8,400</td>
<td>$12,000</td>
</tr>
</tbody>
</table>

Class Exercise #4

Cash Advances

- 29 CFR 97.21 and 29 CFR 95.22
- Requirement: Maintain or demonstrate the willingness to maintain:
  - Written procedures that minimize the time elapsing between receipt of funds and disbursements and
  - Financial management system that meets the standards for fund control and accountability.
- Minimize “cash on hand” sitting idle.
**Cash Advances**

- **Special Bank Account Agreement**
  - For the deposit of advanced grant funds.
  - Sets forth the right of the City to exercise suspension of business upon proper notice to the bank by the City.
  - Not intended to be merely a “pass-thru” account.
  - Bank account does not have to be a separate account -- but be aware of the risk.
  - Changes to agreement require City authorization (by City Attorney).

- City may suspend cash advance privilege, if necessary.

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**Cash Advances**

- Balances from drawdowns, rebates, credits, refunds received must be spent **first** before asking for additional cash.

- What about interest income?

- Spending plan – make adjustments, if necessary

- Forecasting cash needs:
  - Timing of payroll, taxes and fringe benefits
  - Receipt of invoices
  - Obligations
  - Accruals

- Direct deposit to bank account – are you set up for this yet?
Cash Advances - ITAs

- A formalized payment method should be in place before payments are made.
- Advance payments should not be made prior to receipt of services – unless specifically required as a condition for attendance.
- ITA itself is not an expenditure document and does not authorize the drawdown of cash.

Program Income

- Income received by the entity directly generated by the grant-supported activity or earned only as a result of the grant agreement during the grant period.
- For WIA, interest income is program income.
  - Other grants require that it be returned.
- City’s requirement:
  - Reported in monthly Expenditure Report
  - Returned to the City quarterly
## Program Income - Exclusions

- **Applicable Credits**
  - Reductions to grant costs as a result of refunds, rebates, credits, discounts or the interests earned on them.
  - How do these credits relate to “Cash Management”?
- **Sale of property**
- **Income earned after the grant has ended**
- **Donations**
- **Profits of commercial organizations**
- **Matching funds**

## Stand-In Costs

- Costs that may be substituted for disallowed costs in audit resolution.
- **Criteria:**
  - Must be allowable costs incurred for the benefit of the grant but paid for by non-federal funds.
  - Must have been included within the scope of the organization’s single audit.
  - Must have been accounted for in the financial system.
  - Must be adequately documented.
Stand-In Costs

- Must have been **incurred in the same program year** as the disallowed costs that they are proposed to replace.
- They must not cause a violation of administrative or other cost limitations.
- If the cause of the disallowed costs was fraud, proposals to use stand-in costs will not be accepted.

### Class Exercise #5: MCS Rehab WIA Contract for $1,000,000 with a 4% admin cap

<table>
<thead>
<tr>
<th>Description</th>
<th>Admin</th>
<th>Program</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Final Expenditures Reported</td>
<td>40,000</td>
<td>960,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>(b) Disallowed Costs</td>
<td>0</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>(c) Total Allowable Expenditures Prior to Use of Stand-in (a-b)</td>
<td>40,000</td>
<td>950,000</td>
<td>990,000</td>
</tr>
<tr>
<td>(d) Proposed Stand-in *</td>
<td>2,000</td>
<td>8,000</td>
<td>10,000</td>
</tr>
<tr>
<td>(e) Proposed Total Allowable Expenditures (c+d)</td>
<td>42,000</td>
<td>958,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>(f) Additional Disallowed Expenditures (excess admin)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(g) Stand-In Cost not Accepted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(h) Final Allowable Expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* (d) Proposed stand-in costs verified by EWDD FMD-Audit.
Leveraged Resources

- **Definition:**
  - Costs that support outcomes of grant activity.
  - Allowable under the OMB circulars.

- **Sources:**
  - Federal funds
  - Non-federal funds

- **SB 734**
  - Minimum training expenditure requirement
  - Maximum leveraged resources

---

Leveraged Resources

- **WIA Directive #12-23**
  - Types of leveraged resources that can be reported as training expenditure.

- **Budget**
  - Should be reflected under the training cost.

- **Reporting**
  - Monthly & as an attachment to ER

- Program monitors will validate reported leveraged resources during site visits.
## Records Retention

- The City requires that records be retained for **5 years** after the final expenditures are reported.

- **Instructions for specific records:**
  - Real property or Equipment: From final disposition, replacement or transfer.
  - Complaint Records: From resolution of complaint.
  - Audits/Litigations: Until resolution of audit/litigation & final action is taken or end of 5-year period, whichever is later.
  - Indirect Costs: From date indirect cost package is submitted for negotiation.

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## Records Retention

- City may, at its discretion, take possession of, retain & audit records.
- Records must be retained within LA County unless City authorizes to remove them.
- Before destruction of records retained, notify the City & request instructions on disposition.
The Office of Management & Budget (OMB) issued the final guidance ---

Uniform Guidance: Administrative Requirements, Cost Principles & Audit Requirements For Federal Awards 2 CFR Part 200

Published on 12/26/13.

Culmination of the two-year efforts of the Council on Financial Assistance Reform (COFAR) to reform & standardize the requirements for management of federal awards across the entire federal government.

Streamlines requirements of the following into a single document:
New Omni-Circular

- Becomes effective upon each federal agency’s promulgation of implementing regulations, but no later than 12/26/14.
- The audit requirements will apply to FYs beginning on or after 12/26/14.
- Published at 2 CFR Part 200 with the ff subparts:
  - Subpart A: Acronyms & Definitions
  - Subpart B: General Provisions
  - Subpart C: Pre-Federal Award Requirements
  - Subpart D: Post Federal Award Requirements
  - Subpart E: Cost Principles
  - Subpart F: Audit Requirements

New Omni-Circular - Highlights

- Broader conflict of interest rules,
- Change in financial and performance reporting,
- Requires stronger internal controls,
- New procurement standards,
- New requirements for pass-thru entities,
- Changes in indirect cost rates,
- Increased threshold for single or program-specific audits,
- Risk-based review of potential recipients,
- New authority to make fixed amount subawards,
New Omni-Circular - Highlights

- Broader authority to direct charge administrative-type costs,
- For Higher Education institutions, cost accounting standards are reinstated but threshold is raised – from $25 mil to $50 mil,
- Computers are supplies, and
- Audit requirements.
  - Raises the A-133 Audit threshold from $500k to $750k
- See handout: DOL-ETA TEN #20-13, Notification of Publication & Webinar for the Final Rule.

Enactment of WIOA

- **Workforce Innovation & Opportunity Act**
- President Obama signed WIOA into law on 7/22/14
- Majority of provisions will take effect on 7/1/15
- Supersedes the WIA of 1998
- Amends the:
  - Adult Education & Family Literacy Act
  - Wagner-Peyser Act
  - Rehabilitation Act of 1973
Enactment of WIOA

- Authorizes the following programs:
  - Job Corps
  - YouthBuild
  - Indian & Native Americans
  - Migrant & Seasonal Farmworker
- See handout: DOL-ETA TEN #5-14, WIOA
  Announcement & Initial Informational Resources

Enactment of WIOA

- Financial & Administration Changes:
  - Increased flexibility for local areas to transfer up to 100% funding between Adult & Dislocated Worker
  - Dislocated Worker formula allotments:
    - No State will receive less than 90% or greater than 130% of the allotment percentage for the preceding year.
    - No Local area is to receive less than 90% or more than 130% of the average allocation percentage for the 2 preceding years.
    - Under WIA, only Adult & Youth had these provisions.
  - Establishment and use of common performance measures developed by DOL & DOE.
Enactment of WIOA

- Financial & Administration Changes:
  - **Youth formula:**
    - Minimum expenditure requirement on out-of-school youth will **increase from 30% to 75%**.
    - Separate eligibility criteria for out-of-school & in-school youth.
    - New priority on work-based learning – at least 20% of funds to be used for work experiences (e.g., summer jobs, pre-apprenticeship training, on-the-job training, & internships with academic & occupational education components).
  - Changes in financial reporting requirements for sure!

Questions ??

Thank you!