DATE: July 18, 2017

TO: LA's Workforce Development System YouthSource Centers

FROM: Catherine Bondoc, Director
Financial Management Division

SUBJECT: FMD DIRECTIVE NO. 17-005
CLOSEOUT OF OUTGOING YOUTHSOURCE CENTER OPERATORS

EFFECTIVE DATE:
This directive is effective on date of issue.

PURPOSE:
To provide instructions and guidance on the closeout of the City's Workforce Innovation and Opportunity Act YouthSource Center Operators not continuing into PY 2017-2018.

BACKGROUND:
In PY 2016-17, the Economic and Workforce Development Department issued a Request for Proposal (RFP) to procure the youth system. The RFP resulted in four (4) YouthSource operators not continuing into PY 2017-18

As such, critical to a smooth and timely completion of the closeout, these four YouthSource Center operators must adhere to the guidance and instructions provided in this directive.

POLICIES & PROCEDURES:

Closeout Timeframes/Deadlines:

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
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<tbody>
<tr>
<td>June 30, 2017</td>
<td>Last day to incur program expenditures.</td>
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<tr>
<td>July 1-31, 2017</td>
<td>Closeout period. Only administrative closeout activities are allowed. Resolve all outstanding budget, fiscal review, Single Audit and/or billing issues. Liquidate all expenditure accruals reported as of June 30, 2017.</td>
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<tr>
<td>July 14, 2017</td>
<td>Submit proposed Closeout Budget for closeout costs during the closeout period July 1-31, 2017. (See Directive WDS 17-22)</td>
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<tr>
<td>July 14, 2017</td>
<td>Submit regular June 2017 Invoice.</td>
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<tr>
<td>July 31, 2017</td>
<td>Submit Closeout #1 for final expenditures for the period ended June 30, 2017.</td>
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<tr>
<td>August 15, 2017</td>
<td>Submit Closeout #2 for closeout costs during the closeout period July 1-31, 2017.</td>
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**Required Reports:**

**June 2017 Invoice:**

The last day to incur program expenditures was on **June 30, 2017**. As per FMD Directive 17-004, the regular June 2017 invoice should have been submitted by July 14, 2017. This package must have included the following:

- Cash Request,
- Expenditure Report (with Schedule of Personnel Costs and Attachment),
- List of Expenditure Accruals/Outstanding Payables (expenditure line item, description of the nature of the transaction, name of vendor/payee, and amount), include the General Ledger/Journal Entry reference
- Schedule of Leveraged Resources, and,
- Refund check, if applicable.

**Closeout #1:**

On or before **July 31, 2017**, please submit Closeout #1 which must reflect the final total cumulative expenditures for the period ended June 30, 2017. All accruals included in your June 2017 invoice must be liquidated (i.e., paid) by the submission of Closeout #1. This package must include the following:

- Cover letter on official letterhead, signed by the Executive Director,
- Cash Request,
- Expenditure Report (with Schedule of Personnel Costs and Attachment),
- Status of Expenditure Accruals/Outstanding Payables,
- Schedule of Leverage Resources,
- Refund check, if applicable, and
- General ledger reconciliation to the Expenditure Report for the final total cumulative expenditures for the period ended June 30, 2017.

**Closeout Period and Closeout #2:**

On or before August 15, 2017, please submit **Closeout #2** which must include only allowable and approved closeout expenditures for the period July 1 to 31, 2017 based on the approved Closeout Budget. Allowable closeout costs are as follows:

- Salaries, benefits and other related expenses of administrative/accounting staff performing closeout activities,
• Prepaid storage costs for records for five years,
• Estimated allocable share of Single Audit fees for PY 2016-17,
• Allocable share of compensated time off earned under WIA/WIOA for employees who will be terminated (for unfunded system), and,
• Other expenses related to closeout activities.

This closeout package must include the following:

• Cover letter on official letterhead, signed by the Executive Director,
• Cash Request,
• Expenditure Report (with Schedule of Personnel Costs and Attachment),
• Supplies Inventory Form,
• Equipment Inventory Form,
• Property Closeout Inventory Certification Form,
• Subrecipient Release Form,
• Subrecipient’s Assignment of Refunds, Rebates and Credits,
• Contract Closeout Certification,
• Refund check, if applicable, and
• General ledger and reconciliation to the Expenditure Report for closeout costs incurred during the closeout period July 1-31, 2017.

Submission Instructions:

All cover letters, reports, supporting schedules, and forms require original signatures and must be signed by the preparer and the designated signatory authority. Two (2) sets with original signatures must be sent to the address below:

EWDD – Financial Management Division
Attn: Catherine Bondoc, Director
1200 West 7th Street, 6th Floor
Los Angeles, CA 90017

An electronic set must also be emailed to EWDDfinancial@lacity.org and to your program analyst.

After the final deadline has passed, the last invoice submitted will be used to unilaterally closeout the contract.

Expenditures and Unliquidated Obligations:

Expenditures accruals must be included in your June 2017 invoice and liquidated (i.e.paid) by July 31, 2017. Excess cash from accruals that do not materialize or are not liquidated before July 31, 2017 must be returned to the City.

Unliquidated obligations are the amount of obligations committed but for which goods or services have not been received or an accrued expenditure has not been recorded. Unliquidated obligations as of June 30, 2017 are not accruals and must not be included in the closeout reports.
Bank Accounts and Cash Reconciliation:

Bank accounts used for advances with Special Bank Account agreements with the City do not have to be closed. However, a final reconciliation of WIOA cash must be completed. Any remaining excess cash must be returned to the City with Closeout #2.

Disposition of Supplies and Equipment

Supplies are defined as items with a useful life of one year or less and a unit acquisition cost of less than $5,000. The remaining unused supplies must be listed on the Supplies Inventory Form with similar items grouped together by category (e.g., computers, calculators, paper goods, etc.) for inventory and fair market value (FMV) purposes. Calculate the total aggregate FMV and follow the appropriate steps below.

Equipment are tangible, non-expendable personal property items with 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 final intended use. These items must be listed on the Equipment Inventory Form. Determine the FMV for each unit and follow the appropriate steps below.

- **Total Aggregate (for Supplies) or Unit (for Equipment) FMV $5,000:**

  The subrecipient may retain the supplies and/or equipment if they will be transitioned and used for the City's WIOA program or another federal program. If the items will not be used for WIOA or another federal program (priority should be given to activities sponsored by the DOL-Employment Training Administration), subrecipient must determine the City's share of the total aggregate or unit FMV, deduct $500 or 10% of the sale proceeds, whichever is less, and return the balance to the City, together with the final closeout report or within 30 days after the sale. If the subrecipient has no further use and wishes to dispose of the unused supplies or equipment (other than selling), subrecipient must request disposition instructions from their City program analyst.

- **Total Aggregate (for Supplies) or Unit (for Equipment) FMV $5,000:**

  The subrecipient may retain, sell or dispose of the items with no further obligation to the City, except for the disposition of vehicle.

Methods for determining the fair market value include, but are not limited to, auctions, classified advertisements for similar used items, dealers, and licensed appraisers. For vehicles, the standard authority on the value of used vehicles is the Kelley Blue Book. Depreciated value is not FMV, nor is it a determining factor in establishing the FMV.

All property records must be maintained from acquisition through final disposition and in accordance with the City's records retention requirements.

Indirect Cost Rate

Indirect cost rates must be approved by your federal cognizant agency or by the City. If the
indirect cost rate was provisional, please request for final rates within six months after the end of the fiscal year. If the final rate is lower than the provisional rate, the indirect cost must be recalculated and the resulting overpayment must be returned to the City within thirty days after receipt of the final rate.

Indirect cost reported must also be properly broken down as administrative or program costs based on the types of costs included in the pool. The basis of the classification will be verified by the City during its fiscal review. Improper classification may result in disallowed costs.

Program Income

Program income is the income received that is directly generated by the City’s WIOA programs or earned as a result of the City contract during the contract period. Interest income earned on advanced funds received under the City’s WIOA contract is included as program income. Any program income must be returned to the City, together with Closeout #2.

Audits and Fiscal/Program Reviews

Annual audit cycles must be completed in accordance with 2 CFR Part 200 and City Contract Section 608(l). The Single Audit reports are due no later than nine months after the end of the fiscal/calender year used.

Please resolve all outstanding program, fiscal review, billing review and/or Single Audit findings as soon as possible.

The City reserves the right to audit post closeout, disallow costs and recover funds on the basis of these audits or fiscal reviews.

Stand-In Costs

Stand in costs are costs for the program paid for with non-federal sources. They may be used to substitute disallowed costs if they meet the following criteria:

- Must have been incurred in the same period as the costs that they are proposed to replace;
- Must not cause a violation of the administrative and/or other cost limitations (e.g., administrative cost limit of 4% of final approved expenditures);
- Must be recorded in the official books of records, and
- Must be reported in the final Expenditure Report.

Unclaimed or Outstanding Checks

When one or more checks remain unclaimed or outstanding, the State’s escheat law, as currently outlined in the State Controller’s Office (SCO) Unclaimed Property Reporting Handbook at http://sco.ca.gov/Files-UPD/guide_upd_updlaw.pdf must be followed.
Credits and Other Adjustments

Applicable credits such as rebates, discounts, refunds, and overpayment adjustments, as well as interest earned on any refund, rebate, dispute or overpayment adjustment applicable to the City must be credited as a reduction of final closeout expenditures reported to the City if received before July 31, 2017. Credits received after July 31, 2017 must be promptly returned to the City.

Refund Checks

Refund checks resulting from excess cash, unearned grant, accruals not liquidated, unexpended program income, disallowed costs, rebates, and other applicable credits must be included with the closeout reports. Identify the appropriate City contract number and funding stream and state the reason(s) for the refund.

Records Retention

In accordance with the City’s records retention requirement, records must be retained for five (5) years after submission of the final expenditure report. Records must be kept longer as a result of a pending audit, litigation, investigation, or other actions involving these records. In these instances, records will be retained until the issue is fully resolved.

EWDD CONTACTS:

If you have any questions regarding this directive, please contact your FMD Accountant or the following:

Oliva Rafols, Oliva.Rafols@lacity.org, (213) 744-7337
Edwin Tiongco, Edwin.Tiongco@lacity.org, (213) 744-7359
Fred Vocal, Fred.Vocal@lacity.org, (213) 744-7209

The TTY number is (213) 744-9395.

REFERENCES

- Title 2 Part 200 and 2900 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- State EDD Directive WSD16-10, “Property-Prior Approval, Purchasing, Inventory, and Disposal
- WDS Directive no. 17-22
- FMD Directive no. 17-004