

STATEWIDE WIA FISCAL PROCEDURES MANUAL



*Alabama Department of Economic and Community Affairs
Workforce Development Division
Montgomery, Alabama*

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SECTION I

INTRODUCTION

A. GENERAL

This document is to provide local workforce investment areas (LWIAs) guidance that will assist in ensuring that the Governor's financial responsibilities under WIA are fulfilled. It contains the fiscal requirements for local workforce investment areas funded from Workforce Investment Act (WIA) Adult and Dislocated Worker funds and Youth funds under Title I of the Act and for any agency awarded grants, subgrants, or subrecipient agreements funded by the State Oversight Agency from WIA Setaside funds. Any further reference to LWIAs contained in this document, when related to administrative and fiscal requirements, also applies to the other agencies and includes those which are grantees, subrecipients, etc. These guidelines are effective July 1, 2000. In accordance with 29 CFR97.5, all other program manuals, handbooks, and other nonregulatory materials, which are inconsistent with this manual, are superseded, except to the extent they are required by statute.

Agencies with subrecipient agreements funded from WIA Setaside funds will comply with the specific provisions of Section VIII, State Subrecipient Requirements.

The detailed administrative requirements of the Office of Management and Budget (OMB) Circulars such as A-87, 29 CFR95, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, et cetera: Final Rule, the OMB issuance entitled Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments (Common Rule) issued by the Department of Labor (DOL) as Title 29 CFR97, and the implementing regulations in Title 41 CFR29-70 of the Federal Register apply to all titles under the Act. Attachment N (pages 1-4), provides additional pertinent information on applicable OMB Circulars and Internet sources for these circulars. LWIAs may elect to issue operating guidelines that are more restrictive than these so long as they are consistent with State and local laws or other applicable Federal regulations.

This document does not apply to One-Stop, School-to-Career, Welfare-to-Work, or to the Migrant and Seasonal Farmworker programs. Guidance for these programs may be obtained from the applicable grant packages, regulations, etc., which govern these programs.

B. AUTHORITY

This document is promulgated by the Governor pursuant to the authority conferred by Public Law 105-220 known as the Workforce Investment Act (WIA), herein referred to as the Act, and implementing regulations Title 20 CFR 652, et al. (Final Rule). The Governor may issue additional directives that will ensure that local workforce investment areas (LWIA's) are instructed to conform to all requirements of the Act.

C. SCOPE

This document incorporates policies established by the Governor according to the Act, administrative standards, cost principles, and applicable State and Federal laws. The cost principles as contained in 29 CFR97.22(b) which lists the types of organizations (State, Private Non Profit, Educational Institutions, For Profit, etc.) and the applicable cost principles apply to subrecipients.

The conditions prescribed in Sections 181, 194, 195 of the Act apply to all programs under Title I except as provided elsewhere in the Act or the WIA regulations.

SECTION II

***GENERAL
REQUIREMENTS***

A. INSURANCE AND BONDING

In accordance with 20 CFR667.274(b1) and (b2), to the extent that the State Worker's Compensation Law is applicable, workers' compensation benefits in accordance with such law shall be available with respect to injuries suffered by participants. Where not applicable, recipients and subrecipients shall secure insurance coverage for injuries suffered by such participants in all WIA work-related activities.

Each LWIA must ensure that every officer, director, agent, or employee who is authorized to act on behalf of the LWIA in receiving or depositing WIA funds or in issuing financial documents, checks, or other forms of payment is bonded to provide protection against loss (State Requirement).

The amount of this coverage must be either (1) the highest advance for the present year or (2) \$100,000.00, whichever is the lesser amount. Coverage in excess of \$100,000.00 is not required.

B. RECORD RETENTION/ACCESS TO RECORDS

LWIAs are required to keep intact and accessible all financial records, supporting source documents, statistical records, and other records pertinent to the grant. The records retention and custodial requirements extend not only to the records of the LWIA, but also to those of its subgrantees.

Normally, the retention period for all records and support documents shall be in accordance with 29 CFR97.42 in regard to the length of time records are retained. However, the Attorney General's Office requested that retention schedules be submitted for revision. This was accomplished and the State Records Commission extended the requirement to six (6) years on November 2, 1995. For funds allotted to a State for any program year, records must be retained for six years following the date on which the annual expenditure report containing the final expenditures charged to such program year's allotment is submitted to the Department of Labor. This equates to an effective period of nine (9) years as follows: Grant received 7/1/00 and the final report due on 9/30/03. Six years from due date of final report is 9/30/09. Records for nonexpendable property shall be retained for a period of three years after final disposition of the property (29 CFR97.42(b) and (c) (2)). No changes were made to property records. If any litigation, claim, negotiation, audit, or other action involving the records has been started before the expiration of the six-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular six-year period, whichever is later.

In the event an LWIA terminates its relationship with a subrecipient, the LWIA shall be responsible for the maintenance and retention of the records of any subgrantee unable to do so.

The awarding agency, the Department of Labor (including the Department of Labor's Office of the Inspector General), and the Comptroller General of the United States, or any of their authorized representatives, have the right of timely and reasonable access to any books, documents, papers, computer records, or other records of recipients and subrecipients that are pertinent to the grant, in order to conduct audits and examinations, and to make excerpts, transcripts, and photocopies of such documents (29 CFR97.42 (e) (1)). This right also includes timely and reasonable access to recipient and subrecipient personnel for the purpose of interview and discussion related to such documents. The right of access in this section is not limited to the required retention period but shall last as long as the records are retained (29 CFR97.42 (e) (2)).

C. PROGRAM INCOME

Program income generated under the Act must be accounted for and reported separately from WIA funds. The addition method must be used for all program income earned under Title I grants (20 CFR667.200 (a) (5)). Income under any program administered by a public or private nonprofit entity may be retained by such entity only if such income is used to continue to carry out the program. (Section 195 (8) (A)). Program income shall be used by the state or subgrantee prior to the submission of the final reports to DOL covering the funding period of each program year's allocation to which the earnings are attributable. (Note: The GAAP requirements relating to WIA funds also apply to Program Income). In order to satisfy the above requirements at the state level, the following policies and procedures apply to program income at the subgrantee and other subrecipient levels.

1. Definition of program income. Program income means income received by the recipient or subrecipient directly generated by a grant or subgrant supported activity, or earned only as a result of the grant or subgrant. Program income includes:
 - (a) Receipts from goods or services (including conferences) provided as a result of activities funded under this title;
 - (b) Income from the use or rental of real or personal property acquired with grant or subgrant funds;
 - (c) Income from the sale of commodities or items fabricated under a grant or subgrant;
 - (d) Revenues earned by a public or private nonprofit service provider under either a fixed-price or reimbursable award that are in excess of the actual costs incurred in providing services;
 - (e) Funds provided to a service provider under this title that are in excess of the costs associated with the services provided, and
 - (f) Interest income earned on funds received under this title.

2. Program income does not include:
 - (a) Rebates, credits, discounts, refunds, etc., or interest earned on any of them, which shall be credited against program expenditures. Interest earned on credits referenced in this paragraph must be accounted for separately from interest classified as program income above;
 - (b) Taxes, special assessments, levies, fines, and other such governmental revenues raised by a recipient or subrecipient; or
 - (c) Income from royalties and license fees for copyrighted material, patents, applications, trademarks, and inventions developed by a recipient or subrecipient.
3. Property. Proceeds from the sale of property shall be handled in accordance with the requirements of 29 CFR97.31 and .32.
4. Cost of generating program income. Costs incidental to the generation of program income may be deducted, if not already charged to the grant, from gross income to determine program income.
5. Use of program income.
 - (a) A recipient or subrecipient may retain any program income earned by the recipient or subrecipient only if such income is added to the funds committed to the particular WIA grant or subgrant under which it was earned and such income is used for WIA purposes and under the terms and conditions applicable to the use of the grant funds. The classification of costs shall apply to the use of program income.
6. State policies on program income.
 - (a) Program income shall be used prior to the submission of the final report for the subgrant or contract to which the earnings are attributable
 - (b) Rental income and user fees on real and personal property acquired with WIA funds shall continue to be WIA program income in subsequent funding periods after a subgrant or contract is closed. Any program income earned by a subrecipient after a subgrant or contract is closed must be returned to the state or subgrantee awarding agency within thirty days after receipt of the program income.

- (c) Any program income returned by a subrecipient must be identified by subgrant or contract number under which the program income was earned, the source of the program income, and the cost categories applicable to the income being returned. If the original subgrant or contract was funded from more than one program year's allocation, the program income must be identified as to how much is attributable to each program year's funds.
- (d) The state or subgrantee receiving program income from a subrecipient is responsible for reprogramming the funds to satisfy the requirements in 20 CFR667.200.
- (e) Program income returned to the state after expiration of the funding period for each program year's allocation will be remitted to the USDOL.

D. PROCUREMENT

Each Local Workforce Investment Area (LWIA) shall utilize procedures that comply with the procurement requirements as noted in the Act at Sections 121 (d)(2) and 123 and 29 CFR97.36 and the details prescribed in the Statewide Workforce Investment Act (WIA) Procurement Procedures, transmitted under GWDD No. PY99-12. This process allows the LWIA to use its own procurement system, which reflects applicable state and local laws and regulations, provided that the procurements conform to the standards identified in the Statewide Workforce Investment Act (WIA) Procurement Procedures.

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No LWIA shall enter into an on-the-job training contract, customized training or similar agreement with a contractor for which there is a potential for the contractor to receive payment greater than fifty (50) percent of each individual participant's wages during the period of such training in accordance with 20 CFR663.710.

No payments may be made to employers for retention or otherwise after a participant's termination as this is a continuing subsidization of employment. All on-the-job training should comply with the requirements of Section 101 (31)(B).

E. PROPERTY MANAGEMENT

LWIAs must have property inventory systems that meet the standards as required by 29 CFR 97.32 (a) and (c)-(e) for equipment and 29 CFR 97.31 for real property. The systems must include property purchased with WIA funds or transferred from programs under CETA and JTPA. The Governor shall maintain accountability for property in accordance with state procedures and the records retention requirements of 29 CFR 97.42 (b)(1) and (c)(2). When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, the equipment will be returned to the ADECA warehouse for further consideration (State Policy). Property management procedures are detailed in the Workforce Development Division Property Operations Manual. It is the responsibility of each LWIA to adhere to these procedures.

* Revised 7/05

Title to property acquired or produced by a subrecipient that is a commercial organization shall vest in the awarding agency, provided such agency is a governmental entity or nongovernmental organization that is not a commercial organization. Property so acquired or produced shall be considered to be acquired or produced by the awarding agency. If the awarding agency is also a commercial organization, title shall vest in the higher level, noncommercial awarding agency that made the subaward to the commercial subrecipient. A subrecipient that is a commercial organization shall not acquire property subject to this section without the prior approval of the awarding agency.

Other nongovernmental subrecipients which acquire or produce real, personal, or intangible property shall be governed by the definitions and property management standards of OMB Circular A-110, as codified by administrative regulations of the Department of Labor.

All LWIA property procurements with a unit acquisition cost of \$7,500.00 or more must have prior written approval from the State Office. A Form WDD 58 (See Exhibit A) must be completed and submitted for said approval. The Governor, on behalf of the U.S. Department of Labor (USDOL), reserves the right to claim title to all property purchased with WIA, JTPA, or CETA funds with a current per-unit fair market value in excess of \$5,000.00. When property with a current per-unit fair market value in excess of \$5,000.00 has been stolen, destroyed by fire (or other disaster), is considered to be obsolete or is to be traded for new equipment, the LWIA shall notify the State Office of the particular event and request approval to remove the property from the WIA inventory. Regional Office approval must be obtained for all transactions of this nature. A Report of Survey form (see Exhibit B) is attached for this purpose.

The LWIA shall complete and forward the original and one copy of the Report of Survey plus applicable reports to the State Office Attention: WDD Property Manager. If property is stolen, a copy of a Police Report must be transmitted with the Report of Survey. If the stolen property has a current per-unit fair market value of \$5,000.00 or more, the Federal Bureau of Investigation (FBI) must be notified and a copy of that report (or statement that the FBI was notified) must accompany the Report of Survey. If the property is destroyed by fire, a copy of a Fire Marshall's Report must accompany the Report of Survey. When LWIAs determine that property is nonserviceable due to obsolescence, a Report of Survey is required to be completed and forwarded as stated above. If equipment is to be cannibalized, a Report of Survey should be completed to give justification for such action. The Report of Survey should be completed and forwarded as stated above.

Upon receipt of a Report of Survey, the State Office will review all pertinent documents, and in the instance of obsolete property, may arrange for an inspection. The State Office will notify the LWIA by sending a copy of the completed Report of Survey accompanied by written instructions. The LWIA shall then proceed according to those instructions.

Title to supplies acquired under a grant or subgrant will rest, upon acquisition, in the grantee or subgrantee respectively. If there is a residual inventory or unused supplies exceeding \$5,000 in total aggregate fair market value upon termination or completion of the award, and if the supplies are not needed for any other federally sponsored programs or projects, the grantee, subgrantee, or contractor shall compensate the awarding agency for its share.

F. CRIMINAL PROVISIONS

The theft or embezzlement from WIA funds, improper inducement, and the obstruction of investigations shall be subject to certain penalties as allowed by appropriate State law.

G. SUBAWARDS TO DEBARRED AND SUSPENDED PARTIES AND GOVERNMENT-WIDE DRUG-FREE WORKPLACE REQUIREMENTS

In accordance with the WIA regulations at 20 CFR667.200 (d), LWIAs must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs in accordance with the Department of Labor Regulations at 29 CFR part 98. Recipients and subrecipients shall comply with the applicable requirements of the Department of Labor Regulations at 29 CFR part 98. The Federal Debarment list which is updated monthly should be consulted to ensure compliance.

H. COPYRIGHTS

The Federal awarding agency reserves a royalty-free, nonexclusive, and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use, for Federal Government purposes, the copyright in any work developed under a grant, subgrant; and any rights of copyright to which a grantee, subgrantee or a contractor purchases ownership with grant support.

SECTION III

***FISCAL CONTROL
AND ACCOUNTING***

A. FINANCIAL MANAGEMENT SYSTEMS

LWIAs are required to have a financial management system which will provide at least the minimum standards set forth in 29 CFR97.20(a)-(c). The financial management system of each recipient and subrecipient shall provide federally required records and reports that are uniform in definition, accessible to authorized Federal and State staff, and verifiable for monitoring, reporting, audit, program management, and evaluation purposes (Section 185 (a)(1) and (2) of the Act). The awarding agency may review the adequacy of the financial management system of any recipient/subrecipient as part of a pre-award review or at any time subsequent to award.

LWIAs and subrecipients shall ensure that their own financial systems as well as those of their subrecipients provide fiscal control and accounting procedures that are in accordance with applicable generally accepted accounting principles (GAAP). The financial systems shall include:

- (1) Information pertaining to subgrant and contract awards, obligations, unobligated balances, assets, liabilities, expenditures, and income;
- (2) Effective internal controls to safeguard assets and assure their proper use;
- (3) A comparison of actual expenditures with budgeted amounts for each subgrant and contract;
- (4) Source documentation to support accounting records; and
- (5) Proper charging of costs and cost allocation.

The financial management system shall also be sufficient to:

- (1) Permit preparation of required reports;
- (2) Permit the tracing of funds to a level of expenditure adequate to establish that funds have not been used in violation of the applicable restrictions on the use of such funds; and
- (3) As required by Section 185(e) and (f) permit the tracing of program income, potential stand-in costs and other funds that are allowable except for funding limitations.

The oldest WIA Grant funds must be obligated and expended first prior to obligating and expending the next year's grant funds (State Policy). A first-in, first-out approach is to be used.

B. WIA COST PRINCIPLES

1. Allowable Costs

To be allowable, the cost must be necessary and reasonable for proper and efficient administration of the WIA program. The cost must be allocable to the program, and, except as provided herein, not be a general expense required to carry out the overall responsibilities of the Governor or a governmental subrecipient. Costs charged to the program shall be accorded consistent treatment through application of generally accepted accounting principles appropriate to the WIA program (Section 185 (e)(1) of the Act). Allocation of costs must be made consistent with a written cost allocation plan. Only those items of expenditures as denoted on or within the signed agreement are allowable. Other LWIA expenditures must follow the provisions of applicable OMB Circulars as listed in 29 CFR97.22(b). The State and subrecipients must also abide by the applicable cost principles.

These standards will apply irrespective of whether a particular item of cost is treated as

direct or indirect cost. Direct and indirect costs shall be charged in accordance with the criteria identified in 29 CFR97.22(b).

Cost allocable to another Federal grant, WIA program, or cost category may not be shifted to a WIA grant, subgrant, program or cost category to overcome fund deficiencies, avoid restrictions imposed by law or grant agreements, or for other reasons (OMB Circular Number A-87 (C)(3)(c)). Funds provided under this Act shall not be used to duplicate facilities or services available in the area (with or without reimbursement) from Federal, State, or local sources, unless it is demonstrated that alternative services or facilities would be more effective or more likely to achieve the LWIA's performance goals. Applicable credits such as rebates, discounts, refunds and overpayment adjustments as well as interest earned on any of them, shall be credited as a reduction of costs if received during the same funding period that the cost was initially charged. Credits received after the funding period shall be returned to the State Office for return to the Department of Labor if the State's three-year availability has expired.

Allowable costs include, but are not limited to, the following:

- Accounting
- Advisory councils
- Audit services
- Bonding
- Budgeting
- Communications
- Compensation for personal services
- Depreciation and use allowances
- Disbursing service
- Employee morale, health and welfare costs
- Materials and supplies
- Memberships, subscriptions and professional activities
- Motor pool
- Professional service costs
- Publication and printing costs
- Re-conversion costs
- Taxes
- Training
- Travel costs

Refer specifically to OMB Circular No. A-87, Attachment B – (May 4, 1995, Revised Edition as further amended August 29, 1997) for detailed descriptions of the above allowable costs. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable. Rather, determination of allowability in each case should be based on the treatment of standards provided for similar or related items of costs. Other allowable costs, as specified below, include:

- a. Legal Expenses. The cost of legal expenses required in the administration of grant programs is allowable. Legal expenses include the expenses incurred by the WIA system in the establishment and maintenance of a grievance system, including the costs of hearings and appeals, and related expenses such as lawyer's fees. Legal expenses do not include costs resulting from, and after, the grievance process such as fines and penalties, which are not allowable, and settlement costs, which are allowable to the extent that such costs included in the settlement would have been allowable if charged to the WIA program at the time they were incurred. To determine the allowability of other legal expenses, see Section III. B.3.k. of this manual on page III-10.
- b. Cost Associated With Volunteers. Costs of travel and incidental expenses incurred by volunteers are allowable provided such costs are incurred for activities that are generally consistent with the Act.
- c. Physical and Programmatic Accessibility Costs. Funds may be used to meet a recipient's or subrecipient's obligation to provide physical and programmatic accessibility and reasonable accommodation in regard to the WIA program as required by Section 504 of the Rehabilitation Act of 1973, as amended, and the Americans with Disabilities Act of 1990 (20 CFR667.275(a)(3)).
- d. Compensation for personal services of staff, including wages, salaries, supplementary compensation, and fringe benefits are allowable if such costs are documented and result from services provided in carrying out WIA functions pursuant to an approved contract, subgrant or other such agreement. No State Office approval is required (State Policy).
- e. Costs incurred by the Alabama Workforce Investment Board, Local Workforce Investment Boards and other advisory councils or committees must have been incurred as the result of the fulfillment of official WIA duties as required by the Act and/or WIA Regulations and meet the guidelines for allowable WIA costs in order to be allowable costs to the WIA program. Documentation must exist for such costs to be allowable. No State Office approval is required (State Policy).

- f. Advertising Costs. Advertising costs necessary for outreach, recruitment, and to provide information to the public regarding WIA programs are allowable if such costs meet the necessary, reasonable, and allocable requirements used for all WIA costs. Contractor, subgrantee, etc., advertising costs should be covered in an approved budget. No State Office approval is required (State Policy).
- g. Printing and Reproduction Costs. The cost of printing or reproducing WIA materials is allowable if such costs meet the necessary, reasonable, and allocable requirements used for all WIA costs. Contractor, subgrantee, etc., printing and reproduction costs should be covered in an approved budget. No State Office approval is required (State Policy).
- h. Transportation and Travel. Requirements for transportation and travel are provided in Section VIII.B. 7., Travel Regulations, of this manual. Approval procedures are covered in the referenced section.
- i. Payments to OJT employers, training institutions, and other vendors. Payment to these entities should be authorized pursuant to approved contracts, purchase orders, etc., prior to any reimbursements, payments, etc. being made to such entities. No prior State Office approval is required (State Policy).
- j. Fees or Profits. Commercial or for-profit WIA service providers are allowed a negotiated fee or profit. Cost plus contracts are unallowable. Fees or profits should be negotiated as a separate line item on WIA agreements (29 CFR97.36(f)(2)). These should be in line with the industry average because excessive fees or profits are unallowable. Fees or profits should not be concealed in budgetary line items. No State Office approval is required (State Policy).
- k. Taxes. Unless an entity is tax-exempt and has all of the approved tax-exempt documents to document such tax exemption, then taxes should be remitted to the appropriate taxing authority. Payroll taxes are allowable and must be paid. Proof of such payments must be maintained for audit purposes. (Also, see OMB Circular A-87, Attachment B, Amended August 29, 1997 for additional guidance.) No State Office approval is required (State Policy).
- l. Depreciation and Use Allowances on Publicly Owned Buildings. These costs are allowable as provided in OMB Circular No. A-87, (May 4, 1995, Revised Edition as further Amended August 29, 1997) Attachment B. A combination of the two methods may not be used in connection with a single class of fixed assets. No State Office approval is required (State Policy).
- m. Meeting Costs. Meeting Costs are allowable when the primary purpose of the meeting is the dissemination of technical information relating to the WIA program and is consistent with regular practices observed by the subrecipient with respect to other activities. No State Office approval is required (State Policy).
- n. Automated Data Processing. The cost of data processing services to WIA program is allowable. This cost may include rental of equipment or depreciation on LWIA owned equipment and does not require State Office approval.

- o. Rental Costs. Subject to the limitations described below, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased. Rental costs under sale and leaseback arrangements are allowable only up to the amount that would be allowed had the governmental unit continued to own the property. Rental costs under less-than-arms-length leases are allowable only up to the amount that would be allowed had title to the property vested in the governmental unit. For this purpose, less-than-arms-length leases include, but are not limited to, those where:
 - (1) One party to the lease is able to control or substantially influence the actions of the other;
 - (2) Both parties are parts of the same governmental unit; or
 - (3) The governmental unit creates an authority or similar entity to acquire and lease the facilities to the governmental unit and other parties.

Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount that would be allowed had the governmental unit purchased the property on the date the lease agreement was executed. This amount would include expenses such as depreciation or use allowance, maintenance, and insurance. The provisions of Financial Accounting Standards Board Statement 13 shall be used to determine whether a lease is a capital lease. Interest costs related to capital leases are allowable to the extent they meet the criteria in Section 26 of OMB Circular A-87, amended 8/29/97, Attachment B.

- p. Maintenance, Operations, and Repairs. Unless prohibited by law, the cost of utilities, insurance, security, janitorial services, elevator service, upkeep of grounds, necessary maintenance, normal repairs and alterations, and the like are allowable to the extent that they: (1) keep property (including Federal property, unless otherwise provided for) in an efficient operating condition, (2) do not add to the permanent value of property or appreciably prolong its intended life, and (3) are not otherwise included in rental or other charges for space. Costs which add to the permanent value of property or appreciably prolong its intended life shall be treated as capital expenditures (see Sections 15 and 19) of OMB Circular A-87, Amended 8/29/97, Attachment B.

2. Costs Allowable With State Office Approval

For those selected items of cost requiring prior approval, the authority to grant or deny approval is delegated to the Governor for programs funded under Sections 127 or 132 of the Act (20 CFR667.200 (c)).

- a. **Rearrangements and Alterations.** Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable. Special arrangements and alterations costs incurred specifically for a Federal award are allowable with the prior approval of the Federal awarding agency. Costs incurred for rearrangement and alteration of facilities required specifically for the grant program may be approved at the discretion of the LWIA in accordance with the following requirements. Details of Requirements:

Requests for approval should be submitted to the State Office (Division Director, Workforce Development Division) and should specifically identify any projected costs for rearrangements and alterations which would result in an increase in value of the facilities by \$7,500 or more or increase the useful life of the facilities by more than one year. LWIAs may approve their contractors' requests to incur these types of costs if there is no material increase in the value (increase is less than \$7,500) or no material increase (one year or less) in the useful life of the facilities (State Policy).

- b. **Capital Expenditures.** The cost of facilities, equipment, other capital assets, and repairs which materially increase the value or useful life of capital assets is allowable when such procurement is specifically approved by the State Office. When assets acquired with Federal grant funds are (1.) sold; (2.) no longer available for use in a federally-sponsored program; or (3.) used for purposes not authorized by the State Office, the State Office's equity in the asset will be refunded in the same proportion as Federal participation in its cost. In case any assets are traded for new items, only the net cost of the newly-acquired assets is allowable (State Policy).
- c. **Pre-agreement Costs.** Costs incurred prior to the effective date of the grant or contract, whether or not they would have been allowable thereunder if incurred after such date, are allowable when specifically provided for in the grant or subgrant agreement (State Policy).
- d. **Proposal Costs.** Costs of preparing proposals on potential Federal awards are allowable. Proposal costs should normally be treated as indirect costs and should be allocated to all activities of the government unit utilizing the cost allocation plan and indirect cost rate proposal. However, proposal costs may be charged directly to Federal awards with the prior approval of the Federal awarding agency. This does not include the preparation of proposals for submittal to any other agency (state or otherwise) below the Federal level. However, in accordance with Section 117 (d)(3)(B)(iii) of the Act, a local workforce investment board may solicit grant funds from other public and private sources.

e. Insurance and Indemnification:

According to 20 CFR667.274, each LWIA shall follow its normal insurance procedures except as otherwise indicated in this section. The USDOL nor the Grantor assumes any liability with respect to bodily injury, illness, or any other damages or losses, or with respect to any claims arising out of any activity under a WIA grant or agreement whether concerning persons or property in the recipient's or any subrecipient's organization or that of any third party. To the extent that the State Workers' Compensation Law is applicable, workers' compensation benefits in accordance with such law shall be available with respect to injuries suffered by participants. Where not applicable, recipients and subrecipients shall secure insurance coverage for injuries suffered by such participants in all WIA work-related activities pursuant to 20 CFR667.274(b). Personal liability insurance for LWIB members should be considered under the LWIA's normal insurance procedures.

1. Costs of insurance required or approved and maintained, pursuant to the Federal award are allowable.
2. Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:
 - (a) Types and extent and cost of coverage are in accordance with the governmental unit's policy and sound business practice.
 - (b) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal Government property are unallowable except to the extent that the awarding agency has specifically required or approved such costs.
3. Actual losses which could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable, unless expressly provided for in the Federal award or as described below. However, the Federal Government will participate in actual losses of a self-insurance fund that are in excess of reserves. Costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.

4. Contributions to a reserve for certain self-insurance programs including workers' compensation, unemployment compensation, and severance pay are allowable subject to the following provisions:
 - (a) The type of coverage and the extent of coverage and the rates and premiums would have been allowed had insurance (including reinsurance) been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, shall not exceed the discounted present value of the liability. The rate used for discounting the liability must be determined by giving consideration to such factors as the governmental unit's settlement rate for those liabilities and its investment rate of return.
 - (b) Earnings or investment income on reserves must be credited to those reserves.
 - (c) Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc. Reserve levels related to employee-related coverages will normally be limited to the value of claims (a) submitted and adjudicated but not paid, (b) submitted but not adjudicated, and (c) incurred but not submitted. Reserve levels in excess of the amounts based on the above must be identified and justified in the cost allocation plan or indirect cost rate proposal.
 - (d) Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the governmental unit. If individual departments or agencies of the governmental unit experience significantly different levels of claims for a particular risk, those differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation.
 - (e) Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund), refunds shall be made to the Federal Government for its share of funds transferred, including earned or imputed interest from the date to transfer.

5. Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits are allowable in the year of payment provided (1) the governmental unit follows a consistent costing policy and (2) they are allocated as a general administrative expense to all activities of the governmental unit.
 6. Insurance refunds shall be credited against insurance costs in the year the refund is received.
 7. Indemnification includes securing the governmental unit against liabilities to third persons and other losses not compensated by insurance or otherwise. The Federal Government is obligated to indemnify the governmental unit only to the extent expressly provided for in the Federal award, except as provide in subsection 4. above.
 8. Costs of commercial insurance that protects against the costs of the contractor for correction of the contractor's own defects in materials or workmanship are unallowable.
- f. Professional Service Costs. Cost of professional and consultant services rendered by persons or organizations that are members of a particular profession or possess a special skill whether or not officers or employees of the government unit are allowable, subject to OMB Circular A-87, Amended 8/29/97, Attachment B, Section 14 when reasonable in relation to the services rendered and when not contingent upon recovery of costs from the Federal Government.

3. Unallowable Costs

The following costs are not allowable charges to the WIA program. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable. Rather, determination of allowability in each case should be based on the treatment of standards provided for similar or related items of costs.

- a. Bad Debts. Any losses arising from uncollectible accounts, other claims, and related costs, are unallowable unless provided for in Federal Program award regulations.
- b. Contingencies. Contributions to a contingency reserve or any similar provision for unforeseen events are unallowable.
- c. Contributions and Donations.
- d. Entertainment. Costs of amusements, social activities, and incidental costs relating thereto, such as meals, beverages, lodgings, rentals, transportation, and gratuities, are unallowable.
- e. Fines and Penalties. Costs resulting from violations or alleged violations of, or failure to comply with Federal, State and local laws and regulations are unallowable.
- f. Governor's Expenses. The salaries and expenses of the Office of the Governor of a State, or the chief executive of a political subdivision, are considered a cost of general

State or local government and are unallowable.

- g. Interest and Other Financial Costs. Interest on borrowings (however represented), bond discounts, cost of financing and refinancing operations, and legal and professional fees paid in connection therewith, are unallowable except when authorized by Federal legislation and except as provided for in OMB Circular A-87, Amended August 29, 1997, Attachment B., Item number 26.b.
- h. Legislative Expenses. Salaries and other expenses of the State legislature or similar local governmental bodies such as county supervisors, city councils, school boards, etc., whether incurred for purposes of legislation or executive direction, are unallowable.
- i. Under recovery of Costs Under Grant Agreements. Any excess costs over the Federal contribution under one grant agreement are unallowable under other award agreements.
- j. Insurance Costs. Costs of insurance policies offering protection against debts established by the State or Federal government are unallowable.
- k. Legal Expenses. Costs of legal services furnished by the chief legal officer of a State, local or Indian tribal government or his staff solely for the purpose of discharging his general responsibilities as legal officer are unallowable. Legal expenses incurred in the prosecution of claims against the State or Federal Government, including appeals to an Administrative Law Judge, are unallowable.
- l. Public Service Employment. Costs of public service employment, except to provide disaster relief employment, as specifically authorized in Section 173 (d) of the Act (WIA Section 195 (10)) are unallowable. Public service employment is subsidized employment with a public entity. An employee/employer relationship exists between the public entity and the employee.
- m. Sectarian Activities. Costs of employment or training of participants in sectarian activities are unallowable.
- n. Political Activities. Costs involving political activities are unallowable.
- o. Participant Retirement Systems. Contributions on behalf of participants to retirement systems or plans are unallowable.
- p. Replacing Laid-Off Workers. Costs of employment of participants in positions where any other individual is on lay off from the same or any substantially equivalent job are unallowable.
- q. Replacing Terminated Workers. Cost of employment of participants in positions when the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the intention of filling the vacancy so created by hiring a participant whose wages are subsidized under the Act are unallowable.
- r. Infringement of Promotion Opportunities. Costs of employment of participants in jobs

created in a promotional line that will infringe in any way upon the promotion of currently employed individuals are unallowable.

- s. Back pay, unless it represents additional pay for WIA services performed for which the individual was underpaid, is not an allowable WIA cost.
- t. Lobbying Costs. Costs prohibited by 29 CFR Part 93 (Lobbying Restrictions or costs of any salaries or expenses related to any activity designed to influence legislation or appropriations pending before the Congress of the United States are unallowable WIA costs (20 CFR667.200 (e)).
- u. Relocation. No funds provided under the Act shall be used, or proposed for use, to encourage or to induce the relocation of an establishment, or part thereof, that results in the loss of employment for any employee of such establishment at the original location. For 120 days after the commencement of the expansion of commercial operations of relocating establishment, no funds provided under this Act shall be used for customized or skill training, on-the-job training, or company specific-assessments of job applicants or employees, for any relocating establishment or part thereof at a new, or expanded location, if the relocation of such establishment or part thereof results in a loss of employment for any employee of such establishment at the original location (20 CFR667.268(a)(1)(2)).
- v. Employment Generating Activities. No funds available under the Act shall be used for employment generating activities, economic development and other similar activities unless they are directly related to training for eligible individuals (20CFR667.262 (a)).
- w. Foreign Travel. No funds under Subtitle B, Title I of the Act shall be used for foreign travel (WIA Section 181(e)).
- x. Loans, including advances to employees for unearned income, are not allowable WIA costs.
- y. The preparation of proposals for submittal to any agency (State or otherwise) below the Federal level is not an allowable WIA cost.
- z. Wages of Incumbent Employees. The wages of incumbent employees during their participation in economic development activities provided through a statewide workforce investment system (WIA Section 181 (b)(1)) are not allowable WIA costs.
- aa. Fund Raising and Investment Management Costs.
 - 1. Costs of organized fund raising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable, regardless of the purpose for which the funds will be used.
 - 2. Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable. However, such costs associated with investments covering pension, self-insurance, or other funds which include Federal participation allowed by OMB Circular A-87, as Amended August 29, 1997, are allowable.

3. Fund-raising and investment activities shall be allocated an appropriate share of indirect costs under the conditions described in subsection C.3.b. of Attachment A of OMB Circular A-87, as amended August 29, 1997.

bb. Stand-In Costs

Costs from non-WIA funds proposed for use as substitutes for otherwise unallowable costs are called stand-in costs. To be considered, the proposed “stand-in” costs shall have been reported as uncharged WIA program costs on Subrecipient’s Invoice Report (WDD-9) or LWIA Financial Status Reports (as applicable) and related backup forms and accounted for in the auditee’s financial system as required by the Act (Section 185(f)).

C. LWIA COST ALLOCATIONS

If the LWIA incurs costs which benefit more than one fund source and the costs are not readily assignable to the benefiting fund source, the LWIA must develop a cost allocation plan to assign the costs to the benefiting fund source.

Generally accepted accounting principles should serve as the basis for the cost allocation plans and shared or joint costs should be allocated to Federal, State, and local programs consistently.

1. Indirect Cost Rates

Indirect (administrative and/or program) costs represent the general management and support functions of an organization, and are costs incurred for a common or joint purpose benefiting more than one cost objective. Such costs include, but may not be limited to: salaries and fringe benefits of personnel involved, related materials, supplies, equipment, office space, and staff training. Indirect cost rates are subject to review by the State Office. Additionally, the State Office may opt to approve indirect cost rates if the circumstances dictate such action (State Policy).

2. LWIA Cost Allocation Plans

A cost is allocable to a particular cost objective or category to the extent of benefits received by such cost objective or category. Any cost allocable to a particular award or cost objective may not be shifted to other Federal awards to overcome fund deficiencies, avoid restrictions imposed by law or terms of the Federal awards, or for other reasons. Where an allocation of joint costs will ultimately result in charges to a WIA or other federally supported program, a written cost allocation plan will be required. Allocation of costs must be consistent with the written cost allocation plan. Any amendments of the cost allocation plan must be retroactive to the beginning of the plan year.

Since 29 CFR 97.22(b) governs how to charge direct and indirect costs, it also governs the process for allocation of direct and indirect costs. For example, if an LWIA is a State or local government, the OMB Circular No. A-87, (May 4, 1995, Revised Edition, as further amended August 29, 1997) Attachment A, Parts C-H apply.

If the LWIA opts to develop a cost allocation plan to distribute costs as they occur, the State

will not require prior approval of the plan. It should be developed and maintained on file for review (State Policy).

3. Cost Pooling

Joint and similar types of costs may be charged initially to a cost pool used for the accumulation of such costs pending distribution in due course to the ultimate benefiting cost objective/category. However, administrative costs are not required to be allocated back to the individual funding streams (20 CFR667.210 (a)(3)).

a. LWIA Formula

An LWIA may pool its administrative costs for all WIA Programs. An administrative cost pool may only contain one program/fiscal year allocation; i.e., the administrative cost pool may not contain allocations from different program/fiscal years. If the LWIA opts to pool its WIA administrative funds, any formula (must be written) will be acceptable as long as it conforms with section c. (below) and:

- (1) No title contributes more to the pool than the regulations and Act allow.
- (2) Only allowable WIA administrative costs are charged to the pool.

An LWIA cost pool may consist of the LWIA's operational administrative costs (both direct and indirect) of Adult, Youth, and Dislocated Worker funds.

b. Subrecipient Formula

Subrecipients who serve (1) one or more LWIAs, or (2) one or more LWIA's and other WIA funding streams may pool their administrative costs. Any formula will be acceptable as long as it conforms with section c. (below) and:

- (1) No title contributes more to the pool than the LWIA allows.
- (2) Only allowable LWIA administrative costs are charged to the pool.

Neither the five percent of the amount allotted that may be reserved for statewide administrative costs nor the ten percent of the amount that may be reserved for local administrative costs need to be allocated back to the individual funding streams per 20 CFR667.210 (a)(3).

Funds contributed to an administrative cost pool are not considered obligated as such contributions do not meet the definition of obligations as contained at 29 CFR97.3. Unspent administrative funds must continue to be tracked against the program year from which the initial allocation was made.

D. COST CATEGORIES

WIA Title I costs must be planned, controlled, charged, and reported under the following cost objectives/categories: (1) administration, and (2) program (Section 185(g)). Costs are allocable to a particular cost category to the extent that documented benefits are received by such category. Section 667.220 of the WIA Regulations, "What Workforce Investment Act, Title I functions and

activities constitute the costs of administration subject to the administrative cost limit?" is quoted verbatim in regard to administration and program costs.

1. Administration and 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 cost 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; and
 - (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 and 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)(1) 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 the administrative functions described in paragraph (b) of this section are classified as administrative costs. All other costs of one-stop operators are classified as program costs.

- (2) Personnel and related non-personnel costs of staff who perform both administrative functions specified in paragraph (b) of this section and programmatic services or activities must 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.
- (3) Specific costs charged to an overhead or indirect cost pool that can be identified directly as a program cost must be charged as a program cost. Documentation of such charges must be maintained.
- (4) Except as provided at paragraph (c)(1) of this section, all costs incurred for functions and activities of subrecipients and vendors are program costs.
- (5) 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; and
 - (v) Information relating to supportive services and unemployment insurance claims for program participants.
- (6) 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.

2. Other Cost Classification Guidance

Incentive funds under the WIA come from the statewide activities funds and are separate from the amount that the State uses for administration of the WIA program. The expenditure of these funds at the local level will need to be tracked and reported separately to the State because the State will have to report these expenditures as part of the statewide activities costs. Incentive funds are not subject to any cost limitations and may be used for any allowable WIA activity/purpose at the local level.

Planning costs - - developing and writing the state plan and/or local plans are program costs. Monitoring and oversight of program activities are program costs. As noted earlier, monitoring and oversight of administrative functions are administrative costs.

Profit, fees, and other revenues earned by a subrecipient that are in excess of actual costs incurred, to the extent allowable and consistent with the guidelines on allowable costs prescribed by the Governor in accordance with 20 CFR667.200(c), cost principles and allowable costs, may be allocated to the two cost categories based on the proportionate share of actual cost incurred attributable to each category.

In addition to the specific cost category requirements listed above, it must be noted that the USDOL Regulations (29 CFR95.27 and 29 CFR97.22, Cost Principles) prohibit costs allocable to another Federal grant, WIA program, or cost category being shifted to a WIA grant, subgrant, program, or cost category to overcome fund deficiencies, avoid restrictions imposed by law or grant agreements, or for other reasons (Reference OMB Circular A-87, Basic Guidelines, item 3.c.). If all costs are properly charged, accounted for, and reported based on the principle of “benefits received,” compliance with the cost category requirements should be attainable. This does not prohibit funds from two separate grants from supporting the WIA program at the same time; however, the oldest funds should be expended first.

E. COST LIMITATIONS

1. Administration

As part of the 15 percent that a state may reserve for statewide activities, the state may spend up to five percent (5%) of the amount allotted under Section 127 (b)(1), 132 (b)(1) and 132 (b)(2) of the Act for the administrative costs of statewide workforce investment activities (20 CFR667.210 (a)(1)). Local Workforce Investment Area (LWIA) expenditures for administrative purposes under WIA formula grants are limited to no more than ten percent (10%) of the amount allocated to the local area under sections 128(b) and 133(b) of the Act.

Costs of information technology-computer 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 provisions at Sections 134(d)(2)(E), (F), (G), (H), and (I) of the Act, are excluded from the administrative cost limit calculation (20CFR667.210 (c)). In a One-Stop environment, administrative costs borne by other sources of funds, such as the

Wagner-Peyser Act, are not included in the administrative cost limit calculation. Each program’s administrative activities are chargeable to its own grant and subject to its own administrative cost limitations (20 CFR667.210 (d)).

2. National Reserve Account Grants

Limits on administrative costs for programs operated under Subtitle D of Title I will be identified in the grant or contract award document (20 CFR667.210(b)).

F. TRANSFER AND INCENTIVE POLICY

1. Clarification/Transfer Policy

Before making any such transfer, a local board must obtain the Governor’s approval (20 CFR667.140(b)). All local workforce investment area requests for fund transfers will be documented within each appropriately approved WIA Grant Agreement.

**Employment and Training Administration
Workforce Investment Act
Fund Transfers
Clarification of Transfers**

Note: Transfers apply only to funds to Local Workforce Investment Areas

Life of funds	Adult Training	Youth Training	Dislocated Workers
State = 3 years* LWIA = 2 years*	Up to 50% to Dislocated Worker (S)	No Transfer Allowed	Up to 50% to Adult Employment & Training (S)

Authority. (S) Statutory-denotes WIA Section #: 133(b) (4) (See below)

* Funds have a three-year life for each allocation. Funds allocated to LWIAs have a two-year life after which remaining funds are recaptured and reallocated to the State and/or to LWIAs in compliance with the two-year LWIA spending limitation for expenditure during the remaining one-year life of the funds.

Ordinarily, transfer requests will be contained within the local workforce investment area initial WIA Grant Agreement. Local workforce investment area transfer requests made subsequent to initial annual Grant Agreement submission must be accompanied by narrative justification. Transfers may be made anytime during the two-year life of the funds. Transfers may only be made between the Adult and Dislocated Worker fund sources, and were limited to 20 percent of the initially allocated funds for each source (WIA Section 133(b)(4)). The USDOL granted the State approval of a waiver (effective November 2, 2009) to allow the State to approve local area requests to transfer up to 50 percent of local area allocations between the Adult and Dislocated Worker programs.

2. Incentive Awards

Section 134 (a)(2)(B)(iii) of the Act states that from funds made available under Sections 127 (b)(1) and 132 (b)(1) and (2) the Governor shall award incentive grants

*Revised 11/09

to local workforce investment areas for regional cooperation among local boards, for local coordination of activities carried out under WIA, and for exemplary performance by local areas on performance measures. Each LWIA should take steps to provide for the separate tracking of incentive funds.

G. CASH REQUIREMENTS

1. Cash Management

Each LWIA and its subgrantees must establish and maintain a cash management system which will provide for the adequate control of funds and minimize the time elapsing between the receipt and disbursement of funds. Minimize means that a zero balance is the desirable goal. Pursuant to 29 CFR97.21 (i), interest earned on advances shall result in an interest liability accrual between Federal agencies and State government as provided by the Cash Management Improvement Act (31 U.S.C. 6501 et req.) and implementing regulations at 31 CFR Part 205. Each recipient and subrecipient shall account for interest earned on advances of Federal funds as program income as provided by the WIA Regulations at 20 CFR667.200 (a)(5) and Section 195 (8)(A) and (B) of the Act.

In regard to subrecipients, any advance of Federal funds drawn down by either advance or a working capital advance and not disbursed within thirty (30) days from the date of the advance must be refunded to ADECA (State (ADECA) Policy).

Other requirements are as follows:

- a. A separate bank account is not required, but procedures must be in place to separately account for Federal funds on deposit in accordance with 29 CFR97.21 (h)(2).
- b. Bank statements must be reconciled at least monthly.
- c. Funds must be deposited daily in a bank with FDIC coverage or a savings and loan institution with NCUA coverage. The balance of funds in excess of FDIC or NCUA coverage must be collaterally secured.
- d. Internal controls must be established and maintained to a level sufficient to prevent misuse of funds.
- e. Utilize the Subgrantee Cash Control Worksheet on a daily basis. This Worksheet must be submitted as required (See Exhibit M).

2. Cash Request (State Policy)

Each LWIA with an approved WIA Grant Agreement must have an Authorized Signature Card (WDD 6-See Exhibit D) on file with the State Office before requesting cash.

Each LWIA should follow the provisions under the Cash Management section of these guidelines in minimizing daily cash balances and should plan to request cash daily, if necessary, to satisfy these requirements.

Each LWIA should project and request cash soon enough to allow for the mailing of the request to the State Office, processing time by the State Office, and mailing of the check back to the LWIA.

WIA Status of Funds Report and Cash Request Form (WDD32 – Revised November, 2008 - See Exhibit E) must be used to request cash. When the LWIA's annual allocation is from

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two or more funding year appropriations, the LWIA must submit a separate WDD-32 for each year's funds (i.e., separate reports for PY99, PY00, FY01, etc.) In addition, any Governor's 15 percent funds awarded to the LWIAs must be drawn down as Adult, Dislocated Worker, or Youth funds. An original and one copy of each form, with original signatures, must be submitted to the State Office in accordance with instruction on the back of the form.

The LWIA should telephone in its cash request to the State Office before 9:00 a.m. on the day the cash request form is being prepared. The request should be mailed in a gold colored envelope as early as possible on the day the telephone request is made.

The State Office will process the request for payment immediately upon receipt and will mail the check to the LWIA in a green colored envelope.

The time lapse between the receipt of the written request by the State Office and the receipt of the check by the LWIA is approximately four (4) work days.

3. Cash Transfers

- a. Transfers between WIA Grant Agreements should be limited to a minimum, primarily to transfer cash at the end of one grant into the next year's grant. Transfers between funding streams under the same grant should also be held to a minimum.
- b. Items No. 5F-Total, and 6F-Total must reflect the same dollar amounts either positive or negative. If one grant's cash request form reflects a negative amount, another grant's cash request form must reflect an amount equal to or greater than the negative.
- c. Excess cash drawn under one grant should be transferred to the next year's grant within ten (10) days following the submission of the final cost report.

H. PLANNING/BUDGETING

1. Title I – Adult, Youth, and Dislocated Worker Funds

- a. Funds are appropriated by the Congress for use in a particular program year.
*Revised 11/08
- b. The Act provides that funds allocated by the State to LWIAs under WIA Sections 128 (b) and 133 (b) for any program year are available for expenditure only during that program year and the succeeding program year (Section 189 (g)(2) and the Regulations at 20 CFR667.107 (b)(1)).
- c. LWIAs are encouraged to broaden the scope of their planning and fully obligate all of each grant's funds to the greatest extent possible. Not less than 80 percent (80%) of the funds available in each year's grant must be obligated by the end of the first year or loose funds through the reallocation process.
- d. Policy requires that each year's grant funds be tracked and reported separately and be expended based upon "benefits received" criteria.
- e. Each LWIA must monitor and control the expenditure of funds in accordance with its approved grant agreement package and WIA subrecipient agreements.

I. REPORTING

LWIAs must report on WIA fund availability, obligations, accrued expenditures, and participants as required by the State Office (Refer to applicable Governor's Workforce Development Directives regarding reporting responsibilities and instructions). Each LWIA's quarterly reports are due in the State Office forty (40) days after the end of each quarterly reporting period. LWIAs must report costs on a cumulative basis until all PY funds awarded in each WIA grant agreement have been expended or reallocated. A final expenditure report is required when all funds awarded in a grant agreement have been fully expended or the grant expires, whichever occurs first.

Every effort should be made to keep track of and report accurate accrued expenditures. The State Office will not be responsible for inaccurate reporting by the LWIAs. LWIAs should review their procedures periodically to insure that all accruals will be included in each quarterly report. The State Office prefers that LWIAs not submit revised quarterly reports after the state's combined reports have been submitted to the U.S. Department of Labor by the State Office.

The LWIAs are not required to submit to the State Office Standard Form 272 (SF272, Exhibit C). The Subgrantee Cash Control Worksheet (WDD-27, Exhibit M) and the WIA Status of Funds Report and Cash Request Form (WDD-32, Exhibit E) already provide basically the same information.

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* Revised 2/01

J. CLOSEOUT

- (a) **General.** The Grant Officer shall close out each state's WIA grant agreement within a timely period after the funding period covered by the award has expired.
- (b) Revisions to the reported expenditures for a program year of funds may be made until 90 days after the time limitation for expenditure of WIA funds, as set forth in Section 189 (g)(2) of the Act, has expired. The Grant Officer may extend this deadline if the recipient submits a written request with justification. After that time, the Grant Officer shall consider all reports received as final and no additional revisions may be made.
- (c) When closing out a WIA grant, the Grant Officer shall notify the recipient, by mail, that, since the time limitation for expenditure of funds covered by the grant award has expired, it is the Department of Labor's intent to close the annual grant as follows:
- (1) **Cost adjustment.** Based on receipt of reports in paragraph (b) of this section, the Grant Officer shall make upward or downward adjustments to the allowable costs; and
- (2) **Cash adjustment.** USDOL shall make prompt payment to the recipient for allowable reimbursable costs. The recipient shall promptly refund to USDOL any balance of cash advanced that is in excess of allowable costs for the grant award being closed.
- (d) The recipient shall have an additional 60 days after the date of the notice described in paragraph (c) of this section in which to provide the Grant Officer with information as to the reason(s) why closeout should not occur.
- (e) At the end of the 60-day period described in paragraph (d) of this section, the Grant Officer shall notify the recipient that closeout has occurred, unless information provided by the recipient, pursuant to paragraph (d) of this section, indicates otherwise.
- (f) WIA and Other Subrecipient Closeout – The State Office will issue specific closeout instructions to local service providers at the appropriate time to ensure orderly closeout of grants at the state level.

K. AUDITS

The ADECA Audit Policy establishes audit requirements for LWIAs and other subrecipients of WIA, Title I funding and defines the responsibilities for implementation of and compliance with these requirements. Each LWIA and state subrecipient entity should receive and review a copy of the latest edition of this audit policy. The audit report submittal requirements is of significant importance. Excerpts from 305-1-1-.06 Subrecipient Responsibilities of the ADECA Audit Policy are as follows:

- (1) **Corrective Action Plan.** At the completion of the audit, the subrecipient shall prepare a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan shall provide the name(s) of the contact person(s) responsible for correction action, the corrective action planned, and the anticipated completion date. If the subrecipient does not agree with the audit findings or believes corrective action is not required, then the corrective action plan shall include an explanation and specific reasons.

- (2) **Due Date/Submittal of Audit Report.** Within the earlier of 30 days after receipt of the audit reports or nine months after the end of the audit period, any ADECA subrecipient that meets the requirements of 305-6-1-.04 (1) shall submit a data collection form and the reporting package described in §.320 directly to the ADECA Audit Section (see address below). The subrecipient and the auditor shall complete their respective sections of the data collection form. The data collection form will include all the elements similar to those outlined in A-133 §.310b Note: The data collection form will be approved by OMB; thus, the one included as Appendix A to the ADECA AUDIT POLICY may be subsequently revised by OMB. When the audit reporting package is not expected to be submitted to ADECA within nine (9) months after the end of the audit period, the signatory or other subrecipient official must specify delivery date of the report (in writing) to the Audit Section. In accordance with OMB Circular A-133, Subpart D., §.400 (a) or (b), the cognizant or oversight agency is responsible for granting extensions. The mailing address for submittal of the reporting package is as follows:

Alabama Department of Economic & Community Affairs (ADECA)
Attention: Audit Section
P. O. Box 5690
Montgomery, Alabama 36103-5690

- (3) Subrecipients shall submit one copy of the reporting package defined above within 30 days after issuance of the audit report to the central clearinghouse located at the following address:

Federal Audit Clearinghouse
Bureau of the Census
1201 E. 10th Street
Jeffersonville, Indiana 47132

- (4) As a result of State legislation (Act 94-414), all subrecipients who receive or disburse any public funds (State or Federal) must submit a copy of the audit report to:

Department of Examiners of Public Accounts
Attention: Audit Report Repository
P. O. Box 302251
Montgomery, Alabama 36130-2251

- (5) Subrecipients who expend ADECA federal awards, but expended less than \$500,000 in total federal or state awards shall submit one copy of the applicable subrecipient financial statement audit to: *

Alabama Department of Economic & Community Affairs (ADECA)
Attention: Audit Section
P. O. Box 5690
Montgomery, Alabama 36103-5690

Please refer to the ADECA Audit Policy for other applicable requirements.

L. DISALLOWED WIA COSTS

The closeout of a grant does not affect the Grant Officer's right to disallow costs and recover funds on the basis of a later audit or other review or the recipient's obligation to return any funds due as a result of later refunds, corrections, subrecipient audit disallowances, or other transactions (29 CFR97.5 1(a) and (b)).

WIA funds which have been questioned by auditors, program monitors, or fiscal monitors and ultimately disallowed as WIA costs are subject to the following policies/procedures through page III-29.

Refunds, rebates or credits applicable to this program are properly chargeable or returnable to the applicable State or local workforce investment area. These funds must be reprogrammed and utilized for authorized WIA program activities.

It is ETA's policy that a misexpenditure of funds results when a liability arises due to:

“Willful disregard of the requirements of the Act and regulations” or “gross negligence” or “failure to observe accepted standards of administration,” or “a pattern of misexpenditure under Section 184 (d)(l) of the Act.”

“Incidents of fraud, malfeasance, misapplication of funds” or other serious violations as defined in TEGL No. 6-84.

“Illegal acts or irregularities” which are required to be reported in accordance with Section .510(a)(6) of OMB Circular A-133 and Government Auditing Standards paragraph 5.21.

The USDOL requires a revised final cost report to reduce costs for refunds received, including payment of disallowed costs, until the grant affected has been closed. After a grant is closed, USDOL will not accept revised final cost reports. It is ETA's policy to reduce the notice of obligation(s), for disallowed costs. This policy applies whether the misexpenditure occurs at the recipient or at any subrecipient level and is followed until a grant is closed. After the closeout of a grant, any disallowed costs sent to the USDOL are deposited as “miscellaneous receipts.” The closed grant is not reopened.

In those instances where the liability does not arise under the above categories and there has been a repayment of non-Federal funds to the recipient, the funds shall be reprogrammed into the same WIA program, provided this reprogramming takes place during the program year the funds were obligated by the USDOL, or the succeeding program year.

Any funds remitted to ETA because the three-year availability (Local Workforce Investment Area funds only have a two-year life) period has expired will not be available to the State for subsequent drawdown or expenditure.

In those cases where non-Federal funds are reprogrammed, documentation relating to the repayment of the liability and the reprogramming of the funds should be maintained and available for review during the compliance review process.

Character of Reallocated or Reallotted Funds-The reallocation or reallocation of funds does not change the character of the funds. All reallotted and reallocated funds must continue to be

expended in accordance with the requirements of the Act under which such funds are made available and in accordance with the statutory and regulatory requirements for the use of such funds.

Section 189(g)(2) of the Act limits the time period in which WIA funds may be expended to three years.

The Governor's policy on the use of these funds is derived from the USDOL's policies stated above and from Section 189(g)(2) of the Act.

Any funds that must be remitted to the USDOL relating to an active grant will be a refund of federal funds. Subgrantees and/or LWIAs must submit revised invoices or cost reports when necessary to reduce federal expenditures reported. Any funds remitted to the USDOL, after a grant has been closed by the USDOL, will be from non-federal funds. Revised expenditure reports are not required by the USDOL after a grant closes.

Since WIA funds have already been expended and local funds used to offset the disallowed costs, this procedure reduces the total amount authorized for draw down and expenditure under a current LWIA's approved WIA Grant Agreement.

1. State/LWIA WIA Grants

- a. Disallowed WIA costs shall be refunded to the WIA program from non-Federal funds and must be reprogrammed and utilized for authorized WIA activities in accordance with the above USDOL policies and the provisions of the Act, except as specified below.
- b. The Governor reserves the right to require, as determined on a case by case basis, that all disallowed costs be returned to the State Office, regardless of whether the funds were expended under a grant, contract, or subrecipient agreement (State Policy).
- c. In cases where serious violations of the Act or regulations have occurred (i.e., fraud, abuse, gross mismanagement, etc. as defined in USDOL's policy stated above) or where the two-year availability has expired, the LWIA shall submit a refund of the federal funds for the amount of the disallowed costs. A revised cost report reducing expenditures must accompany the refund. (Disallowed costs must be paid from non-federal funds). If the state has closed the related grant with USDOL, the LWIA shall submit a refund of the disallowed costs from non-federal funds. A revised WIA cost report is not required after USDOL closes a grant. Funds recovered by the State under this paragraph shall be remitted to USDOL within 30 days of receipt by the State.
- d. Unless the Governor requires that disallowed costs be refunded to the State Office under b. or c. above, the LWIA may retain the refunds and reprogram the funds in accordance with the Governor's policies.

2. Repayment Methods (State Policy) – State/LWIA WIA Grants. Disallowed costs create an additional availability of program funds. If costs are reduced, availability is increased. When disallowed costs are returned to the State Office, any availability created as a result of the refund is lost.

- a. Additional Cost Method. Under this method, the LWIA is required to expend from non-Federal funds a like amount for the disallowed costs in support of the WIA

program. A separate financial report must be submitted to the State Office identifying the expenditure of the funds. The financial report must be traceable to the LWIA's books and records. This method of repayment has no effect on WIA costs reported in current or prior program years.

- b. Cash Request Form WDD 32 Method. Under this method, the LWIA is required to deposit local funds in their WIA account for the amount of the disallowed costs. This deposit must be recorded in the LWIA's accounts as a refund against disbursements, thus reducing WIA expenditures and creating the additional availability mentioned above.

The LWIA must document with the State Office that the funds have been reprogrammed by returning the cash via Cash Request Form WDD 32. A credit entry must be made on the form in the amount of the disallowed costs against the current year's WIA grant for the same funding stream. This adjustment can only be made when the LWIA is requesting an amount equal to or greater than the amount being returned to the State Office.

The LWIA must submit to the State Office: (1) the WDD 32 on which the repayment was made, (2) documentation identifying the LWIA grant number to which the repayment applies, subrecipient name, subrecipient contract number, (3) evidence, as required by the State Office, that non-Federal funds have been deposited to the WIA account (copies of sub-recipient checks and deposit slips, etc.) or other local transfer vouchers showing that cash was taken from non-Federal funds and credited to WIA.

The WDD 32 repayment method is the preferred method when the LWIA is allowed to reprogram the funds in accordance with paragraph 1.d. above.

- c. Check Method. This is the least preferred method of repayment and should not be used except as specified herein. If an LWIA is dissolved, terminated or other conditions exist that would not allow repayment by either a. or b. above, or the LWIA is required to refund disallowed costs as provided in paragraph 1.c. above, the LWIA will be required to submit a check for the amount of the disallowed costs.

The LWIA must provide the LWIA grant number to which the repayment applies, subrecipient name, and subrecipient contract number along with the check.

Disallowed costs recovered under this repayment method will be remitted to the USDOL within 30 days of receipt by the State.

- d. Stand-In Method. If "stand-in" costs are proposed for use as substitutes for otherwise unallowable costs, the proposal shall be included with the audit resolution report. To be considered, the proposed "stand-in" costs shall have been reported as uncharged WIA program costs, included within the scope of the audit, and accounted for in the auditee's financial system as required by Section 185 (f) of the Act.
- e. Other Methods. On a case-by-case basis, alternative methods may be authorized by the State Office.

3. State/LWIA WIA Contracts

- a. Disallowed WIA costs shall be refunded to the WIA program from non-Federal funds in accordance with the Governor's policies for WIA grants under paragraph number 1. above, except as specified below (State Policy).
- b. If the LWIA does not have a current contract with the State Office, disallowed costs, both at the LWIA level and subrecipient level, must be returned to the State Office (State Policy).
- c. Disallowed costs at the LWIA level applicable to a prior year's contract must be returned to the State Office.
- d. In cases where serious violations of the Act or regulations have occurred, as provided under paragraph 1.c. above, the LWIA shall refund to the State Office the amount of the disallowed costs from non-Federal sources.
- e. Any other refunds for disallowed costs may be retained and reprogrammed by the LWIA under the current year's contract.

4. Repayment Method (State Policy) – State/LWIA Contracts

- a. If the LWIA is required to return disallowed costs to the State Office, the LWIA shall submit a check to the State Office for the amount of the disallowed costs.

Disallowed costs returned in accordance with paragraph 3.b. and c. must be submitted along with the appropriate Contractor's Invoice reducing WIA expenditures in the amount of the disallowed costs.

Disallowed costs returned in accordance with paragraph 3.d. must be submitted along with a transmittal letter identifying the LWIA contract number to which the repayment applies, subrecipient name, and subrecipient contract number. Disallowed costs recovered under paragraph 3.d. will be remitted to the USDOL within 30 days of receipt by the State.

- b. If the LWIA is permitted to retain and reprogram disallowed costs, the LWIA must submit documentation, as required by the State Office, showing that the funds have been properly managed.

SECTION IV

***OVERSIGHT AND
MONITORING***

Under the requirements stated in Sections 183 and 184(a)(4) of the Act and 20 CFR667.400 and 20 CFR667.410 of the Federal Regulations, oversight and monitoring activities must be conducted to the extent necessary to ensure compliance with the Act and applicable State, Federal and local laws and regulations regardless of who conducts said oversight and monitoring. Programs shall be monitored in accordance with the requirements of the State Monitoring Plan which shall encompass all of the requirements for oversight and monitoring contained in the WIA regulations at 20 CFR667.410. Additionally, reports resulting from oversight activities shall be accessible for review to authorized State and Federal personnel.

In accordance with Section 184(a)(6), the Governor shall, every two years, certify to the Secretary that the State has implemented the uniform administrative requirements referred to in Section 184(a)(3) of the Act; that the State has monitored local areas to ensure compliance with the uniform administrative requirements; and that the State has taken appropriate action to secure compliance pursuant to Section 184(a)(5) of the Act.

A. LIABILITY

Pursuant to the WIA Regulations, 20 CFR667.705(b) and the WIA grant agreement, the Governor holds the LWIAs responsible for WIA funds received through the grant and will assign liability for any misexpenditures of grant funds to the LWIAs.

B. WAIVER OF LIABILITY

A fundamental principle underlying the Act is that the responsibility for the proper use of resources flows with the funds. The Act imposes this responsibility on both the Governor and the LWIAs to assure the proper expenditure of funds. The Governor may avoid liability for misexpenditures of an LWIA if adequate systems of control are in place over that LWIA. The Act (Section 184(d)(3)) provides the Secretary of Labor the option to waive the Governor's liability in the event of misexpenditure of funds by an LWIA or LWIA subrecipient or State-funded contractor if the Governor has:

1. Established and adhered to an appropriate system for the award and monitoring of grants, subgrants and contracts which contains acceptable standards for ensuring accountability;
2. Entered into a written grant agreement or contract with each LWIA, subgrantee, or contractor which established clear goals and obligations in unambiguous terms;
3. Acted with due diligence to monitor the implementation of the grants, subgrants or contracts, including the carrying out of the appropriate monitoring activities (including audits) at reasonable intervals; and

4. Taken prompt and appropriate corrective action upon becoming aware of any evidence of a violation by an LWIA, subgrantee, or contractor of the Act or its regulations (in accordance with 20 CFR667.720(c)(1)-(5). This includes aggressive debt collection to recover misspent funds).

The Governor may request from the Secretary of Labor a waiver of liability by demonstrating that the four factors were met. In like manner, in the event of misexpenditure of funds flowing through an LWIA or State-funded contractor, the LWIA or State-funded contractor may request from the Governor a waiver of liability by demonstrating that the above four factors were met. Subrecipients contracting with LWIAs must make their request for waiver through the applicable LWIA. The Governor (as Grant Recipient) and any subrecipient(s) will not be released from liability for misspent funds under the determination required by the Act at Section 184(d) unless the (USDOL) Grant Officer determines that further collection action, either by the recipient or subrecipient(s), would be inappropriate or would prove futile.

The key to the waiver of liability under the four factors is adequate internal controls. Historically, lack of internal controls has generated audit findings, both programmatic and financial. If proper systems are developed and implemented, there is the likelihood that such findings of questioned costs and subsequent paybacks can be avoided.

In cases where the misexpenditure of funds was due to willful disregard of the requirements of the Act (Section 184 (d)(1)), gross negligence, failure to observe accepted standards of administration, or a pattern of misexpenditure as described in the Act at Section 184(d)(2) and (3) no waiver will be granted and the repayment must be made in cash from a non-Federal source. It should also be noted that the Secretary may issue an initial and final determination of liability for repayment of misused funds directly to an LWIA or other subrecipient in accordance with the authority of the Act. In such an instance, the Secretary shall inform the Governor of said action.

Any request for a waiver of liability must be based upon the four factors specified above. It must contain all relevant documentation and be provided to the Governor as stipulated in this section of the guidelines.

SECTION V

SANCTIONS

Pursuant to the Act and Regulations, the Governor may impose appropriate sanctions and corrective actions for violations of the Act, Regulations, or grant terms and conditions.

A. EXCESS CASH

Failure of an LWIA to establish and maintain cash management procedures in accordance with the Cash Management section of these guidelines could result in the Governor imposing one or both of the following sanctions:

1. Require that the LWIA be funded through reimbursement rather than cash advances.
2. Establish a debt against the LWIA for the amount of cash in excess of reasonable grant needs and charging interest on the debt.

B. GOVERNOR'S DETERMINATION OF SUBSTANTIAL VIOLATION (20CFR667.710)

When, as a result of financial and compliance audits, or otherwise, the Governor determines that an LWIA has substantially violated a specific provision of the Act or regulations and corrective action has not been taken, the Governor shall impose one or more of the following sanctions:

1. Issue a Notice of Intent to revoke approval of all or part of the LWIA grant agreement and plan. The Governor shall withdraw the notice if appropriate corrective action has been taken.

Or

2. Impose a reorganization plan which may include:
 - a. Decertifying the local board involved.
 - b. Prohibiting the use of certain providers.
 - c. Selecting an alternative entity to administer the program for the LWIA involved.
 - d. Merging the LWIA into one or more other LWIAs.
 - e. Other such changes as the Secretary or Governor determines necessary to secure compliance (Section 184 (b)(1)(B)(v)).
3. Require an LWIA to repay (from funds reserved for administrative costs of local programs) amounts found not to have been expended in accordance with the Act or regulations (Section 184(c)(4)). The Governor may offset such amounts to which the LWIA is or may be entitled under the Act unless it is determined that the LWIA should be held liable pursuant to paragraph (4.e.(3)) below.
4. Require the LWIA to repay such amounts, from sources other than federal funds, for those unallowable expenditures where the liability arises from:

- a. Willful disregard of the requirements of Title I of the Act;
- b. Gross negligence;
- c. Failure to observe accepted standards of administration;
- d. A pattern of misexpenditure as described in the Act (Section 184 (c)(2) and (3)); or
- e. Incidents of fraud, malfeasance, misapplication of funds or other serious violations as defined in USDOL's Training and Employment Guidance Letter No. 6-84. This includes but is not limited to:
 - (1) Fraud/Malfeasance
 - (a) Bribery, forgery, extortion, or embezzlement.
 - (b) Theft of participants' checks.
 - (c) Kickbacks from participants.
 - (d) Intentional payments to a contractor without expectation of receiving services.
 - (e) Payments to ghost enrollees.
 - (f) Misrepresenting information in official reports.
 - (2) Misapplication of Funds
 - (a) Nepotism.
 - (b) Political patronage.
 - (c) Use of participants for political activities.
 - (d) Ineligible participants.
 - (e) Conflict of interest.
 - (f) Failure to report income from Federal funds.
 - (g) Violation of contract/grant procedures.
 - (h) Use of Federal funds for other than specified purposes.

The above applies when there exists an intent to misapply funds rather than merely a case of minor mismanagement.

(3) Gross Mismanagement/Other Serious Violations

- (a) Unauditable records.
- (b) Unsupported costs.
- (c) Highly inaccurate fiscal and/or program reports.
- (d) Payroll discrepancies.
- (e) Payroll deductions not paid to Internal Revenue Service.
- (f) Lack of internal control procedures.

f. Illegal acts or irregularities which are required to be reported in accordance with Section .510(a)(6) of OMB Circular A-133 and Government Auditing Standards paragraph 5.21.

5. Immediately terminate or suspend financial assistance, in whole or in part, if necessary, to ensure the proper operation of the program and ensure the integrity of the funds.

C. REALLOCATION OF FUNDS (State Policy)

Based on the Act and information received from the USDOL, this policy represents the Governor's position with respect to the reallocation of funds made available under Title I of the WIA.

This policy deals with involuntary reallocations resulting from a failure to be in compliance with obligation requirements of funds allotted under WIA Sections 127 and 132 and expenditure of Title I funds within the availability time frame.

1. Title I Underobligation of Funds

The Secretary reallocates youth, adult and dislocated worker funds among eligible states in accordance with the provisions of WIA Sections 127 (c) and 132 (c) respectively. To be eligible to receive a reallocation of youth, adult, or dislocated worker funds under the reallocation procedures, a state must have obligated at least 80 percent of the prior program year allotment, less any amount reserved for the costs of administration of youth, adult, or dislocated worker funds. A state's eligibility to receive a reallocation is separately determined for each funding stream (20 CFR667.150 (c)).

In regard to within state reallocation due to a local workforce investment area's obligations being less than 80 percent for one or more funding streams, the WIA Regulations (20 CFR667.160 (a)) state that the Governor may reallocate youth, adult, and dislocated worker funds among local areas within the State in accordance with the provisions of Sections 123(c) and 133(c) of the Act. The State asked the U.S. Department of Labor (USDOL) for a waiver of the 80 percent obligation requirement. Based upon the response, the Governor will not implement a within state reallocation predicated upon obligations unless there is a USDOL reallocation of funds due to the State being below the required 80 percent obligation level on any funding stream.

If there is a reallocation by the USDOL (in which the State loses funds), then the following procedures will be followed. For the youth, adult and dislocated worker programs, the amount to be recaptured from each local area for purposes of reallocation, if any, will be based on the amount by which the prior year's unobligated balance of allocated funds exceeds 20 percent of that year's allocation for the program year, less any amount reserved (up to 10 percent) for the costs for administration. Unobligated balances will be determined based on allocations adjusted for any allowable transfer(s) between funding streams. This amount, if any, will be separately determined for each funding stream (667.160 (b)). *

To be eligible to receive youth, adult, or dislocated worker funds under the reallocation procedures, a local area must have obligated at least 80 percent of the prior program year's allocation, less any amount reserved (up to 10 percent) for the costs of administration, for youth, adult or dislocated worker activities, as separately determined. A local area's eligibility to receive a reallocation will be separately determined for each funding stream (667.160(c)).

The LWIA has one full year to obligate funds. The State Office will make a determination of compliance based upon the WIA Quarterly Financial Status Reports submitted to the State Office 40 days after the end of the program year for which compliance is being determined. Under obligations in excess of 20 percent will be reallocated in accordance with Section 128 (c)(3) and (4) and Section 133 (c)(3) and (4) of the Act.

2. Reallocation Procedures Relative to Period of Funds Availability

Funds allotted to States under WIA Sections 127(b) and 132(b), for any program year are available for expenditure by the state receiving the funds only during that program year and the two succeeding program years. Funds allocated by the state to local workforce investment areas under WIA Sections 128(b) and 133(b), for any program year are available for expenditure only during that program year and the succeeding program year. Funds which are not expended by an LWIA in the two-year period (described above) must be returned to the State. Funds so returned are available for expenditure by the State and LWIAs (which are in compliance with expenditure requirements) only during the third program year of availability. In accordance with 20 CFR667.107 (b)(i) and (ii), these funds may be used for statewide projects or distributed to other LWIAs which have fully expended their allocation of funds for the same program year within the two-year period.

Any necessary reallocation of funds will result in a reallocation of the unexpended funds at the end of the two-year period to the LWIA(s) that are in compliance with the expenditure requirement. The funds will be deobligated and reobligated based on an adjusted allocation formula which would exclude the LWIA from which the funds were deobligated. If all LWIAs are out of compliance, the obligations for each LWIA will be reduced by the required amount and the funds reallocated to the State level. The determination of compliance will be based on the WIA Quarterly Financial Reports, which are submitted at the end of the second year of each LWIA's WIA Grant Agreement.

* Revised 8/01

SECTION VI

***VOLUNTARY
REALLOCATIONS***

A. POLICY AND PROCEDURES

The Governor has the authority to arrange for the voluntary reallocation of Title I funds at any time. However, no reallocations may occur prior to the initial allocation of any funds which are required to be allocated in accordance with a statutory formula or procedure.

In order to arrange for a voluntary reallocation, an agreement would have to be reached between the LWIAs involved in the transfer of funds. The LWIA wishing to voluntarily reallocate funds must find another LWIA(s) to agree to take the funds. Based on this agreement, a modification of each LWIA's WIA Grant Agreement would have to be modified by the State Office to transfer the funds between the LWIAs.

SECTION VII
(STAND-IN COSTS)
OR
COST SHARING

While the WIA Program has no matching or cost sharing requirements, such costs may be used (pursuant to USDOL approval) as stand-in costs in case(s) of certain disallowances of WIA expenditures. To be considered, the state and LWIA shall maintain records with respect to programs and activities carried out under Title I that identify any costs incurred (such as stand-in costs) that are otherwise allowable except for funding limitations (Section 185 (f) and 185 (f)(2)).

A. BASIC RULE: COSTS AND CONTRIBUTIONS ACCEPTABLE (as Stand-in Costs)

With the qualifications and exceptions listed in paragraph (B) of this section, matching or cost sharing may be satisfied by either or both of the following:

1. Allowable costs incurred by the grantee, subgrantee or a cost-type contractor under the assistance agreement. This includes allowable costs borne by non-Federal grants or by other cash donations from non-Federal third parties.
2. The value of third party in-kind contributions applicable to the period to which cost sharing or matching applies.
3. Matching costs must meet the same criteria in regard to allowability, distribution to cost categories, etc. as the WIA funds for which they are used to match. Matching costs must be reported on the WIA Quarterly Status Report or Contractor's Expenditure Report as appropriate and related backup forms.

B. QUALIFICATIONS AND EXCEPTIONS

1. Costs borne by other Federal grant agreements. Except as provided by Federal statute, cost sharing or matching may not be met by costs borne by another Federal grant. This prohibition does not apply to income earned by a grantee or subgrantee from a contract awarded under another Federal grant.
2. Cost or contributions counted towards other Federal cost-sharing requirements. Neither costs nor the values of third party in-kind contributions may count towards satisfying cost sharing or matching of a grant agreement if they have been or will be counted towards satisfying a cost sharing or matching requirement of another Federal grant agreement, a Federal procurement contract, or any other award of Federal funds.
3. Costs financed by program income. Costs financed by program income shall not count towards satisfying a cost sharing or matching requirement unless they are expressly permitted in the terms of the WIA grant agreement. The official policy regarding program income is presented in Section II-C. of this manual.

4. Services or property financed by income earned by subrecipients. Subrecipients under a grant may earn income from the activities carried out under the WIA agreement in addition to the amounts earned from the party awarding the WIA grant agreement. No costs of services or property supported by this income may count toward satisfying cost sharing or matching unless other provisions of the WIA grant agreement expressly permit this kind of income to be used for cost sharing or matching.
5. Records. Costs and third party in-kind contributions counting towards satisfying cost sharing or matching must be verifiable from the records of grantees and subgrantees or cost-type contractors. These records must show how the value placed on third party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs.
6. Special standards for third party in-kind contributions.
 - (i) Third party in-kind contributions count towards satisfying cost sharing or matching only where, if the party receiving the contributions were to pay for them, the payments would be allowable costs.
 - (ii) Some third party in-kind contributions are goods and services that, if the grantee, subgrantee, or contractor receiving the contribution had to pay for them, the payments would have been an indirect cost. Cost sharing or matching credit for such contributions shall be given only if the grantee, subgrantee, or contractor has established, along with its regular indirect cost rate, a special rate for allocating to individual projects or programs the value of the contributions.
 - (iii) A third party in-kind contribution to a fixed price contract may count towards satisfying cost sharing or matching only if it results in:
 - a. An increase in the services or property provided under the contract (without additional cost to the grantee or subgrantee) or
 - b. A cost savings to the grantee or subgrantee.
 - (iv) The values placed on third party in-kind contributions for cost sharing or matching purposes will conform to the rules in the succeeding sections of this part. If a third party in-kind contribution is a type not treated in those sections, the value placed upon it shall be fair and reasonable.

C. VALUATION OF DONATED SERVICES

1. Volunteer services. Unpaid services provided to a grantee, subgrantee or a subrecipient by individuals will be valued at rates consistent with those ordinarily paid for similar work in the grantee's or subgrantee's organization. If the grantee or subgrantee does not have employees performing similar work, the rates will be consistent with those ordinarily paid by other employers for similar work in the same labor market. In either case, a reasonable amount for fringe benefits may be included in the valuation.
2. Employees of other organizations. When an employer other than a grantee, subgrantee, or cost-type contractor furnishes free of charge the services of an employee in the employee's normal line of work, the services will be valued at the employee's regular rate of pay exclusive of the employee's fringe benefits and overhead costs. If the services are in a different line of work, paragraph (C)(1) of this sections applies.

D. VALUATION OF THIRD PARTY DONATED SUPPLIES AND LOANED EQUIPMENT OR SPACE

1. If a third party donates supplies, the contribution will be valued at the market value of the supplies at the time of donation.
2. If a third party donates the use of equipment or space in a building but retains title, the contribution will be valued at the fair rental rate of the equipment or space.

E. VALUATION OF THIRD PARTY DONATED EQUIPMENT, BUILDINGS, AND LAND

If a third party donates equipment, buildings, or land, and title passes to a grantee or subgrantee, the treatment of the donated property will depend upon the purpose of the grant or subgrant, as follows:

1. Awards for capital expenditures. If the purpose of the grant or subgrant is to assist the grantee or subgrantee in the acquisition of property, the market value of that property at the time of donation may be counted as cost sharing or matching.
2. Other awards. If assisting in the acquisition of property is not the purpose of the grant or subgrant, paragraphs (E) (2) (i) and (ii) of this section apply:
 - (i) If approval is obtained from the Grantor, the market value at the time of donation of the donated equipment or buildings and the fair rental rate of the donated land may be counted as cost sharing or matching. In the case of a subgrant, the terms of the grant agreement may require that the approval be obtained from the Federal agency as well as the grantee. In all cases, the approval may be given only if a purchase of the equipment or rental of the land would be approved as an allowable direct cost. If any part of the donated property was acquired with Federal funds, only the non-federal share of the property may be counted as cost-sharing or matching.

(ii) If approval is not obtained under paragraph (E) (2) (i) of this section no amount may be counted for donated land, and only depreciation or use allowances may be counted for donated equipment and buildings. The depreciation or use allowances for this property are not treated as third party in-kind contributions. Instead, they are treated as costs incurred by the grantee or subgrantee. They are computed and allocated (usually as indirect costs) in accordance with the cost principles (specified in 29 CFR97.22) in the same way as depreciation or use allowances for purchased equipment and buildings. The amount of depreciation or use allowances for donated equipment and buildings is based on the property's market value at the time it was donated.

F. VALUATION OF GRANTEE, SUBGRANTEE, OR SUBRECIPIENT DONATED REAL PROPERTY FOR CONSTRUCTION/ACQUISITION

If a grantee, subgrantee, or subrecipient donates real property for a construction or facilities acquisition project, the current market value of that property may be counted as cost sharing or matching. If any part of the donated property was acquired with Federal funds, only the non-federal share of the property may be counted as cost sharing or matching.

G. APPRAISAL OF REAL PROPERTY

In some cases under paragraphs (D), (E) and (F) of this section, it will be necessary to establish the market value of land or a building or the fair rental rate of land or of space in a building. In these cases, the Federal agency may require the market value or fair rental value be set by an independent appraiser, and that the value or rate be certified by the grantee. This requirement will also be imposed by the grantee or subgrantees.

Should it be determined that the matching cost values submitted by the LWIA exceed the actual cost incurred, or if the LWIA's documentation does not substantiate all or any part of said cost values, the deficiency will be adjusted by increasing the matching costs to the required level, by a corresponding reduction of the WIA grant amount, or by the LWIA's refund to the Governor in non-WIA dollars in the amount of the deficiency.

H. APPRAISAL OF EQUIPMENT

In some cases under paragraphs (D), (E) and (F) of this section, it may be necessary to establish the market value of equipment. In these cases, the market value should be determined by an independent appraiser knowledgeable in the particular equipment to be appraised. An example of an independent appraisal may include, but is not limited to, appraisals by a dealer in the type of equipment being appraised. For automobiles, trucks, vans, etc., the "Blue Book" value may be used for the market value. Documentation to support the appraisal should be maintained as part of the accounting records.

Should it be determined that the matching cost values submitted by the LWIA exceed the actual cost incurred, or if the LWIA's documentation does not substantiate all or any part of said cost values, the deficiency will be adjusted by increasing the matching costs to the required level, by a corresponding reduction of the WIA grant amount, or by the LWIA's refund to the Governor in non-WIA dollars in the amount of the deficiency.

SECTION VIII

***STATE SUBRECIPIENT
REQUIREMENTS
(STATE POLICY)***

A. ADMINISTRATIVE STANDARDS

1. Cash Depositories

Cash advances or reimbursements to LWIAs, state agencies, and other state subrecipients (contractors) will not be made until properly authenticated WIA Status of Funds Report and Cash Request Forms (WDD-32) have been received (Exhibit E). All other recipients will submit a properly authenticated Subrecipient's Invoice Report (WDD-9, Exhibit G). The Grantor shall process advances and reimbursements based on Authorized Signature Cards (Form WDD 6, Exhibit D) four copies of which are to be submitted, each with original signature(s) of the individual(s) authorized to request cash and sign reports in connection with WIA funds. An official of the subrecipient must certify the validity of the signature(s) appearing on the signature cards. A separate bank account is not required; however, WIA funds must be identified by a system which provides clear audit trails. Interest income accrued on WIA fund deposits must be tracked and reported by the fund source and agreement from which it accrued. These funds are considered to be "public monies," and must be deposited in a bank with Federal Deposit Insurance Corporation (FDIC) insurance coverage or a savings and loan institution with National Credit Union Association (NCUA) insurance coverage. The balance of funds in excess of FDIC or NCUA coverage must be collaterally secured.

2. Bonding and Insurance

- a. The Subrecipient must ensure that every officer, director, agent or employee who is authorized to act on behalf of the subrecipient in receiving or depositing WIA funds or in issuing financial documents, checks, or other forms of payment be bonded to provide protection against loss. The amount of this coverage must be equal to the highest advance for the present year or \$100,000.00, whichever is less. If the bond is canceled or reduced, the subrecipient should immediately notify the Grantor. Coverage need not exceed \$100,000.00.

A WIA Bonding Assurance Certificate (Form WDD 6, Reverse Side-Exhibit F) must be on file with the Grantor before funds will be released to the subrecipient. Only subrecipients who will require advance WIA funds need to complete the Bonding Assurance form. Four originals of this form must be filed.

- b. Neither the USDOL (the Grantor's source of Federal funding) nor the Grantor will assume any liability for bodily injury, illness, or damages arising from claims from activity undertaken under WIA agreement. The subrecipient is advised to ensure protection with regard to these activities at the subrecipient's own expense.

B. FINANCIAL MANAGEMENT STANDARDS

Each subrecipient must establish and maintain a financial management system in accordance with generally accepted accounting principles (GAAP) requirements and 29 CFR97.20, which will provide for adequate control of funds and other assets, ensure the accuracy of the financial data, provide for operational efficiency and for internal controls to avoid conflict of interest situations (and avoid the appearance of apparent conflicts of interest) and to prevent irregular transactions or activities. The required records and reports shall be uniform in definition, accessible to authorized Federal and State staff, and verifiable for monitoring, reporting, audit, program management, and evaluation purposes per Section 185 (a)(1) and (2). The subrecipient's financial management systems must meet the following standards, some of which are explained in greater detail later in this section of the manual:

1. Essential Financial System Requirements:

- a. Each subrecipient must have a financial management system and procedures that are in accordance with GAAP.
- b. The systems shall include information pertaining to WIA awards, assets, expenditures, obligations, unobligated balances and income generated through interest income from WIA deposits and/or program income generated through WIA training activities.
- c. The system shall provide effective internal controls to safeguard assets and to assure their proper use.
- d. The system shall utilize a comparison of actual expenditures with budgeted amounts for each contract. This will be continually updated.
- e. Source documentation to support accounting records.
- f. Costs must be properly charged in regard to cost categories and cost allocation based upon benefits received.
- g. The system must be sufficient to permit preparation of required reports.
- h. Permit the tracing of funds to a level of expenditure adequate to establish that funds have not been used in violation of the applicable restrictions on the use of funds.
- i. As required by Section 185 (f) of the Act, permit the tracing of program income, potential stand-in costs and other funds that are allowable except for funding limitations.

2. Advance/Reimbursements

The subrecipient must establish procedures to minimize the time elapsing between receipt of funds and the actual disbursement of funds. A minimum cash balance should be kept on hand at all times and only an amount needed to meet immediate projected disbursements should be requested (29 CFR97.20(b)(7)). Except instances which require reimbursement and working capital advance payments, each recipient and subrecipient shall be paid in advance, provided it demonstrates the willingness and ability to limit advanced funds to the actual immediate disbursement needs in carrying out the WIA program. Any advance of Federal funds drawdown by either advance or a working capital advance and not disbursed within thirty (30) days from the date of the advance must be refunded to ADECA (State (ADECA) Policy).

In accordance with 29 CFR97.21(e), working capital advance payments may be made subject to the following requirements:

If a grantee cannot meet the criteria for advance payments and the awarding agency has determined that reimbursement is not feasible because the grantee lacks sufficient working capital, the awarding agency may provide cash on a working capital advance basis. Under this procedure, the awarding agency shall advance cash to the grantee to cover its estimated disbursement needs for an initial period generally geared to the grantee's disbursing cycle. Thereafter, the awarding agency shall reimburse the grantee for its actual cash disbursements.

3. Records

The subrecipient must maintain records which identify adequately the source and application of WIA funds.

4. Control of Assets

The subrecipient must maintain effective control over and account for project funds, property, and other assets. Included in the "other assets" are inventories of consumable materials and supplies. The subrecipient must safeguard these assets and ensure that they are used solely for authorized purposes.

5. Allowable Costs

To be allowable, the cost must be necessary and reasonable for proper and efficient administration of the WIA program. It must be an allowable cost pursuant to 29 CFR97.22 and must not be a general expense to carry out the overall responsibilities of the contractor. More importantly, they must be consistent with the appropriate provisions contained in 29 CFR97.22(b) which lists the types of organizations (State, Private nonprofit, Education Institutions, For profit, etc.) and the applicable cost principles. Only those items of expenditures or cost categories as denoted on or within the signed WIA grant agreement or contract are allowable. Where cost allocations are necessary, such allocations should be made in accordance with applicable cost principles as listed in 29 CFR97.22(b) and the terms of the WIA grant agreement. A subrecipient's costs are not to be allocated based on availability of funds in the

budget, but instead, must be allocated based on benefits received or effort given to the program.

These standards will apply regardless of whether a particular item of cost is treated as direct or indirect cost. Direct and indirect costs shall be charged in accordance with the criteria identified in 29 CFR97.22(b). Failure to mention a particular item of cost in the standards is not intended to imply that it is either allowable or unallowable, rather determination of allowability in each case should be based on the treatment of standards provided for similar or related items of cost.

6. Source Documentation

The subrecipient must support accounting records with source documentation such as canceled checks, itemized invoices, paid bills, cost allocation plans, lease agreements or subcontracts. When costs are to be allocated, a worksheet must be maintained to document the proration of costs to various cost centers in accordance with the cost allocation plan and kept on file for audit purposes. Accounting records for matching funds or stand-in costs must be supported in the same manner as stated above.

7. Travel Regulations

All reimbursements for travel will be made with the travel regulations of the State as a guide. A waiver to allow subrecipients to use their own written policy may be granted on a case-by-case basis. Travel reimbursement amounts allowed by the Grantor may be less than those provided by these guidelines if the subrecipient's current established policy so states, but in no instance may they exceed the State limitations. A sample in-state travel reimbursement form is provided as a guide (see Exhibit J). This form or a similar form should be used when requesting travel reimbursement. The following are the State travel regulations effective April 1, 2003.

a. In-State Travel

- (1) For travel involving less than 6 hours, no meal allowance or per diem is allowed.
- (2) For travel of 6 hours to 12 hours, there is an allowance of \$11.25 for one meal, provided the travel is performed to a destination 25 miles or more from official base or station *
- (3) For travel requiring more than 12 hours to a destination 25 miles or more from official base or station, a \$30.00 allowance is allowed when the trip does not involve an overnight stay. *
- (4) Effective September 8, 2005, overnight per diem will be set at the following rate: \$75.00 per day. *

* Revised 9/05

If the normal rate of the subrecipient is less than the above-stated per day rates and the WIA agreement states a lesser rate, the lesser rate approved shall be used.

The term overnight, as used in Code of Alabama 1975, §36-7-20, as amended, means exactly what the word implies. The common law meaning of night usually means the period between sunset and sunrise. Another rule often applied is that night is defined as beginning thirty minutes after sunset and ending thirty minutes before sunrise. Individuals whose work hours are during the night period are in work status and are not entitled to overnight per diem. Employees within reasonable travel distance from their base are expected to return to base. Individual circumstance will determine what is reasonable but, generally, a trip of 100 miles or less one-way does not require an overnight stay. Exceptions to the policy may be approved by the department director.

- (5) Effective September 8, 2005, the per diem is \$56.25 for each day after a person in travel status has been stationed at the same place for two consecutive months.
- (6) Effective October 1, 1999, the mileage rate is the amount allowed by the Internal Revenue Code for income tax deductions. As of July 1, 2011, the rate allowed by the Internal Revenue Code for business mileage is 55.5 cents per mile. If the normal rate of a contractor is less than the allowable rate and the contract states a lesser rate, the lesser approved rate shall be used. *
- (7) Claims for travel expense must be documented by reports containing the destination, date and time of departure and return, and a computation of the amount of reimbursement. The reports must be signed and dated by both the traveler and the person authorizing the travel. Copies of the travel reports must accompany the invoices under which the travel expense is claimed.

b. Out-of-State

Prior written approval from the Grantor is required for all out-of-state travel. Such approval must be requested by the subrecipient at least 10 days prior to the planned travel, by contacting the appropriate WIA agreement manager. Out-of-state travel expense for room and meals shall be reimbursed at actual costs, when such costs reflect reasonable rates. Room accommodations should be in the employee's own name and any charges for missed reservations shall be considered a personal expense. Air travel is booked for tourist class. If first class is booked, proof of non-availability of tourist must be provided. A sample out-of state travel reimbursement form is provided as a guide (see Exhibit K). This form or a similar form should be used when requesting out-of-state travel reimbursement.

Receipts are required to be submitted with travel reimbursement claims to be maintained as support documentation for the Subrecipient's Invoice Report for all transportation, meal, and hotel/motel lodging charges. These receipts must be from the establishment/transportation company. Copies of credit charges cannot be accepted as support documentation. The amounts paid as tips for food service, the transfer of baggage,

* Revised 07/11

and similar personal services shall be included as items of expense by the traveler, when the amounts of such expenditures do not exceed the customary charges for these services. The cost of tips paid for meals shall be included in the price of meals. The cost of tips paid for the transfer of baggage must be itemized as to amounts and dates paid. Receipts are required in substantiation of parking costs. For mileage, the same procedure established for instate travel applies. It should be emphasized that no entertainment costs will be allowed in connection with out-of-state travel.

Reasonable meal costs for each day of out-of-state travel will be based on the amount of time the traveler is away from their base on each day of travel. The reasonable cost of three meals will be allowed for each day the traveler is away from the base more than eighteen hours, two meals for each day the traveler is away from their base more than twelve hours and one meal for each day the traveler is away from their base more than six hours.

c. Combined In-State and Out-of-State Travel

At times a traveler may go out of the state and then return and continue his trip within the state. Actual expenses are paid until return to the state when the per diem basis takes over.

8. Agreement Modifications

All subrecipients will follow the process as outlined below for requesting agreement modifications.

- a. The subrecipient will submit a written request for modification prior to changing any budget line item or participant service level contained in the agreement. The written request and associated reason for the modification should accompany the modification.
- b. All modifications initiated by the subrecipient will be mutually agreed upon by the parties to the agreement.
- c. The Grantor may make a unilateral modification to the agreement at any time due to changes in the law, regulations, or policy.

9. Reporting

- a. Each subrecipient receiving funds is required to report monthly on Form WDD-9, Subrecipient's Invoice (see Exhibit G), the costs incurred or expenditures made in performance of the agreement. This form must be submitted in duplicate with all containing original signatures in blue ink. Instructions are on the back of the WDD-9. Signatures must match those on the signature card. Monthly reports will be made on the Form WDD 10A and 10B (Invoice Summary) (see Exhibits H-I) for the line items contained in the approved budget for the agreement and in total for the subrecipient's contribution. Forms WDD 10A and 10B must be submitted in support of the amounts shown on Form WDD-9, with the exception of those amounts related to OJT program activity. Space for expenditure backup information is provided on the back of these forms. All reports will be prepared from the official accounting records of the reporting organization. The reporting period on the first Subrecipient's Invoice should reflect the beginning date of the agreement through the end of the particular period covered. Reports containing errors, white out and/or pencil changes may have to be re-submitted.
- b. Monthly Subrecipient's Invoices will be submitted no later than the 10th working day of the month following the month of the reporting period.
- c. The final Subrecipient's Invoice submitted for an agreement must be received no later than the last day of the month following the agreement ending date. A check for any outstanding portion of an advance received, or other funds received to include program income for which there have not been expenditures reported, must accompany the final expenditure report.

Any advance of Federal funds drawdown by either advance or a working capital advance and not disbursed within thirty (30) days from the date of the advance must be refunded to ADECA (State (ADECA)Policy).

- d. The subrecipient must report expenditures on an accrual basis. If the subrecipient's records are not maintained on an accrual basis, documentation for audit purposes must be maintained to demonstrate the link between accrual reports and non-accrual accounts. This requirement does not apply to subrecipients on the reimbursement basis. Conversion from the cash basis of accounting to an accrued expenditures basis for a reporting period may be accomplished by adding:
 - (1) Estimated salaries and related benefits from the end of the last pay period to the end of the reporting period.
 - (2) Unpaid invoices on hand for goods and services received.
 - (3) Value of goods and services received but not yet invoiced.

After the above items are added to the actual expenditures made during the reporting period, the expenditures accrued similarly for the prior reporting period are deducted, thus completing the conversion from the cash basis to an accrual basis of reporting.
- e. Each month program income earned (this includes interest income) (See Section II.C. for information on program income) must be deducted from Estimated Expenditures Next Month (monthly advances) to determine a net Estimated Expenditures Next Month for each Subrecipient's Expenditure Report submitted. Each subrecipient shall disburse program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments (20 CFR667.200(a)(5) and (6)).

C. COST ALLOCATION

Costs are allocable to a particular cost category to the extent that benefits are received by such category. Indirect costs are those incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objective benefited. Cost allocation plans, including indirect cost rate proposals, shall be developed and approved in accordance with applicable cost principles as set forth in 29 CFR97.22(b), which governs how to charge direct and indirect costs. It also governs the process for allocation of direct and indirect costs. For example, if a subrecipient is a State or local government, the OMB Circular No. A-87, (May 4, 1995, Revised Edition, as further amended August 29, 1997) Attachment A, Parts C-H are applicable. Whenever costs jointly serve one or more sources of funds (Youth, Adult, and/or Dislocated Workers) and WIA is the only source of funding, a cost allocation plan must be developed to allocate those costs among the fund sources if these are shared services. These plans are to be used, made available and retained for future audits and reviews. Where there are multiple sources of fundings, such as other Federal, State and locally funded programs simultaneously operated by the contractor's organization, a cost allocation plan is necessary if there are shared services. This cost allocation plan must equitably (benefits received basis) allocate costs among the programs

(and within the WIA program, among the various funding sources). Allocation of costs must be consistent with the written cost allocation plan. Any amendments of the cost allocation plan must be retroactive to the beginning of the plan year.

However, in accordance with the Act (Section 184 (a)(2)(B)), funds made available to a state for administration of statewide workforce investment activities in accordance with Section 134 (a)(3)(B) shall be allocable to the overall administration of workforce investment activities, but need not be specifically allocable to the administration of adult employment and training activities; the administration of dislocated worker employment and training activities; or the administration of youth activities.

D. INDIRECT COST RATES

As previously defined, the term “indirect cost” is the process of charging cost(s) of the subrecipient which is a common expense of two or more agreements or its general operations. Prior to the approval of an indirect cost rate, the organization must provide evidence that the amount it proposes to charge is proper. The evidence is a cost rate approved by a cognizant (or lead) Federal Agency. The official who approves the rate must see evidence and support as necessary to ensure that there is no overpayment.

1. The Federal Cognizant Agency

When an organization receives funds from several sources, the Federal agency granting the largest amount of funds acts as the representative of all of the agencies or, the cognizant agency. Once the applicable cognizant agency approves an organization’s indirect cost rate on behalf of the other Federal agencies, it is to be accepted as a ceiling rate.

2. The Grantor as Rate Negotiator

Officials of the Grantor as applicable will request evidence to support the proposed indirect cost rate, and after careful attention, negotiate the rate with the proposing organization. Once an agreement is reached, the rate will be used in the proposed budget and agreement. Audits of the indirect cost rate will require source documentation to support the expenditures of indirect costs.

The audit process will be to:

1. Verify the allowability of costs charged as indirect costs.
2. Verify the source documentation to ensure that the costs were incurred.

E. EXPENDITURE DOCUMENTATION

In submitting the monthly Subrecipient's Invoice, the subrecipient is required to also submit physical documentation of expenditures in the form of copies of time and attendance reports, itemized vendor invoices, statements covering contractual services, lease agreements, subrecipient's travel policy, records in support of travel expense claimed, logs or other certification of long distance telephone calls, and postage, etc. The failure to submit proper support documentation with the Subrecipient's Invoice will result in the delay of reimbursement to the subrecipient. Cost items common to all of the cost categories under WIA are salaries and fringe benefits. Following are procedures required to ensure that these costs are properly documented:

1. Time and Attendance Records (see Form WDD 12, Exhibit L). These records must be maintained for each payroll period for each individual. These or equivalent records must support the total compensation paid, and in the event the individual contributes time to a project other than the WIA program, accurate time distribution records must designate the actual time contributed to the WIA program. For example, if such an individual performs forty hours of service within a week, of which thirty-one hours are not related to any program and the remaining nine hours apply to three different programs being administered by the contractor, including its WIA project, it is required that proper time and attendance records be maintained in support of the total 40 hours, and that time distribution records clearly verify the number of hours contributed to the WIA program. All time and attendance records must be certified by the signature of a person in a supervisory capacity after the employee has signed the form.

Employee earning records must be maintained for each individual and contain accumulative amounts by a pay period for the gross salary, payroll deductions and net pay. Payroll tax reports must also support the amounts shown on the payroll records.

2. Fringe Benefits. Allowable fringe benefit costs include, but are not limited to, the following: that portion of the individual's FICA taxes paid by the employer, medical insurance coverage, unemployment insurance and worker's compensation. Costs claimed for fringe benefits must be supported by such cost documentation as payroll records, payroll tax reports, insurance policies and payment schedules, vendor's invoices, etc.
3. Classroom Time and Attendance Records. Documentation to support classroom time and attendance for all WIA participants must be maintained.

For further information contact:

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