Kansas Department of Commerce

Workforce Services

Procedures Manual

Originating Office: Workforce Services

Subject: Workforce Services Fiscal Manual

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Programs: All employment and training programs receiving any federal assistance operating within the statewide workforce system, including, Workforce Innovation and Opportunity Act (WIOA) Title I , WIOA Title III (Wagner-Peyser Act), Trade Adjustment Assistance Program (TAA), Jobs for Veterans Act, Foreign Labor Certification Program, Federal Bonding Program, Work Opportunity Tax Credit Program (WOTC), Registered Apprenticeship Program, Migrant and Seasonal Farmworker Monitor Advocate Program, and such other workforce funds granted to and administered by or sub-awarded by the Kansas Department of Commerce.

Purpose: To transmit State administrative and fiscal guidance in support of personnel responsible for administering the above listed workforce services programs.

Reference: Public Law 113-128; Workforce Innovation and Opportunity Act (WIOA), Section 184; all governing regulations; Federal Office of Management and Budget (OMB) Circulars (Uniform Guidance, see page 2); WIOA Training and Employment Guidance Letters (TEGLs); and all State and Commerce governing policies and regulations.

Background: It is the responsibility of the Kansas Department of Commerce to ensure that all entities of the state's workforce system provide quality training and assistance through well administered, financially sound programs. In an effort to ensure these entities are provided consistent fiscal guidance, the Kansas Department of Commerce has developed this fiscal manual.

Action: Distribute to all Workforce Development Boards, Chief Elected Officials, workforce system partners and subrecipients within the workforce development system.

Contact: Questions should be directed to the Chief Financial Officer, 785-296-3481, TTY: 711, WorkforceSvcs@ks.gov

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Chapter One

Introduction and Objectives of the Workforce Services Fiscal Manual

In this chapter you will find the following:

- Governance History and Introduction
- Objectives of the Manual
- Format of the Manual
- Scope of the Manual
- Effective Date of the Manual
- Distribution of the Manual
- Request for Technical Assistance
- Additional Resources

1.00 INTRODUCTION AND OBJECTIVES OF THE MANUAL

1.01 Governance History and Introduction

States and other entities receiving federal grant funds must follow rules governing how they spend and administer federal grant funds. The Uniform Guidance is the first consolidation of federal grant management requirements since they were first issued as circulars in the 1980s. Federal grant financial and administrative requirements used to be found in eight separate documents, and the Uniform Guidance represent not only the first time they've been consolidated into a single set of regulations, but also the first time they've been updated in a number of years.

The federal Office of Management and Budget (OMB) issued the Final Rule entitled Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards on December 19, 2014, at which point it was effective. Additionally, the USDOL adopted the OMB Rule with USDOL exceptions codified at 2 CFR 2900. The Uniform Guidelines applies to all Federal awards made on or after December 26, 2014. A grace period of one year is allowed for procurement revision adoptions.

The Uniform Guidance supersedes and streamlines requirements from the following eight OMB Circulars applicable to the administration, use, and audit of federal grant funds by nonprofit organizations, state, local and tribal governments, and colleges and universities:

- A-122 (Cost Principles for Non-Profit Organizations)
- A-87 (Cost Principles for State, Local, and Indian Tribal Governments)
- A-21 (Cost Principles for Educational Institutions)
- A-110 (Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profits)
- A-102 (Grants and Cooperative Agreements with State and Local Governments)
- A-89 (Federal Domestic Assistance Program Information)
- A-133 (Audits of States, Local Governments, and Non-Profit Organizations)
- A-50 (Audit Follow-Up)

Uniform Guidance primary objectives include: eliminating duplicative and conflicting guidance, focusing on performance over compliance for accountability, encouraging efficient use of information technology and shared services, providing for consistent and transparent treatment of cost, limiting allowable costs to make best use of federal resources, encouraging non-federal entities to have family-friendly policies, strengthening oversight, and targeting audit requirements on risk of waste, fraud, and abuse.

The Uniform Guidance applies to federal agencies that make federal awards to non-federal entities (such as states) as well as to non-federal entities that receive federal grant funds. Under Uniform Guidance, a non-federal entity receiving federal grant funds may be a pass-through entity of those funds (such as a state receiving WIOA funds from USDOL) or a subrecipient receiving federal funds through a subaward (such as LWDBs receiving WIOA funds from a state). Unless the terms and conditions of a federal award state differently, all non-federal entities that provide a subaward to carry out part of a federal program are required to follow Uniform Guidance requirements.

President Barack Obama signed the Workforce Innovation and Opportunity Act (WIOA) into law on July 22, 2014. WIOA is designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy. WIOA is the first legislative reform of the public workforce system in more than 15 years.

WIOA replaces titles I and II of the Workforce Investment Act of 1988 and amends the Wagner-Peyser Act and the Rehabilitation Act of 1973. WIOA takes effect on July 1, 2015, the first full program year after enactment.

The Department of Labor (DOL) and Department of Education (ED) are working to publish a set of regulations for implementation of WIOA. The Notice of Proposed Rulemaking was published in April 2015; and DOL and ED anticipate issuing Final Regulations in early 2016. In order to facilitate implementation of WIOA by states and localities prior to the publication of the final rule, DOL will publish a series of WIOA Operational Guidance documents in the form of TEGLs. WIOA Operating Guidance TEGLs provide the system with instructions for implementation, aligned with DOL ETA's current thinking about how to begin the planning and restructuring necessary to comply with new WIOA statutory requirements for the upcoming Program Year 2015 (beginning July 1, 2015) and beyond. The Operating Guidance TEGLs provide a framework for program activities until the regulations are finalized.

Additionally, Federal Office of Management and Budget (OMB) circulars and United States Department of Labor regulations contain specific provisions to guide the planning, design, operation, documentation and assessment of a sound financial management system.

During Program Year 2003, a major restructuring of the state workforce system was undertaken with Executive Reorganization Order No. 31. The Order merged a number of federal and state workforce programs under the Kansas Department of Commerce. The objective was to create a workforce system in Kansas to accomplish the following:

- Produce qualified employees for any employer in any part of the state;
- Utilize a fully integrated number of workforce programs to deliver market driven training;
- Continuously improve through investments in the delivery system;
- Enable Kansas to compete favorably with other states in attracting new businesses; and
- Results oriented with a measured return on investment.

The Kansas Department of Commerce (Commerce) has been charged with state level administration of the workforce-related services/programs and oversight of the state workforce system. It is the responsibility of Commerce to ensure all entities of the system provide quality training and assistance through well administered and fiscally sound programs. To ensure these entities are provided consistent fiscal guidance, Commerce has developed the Workforce Services Fiscal Manual.

1.02 Objectives of Manual

The principal objectives of this manual are as follows:

- Ensure the delivery of federal and state funded workforce development services to eligible populations by providing administrative and financial system guidelines consistent with federal and state laws and regulations;
- Comprehensively illustrate the foundation and rationale of generally accepted accounting principles consistent with accounting for federal and state workforce development funds; and
- Organize and articulate these concepts and procedures to provide concise and straightforward instructional material for all local workforce development boards (WDBs), administrative entities, subrecipients, contractors and other entities receiving and disbursing funds under the workforce system.

The Workforce Services Fiscal Manual establishes state policy to further define federal guidelines. Any violation of state fiscal policies and procedures will be resolved through procedures developed by Commerce. The policies and procedures contained herein are subject to change by Commerce to comply with any changes in federal or state policy.

1.03 Format of Manual

The Workforce Services Fiscal Manual is divided into chapters by subject matter. Each chapter contains sections related to the overall subject matter. The format is designed to be an easy to use reference guide. Commerce will update the manual as needed. Comments or questions regarding the information in this manual may be directed to the following:

Chief Financial Officer
Kansas Department of Commerce
Fiscal Unit
1000 S.W. Jackson, Suite 100
Topeka, Kansas 66612-1354

1.04 Scope of Manual

The policies provided in this manual are applicable to all entities receiving federal and state workforce development funds including, Workforce Innovation and Opportunity Act (WIOA) Title I , WIOA Title III (Wagner-Peyser Act), Trade Adjustment Assistance Program (TAA), Jobs for Veterans Act, Foreign Labor Certification Program, Federal Bonding Program, Work Opportunity Tax Credit Program (WOTC), Registered Apprenticeship Program, Migrant and Seasonal Farmworker Monitor Advocate Program, and such other workforce funds granted to and administered by or sub-awarded by the Kansas Department of Commerce to include LWDBs, administrative entities, subrecipients and service providers. All are required to comply with this manual. Furthermore, all subrecipients must require their subrecipients to comply with this manual.

1.05 Effective Date of Manual

The Workforce Services Fiscal Manual is effective upon issuance by Commerce and shall replace the Employment and Training Fiscal Policy Manual.

1.06 Distribution of Manual

The Workforce Services Fiscal Manual is intended for distribution to all LWDBs, administrative entities, subrecipients, and service providers, as well as federal and state agencies and other interested parties.

1.07 Requests for Technical Assistance

If technical assistance is required related to material contained in the Workforce Services Fiscal Manual, the request should be forwarded in writing to the following address:

Technical Assistance
Division of Workforce Services
Kansas Department of Commerce
1000 S.W. Jackson, Suite. 100
Topeka, Kansas 66612-1354
workforcesvcs@kansascommerce.com

1.08 Additional Resources

In the absence of specific guidance in the Workforce Services Fiscal Manual the following listing of resources are to be consulted:

- Workforce Innovation and Opportunity Act (WIOA), Public Law 113-128, including any subsequent amendments to the Act;
- The Wagner-Peyser Act, as amended (29 U.S.C. 49 et seq);
- Adult Education and Family Literacy Act (AEFLA), as amended;
- Rehabilitation Act of 1973, as amended;
- Section 221 (a) of the Trade Act of 1974 as amended;
- Veterans Benefits Improvement Act of 1996; Public Law 104-75, Section 505;
- Vietnam Era Veterans Readjustment Act of 1974;
- ETA Handbook #408, Third Edition 2002 and Addendum dated August 2009;
- Single Audit Act and subsequent amendments;
- USDOL Regulations 29 CFR Part 93 – Department of Labor Lobbying Regulations;
- USDOL Regulations 2 CFR Part 180 – Suspension and Debarment;
- USDOL Regulations 29 CFR Part 98 – Government –wide Requirements for a Drug-Free Workplace;
- OMB CFR Chapter II, Part 200, et al. *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule.* December 26, 2013. (Super Circular);
- DOL CFR Chapter II, Part 2900 et al. *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* December 19, 2014;
- USDOL Regulations 29 CFR Parts 95, 96, 97, and 99;
- USDOL Regulations 2 CFR Parts 215, 220, 225, 230 (formerly OMB Circulars A-110, A-21, A-87, and A-122);
- 48 CFR Chapter 1, Part 31 – Contract Cost Principles and Procedures (Commercial Organizations);
- Uniform Grant Management Standards;
- Workforce Services Policies and Procedures issued by Commerce;
- Guidance letters issued by Commerce;
- Generally Accepted Accounting Principles (GAAP);
- Generally Accepted Auditing Standards (GAAS).
- US Treasury Regulation 31 CFR 205 Final Rule;
- Cash Management Improvement Act (CMIA);
- Standards for Internal Control in the Federal Government – issued by the Comptroller General of the United States; and
- Internal Control Integrated Framework – issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Commerce retains the right to make final determinations regarding policy questions. All subrecipients shall ensure the documents described above are maintained in their local policy files if applicable to their organization and programs.

Uniform Guidance Infograph

IMPLEMENTATION

UNIFORM GUIDANCE

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule

US DEPARTMENT OF LABOR GRANT RECIPIENTS — AFTER December 26, 2014

	Administrative Requirements	Audit Requirements	Cost Principles
Governmental Organizations Indian Tribes Nonprofit Organizations Institutions of Higher Educations Commercial For-Profit Organizations * Foreign Public Entities and Foreign Organizations *	**2 CFR Part 200 and 2 CFR Part 2900**		

Please see the Federal Register dated December 19, 2014 outlining the one-year grace period for the implementation of the procurement standards.

* 2 CFR 2900.2 expands the applicability of the Uniform Guidance to these entities.

US DEPARTMENT OF LABOR GRANT RECIPIENTS — BEFORE December 26, 2014

	Administrative Requirements	Audit Requirements	Cost Principles
Governmental Organizations	29 CFR Part 97	29 CFR Part 96	2 CFR 225
Nonprofit Organizations	29 CFR Part 95	29 CFR Part 96	2 CFR 230
Institutions of Higher Educations	29 CFR Part 95	29 CFR Part 96	2 CFR 220
Commercial for-profit Organizations	29 CFR Part 95	29 CFR Part 96	48 CFR 31.2

USEFUL LINKS

TIP: Look at your grant agreement to identify the date in which funds were awarded.

USDOL-ETA website	http://www.doleta.gov/grants/resources.cfm
Final Rule with technical corrections	http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=0e16fa1d64bc3ba5402f6c3eb2267leb&ty=HTML&h=L&n=pt2.1.200&r=PART#se2.1.200_1333
Technical corrections and DOL exceptions published on December 19, 2014	http://www.gpo.gov/fdsys/pkg/FR-2014-12-19/pdf/2014-28697.pdf
Final Rule published on December 26, 2013	http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf
TEGL 15-14 dated December 19, 2014	http://wdr.doleta.gov/directives/attach/TEGL/TEGL_15-14_Acc.pdf
TEN 20-13 dated February 10, 2014	http://wdr.doleta.gov/directives/attach/TEN/TEN_20_13.pdf
Resources for understanding the Uniform Guidance	https://cfo.gov/cofar/#RUUG

WORKFORCE SERVICES FISCAL MANUAL

Chapter Two

Administrative Standards and Internal Control Systems

In this chapter you will find the following:

- Administrative Standards
- Management Controls
- Establishing Management Controls
- Description of Internal Controls
- Objectives of Internal Controls
- Specific Requirements for Internal Control
- Written Policies and Procedures Effect on Internal Controls and General Operations

2.00 ADMINISTRATIVE STANDARDS AND INTERNAL CONTROLS

2.01 Administrative Standards

The proper stewardship of public resources, both state and federal, is a fundamental responsibility of subrecipient managers and staff. Subrecipient must ensure government resources are used efficiently and effectively to achieve the intended program results. Subrecipients must use resources consistent with the organization's mission, in compliance with applicable laws and regulations and with minimal potential for waste, fraud or mismanagement.

Organizations must develop administrative standards to ensure entities are accountable for the following:

- Financial results of actions taken by program and financial managers,
- Control of public resources and protection of public assets;
- Financial management systems to process and record financial events effectively and efficiently; and
- Quality and effectiveness of the materials and services provided to participants.

These standards exist to ensure complete, timely, reliable and consistent information is available for decision-makers and the public.

2.02 Management Controls

In conjunction with their fiduciary roles, oversight boards must develop tools to help program and financial managers achieve results and safeguard the integrity of the programs. Management controls, organizational structure, policies and procedures make up these tools.

Program and financial managers are responsible for the quality and timeliness of program performance, productivity, control of costs, mitigating adverse aspects of agency operations and assuring programs are managed with integrity and in compliance with applicable laws and regulations.

Program and financial managers must establish controls to reasonably ensure the following:

- Obligations and costs comply with applicable laws and regulations;
- Assets are safeguarded against waste, loss, unauthorized use or misappropriation;
- Accounting transactions are recorded in the financial records of the entity in accordance with generally accepted accounting principles.

Program and financial management controls shall be an integral part of the entire cycle of planning, budgeting, managing, accounting and auditing. These controls shall support the effectiveness and the integrity of every step of the cycle and provide continual feedback to management.

Program and financial managers must carefully consider the appropriate balance of controls in their programs and operations. Too many controls can result in inefficient and ineffective management leading to inefficient and ineffective programs and operations. Organizations must seek an appropriate balance between too many and too few controls. Management should benefit from controls, not be encumbered by them. Specifically, controls should not inhibit nor interfere with the effective and efficient delivery of services to clients.

2.03 Establishing Management Controls

Management controls are the organizational structure, policies and procedures used by agencies to reasonably ensure the following:

- Programs achieve their intended results;
- Resources are used consistent with the mission of the organization;
- Programs and resources are protected from waste, fraud and mismanagement;
- Laws and regulations are followed; and
- Reliable and timely information is obtained, maintained, reported and used for decision making.

Policies are the subrecipient's guidelines concerning specific topics and may be stated in general or specific terms. For example, a travel policy may allow employees to be reimbursed 35 cents per mile for use of the employee's personal vehicle for business purposes. A procurement policy may state the organization shall strive to maximize competition in the procurement of goods and services.

In either event, procedures must pick up where policies leave off, specifying exactly how a policy will be accomplished. The travel procedures for the previous example may require employees to complete a mileage reimbursement form listing the date, destination, mileage, purpose and total mileage. The form must be signed by the employee's supervisor and then turned in to accounting for processing. The mileage clerk will check the total mileage, mark the form to indicate no changes are needed and calculate the amount due. Similar instructions would be in place to guide the form through the control structure to produce a check the employee can cash.

Management controls, in the broadest sense, include processes for planning, organizing, directing and controlling program operations. A subset of management controls are the internal controls used to ensure the prevention or timely detection of unauthorized acquisition, use or disposition of the entity's assets or resources.

The OMB Uniform Guidance requires internal control over compliance requirements for Federal awards. This means a non-Federal entity must establish and implement a process designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards.

2.03a General Management Control Standards

General management control standards are as follows:

Compliance with the Law - All program operations, obligations and costs must comply with applicable laws and regulations. Resources should be efficiently and effectively allocated for duly authorized purposes.

Reasonable Assurance and Safeguards - Management controls must provide reasonable assurance assets are safeguarded against waste, loss, unauthorized use and misappropriation. Management controls developed for agency programs should be logical, applicable, reasonably complete, effective and efficient in accomplishing management objectives.

Integrity and Competence - Managers and employees must have personal integrity and are obligated to support the ethical standards of programs in their agencies. Effective management controls shall be developed and implemented and a level of competence maintained to allow managers and employees to accomplish their assigned duties. Effective communication within and between offices should be encouraged.

2.03b Specific Management Control Standards:

Specific management control standards are as follows:

Delegation of Authority and Organization - Managers shall ensure appropriate authority, responsibility and accountability are defined and delegated to accomplish the mission of the organization. Managers shall establish and implement an appropriate organizational structure to effectively carry out program responsibilities. To the extent possible, controls and related decision-making authority should be in the hands of staff and their immediate supervisors.

Separation of Duties and Supervision - Subrecipients shall assign key duties and responsibilities to individuals to ensure one individual does not perform two or more incompatible functions of authorizing, processing, recording and reviewing official accounting transactions. Where the subrecipient's staff is insufficient to effect appropriate separation of duties, the subrecipient shall establish and maintain appropriate compensatory controls. Managers are expected to exercise appropriate oversight to ensure individuals do not exceed or abuse their assigned authorities.

Access to and Accountability for Resources - The subrecipient shall limit access to resources and records to authorized individuals; accountability for the custody and use of resources shall be assigned and maintained.

Recording and Documentation - Transactions shall be promptly recorded and properly classified and accounted for in order to prepare timely and reliable financial and other reports. The documentation for transactions, management controls and other significant events must be clear and readily available for examination.

Resolution of Audit Findings and Other Deficiencies - Managers shall promptly evaluate and determine proper actions in response to known deficiencies, reported audit and other findings and related recommendations. Managers shall complete, within established time frames, all actions to correct or otherwise resolve appropriate matters brought to management's attention.

2.04 Description of Internal Controls

The internal control structure is divided into the following elements:

- *Control Environment* – The overall awareness and actions of management concerning the importance of control;
- *Accounting System* - The methods and records established to identify, assemble, classify, analyze, record and report financial transactions and maintain accountability for the assets; and
- *Control Procedures* - Policies and procedures management has established to provide reasonable assurance specific objectives are achieved.

NOTE: Additional information on internal control structures can be found in Statement on Auditing Standards No. 78, promulgated by the American Institute of Certified Public Accountants (AICPA) Auditing Standards Board.

Basic mechanisms used to promote effective internal controls include the following:

- Separating duties by assigning different people the responsibilities of authorizing transactions, recording transactions and maintaining custody of assets;
- Designing and using adequate documents and records such as pre-numbered documents to ensure proper recording of transactions;
- Ensuring adequate safeguards over access to and use of assets and records, such as providing secured facilities to limit access to computer programs and data files;
- Periodically reviewing internal performance and the valuation of recorded amounts, such as clerical checks, reconciliation, comparison of assets on-hand with accounting records and user review of computer generated reports.

2.05 Objectives of Internal Controls

The subrecipients shall utilize an internal control structure to establish a financial management system to ensure overall integrity and control of program resources. The subrecipient's internal control system must meet the following objectives:

- Monitor the efficiency, accuracy and effectiveness of program and support operations;
- Ensure assets are safeguarded against waste, loss and unauthorized use or disposition;
- Ensure all transactions are properly authorized; and
- Ensure all transactions are recorded promptly and accurately.

All financial and control policies and procedures must be in writing, adhered to by the subrecipient's management and staff and available for review by Commerce and other authorized entities.

2.06 Specific Requirements for Internal Controls

The following are specific requirements subrecipients must incorporate into their internal control systems. Subrecipients must be able to substantiate deviations based on factors unique to their individual operations or programs. Subrecipients shall ensure the following objectives are achieved related to the specific area involved:

2.06a Paying Liabilities and Recording Disbursements

The following internal controls shall be in place related to paying liabilities and recording disbursements:

- Purchases are approved by management in writing and in advance of the purchase;
- Documentation substantiating approval is maintained for each purchase;
- Procurement documentation is maintained to substantiate goods and services are purchased at the best possible value. Departures from this rule shall be justified in writing and maintained in the procurement file;
- Complete audit trail exists for each purchase. An audit trail is comprised of a source document trail and a transaction posting trail. The source document trail includes, but is not limited to, an approved purchase order or requisition request, receiving report, subrecipient/contractor's invoice and a canceled check for each voucher or payment. A transaction posting trail includes, but is not limited to, a general journal or specialized journal posting and a general or specialized ledger posting;
- Limited authorized personnel are responsible for signing checks;

- Each check is reviewed to ensure the name of the payee and the amount of the invoice agrees with those on the check;
- Invoices shall be cancelled when checks are signed and payments are released to prevent duplication of payment. Cancellation may occur by stamping "PAID" on an invoice or any other similar method;
- Only original invoices, whether electronic or hardcopy, shall be paid;
- Checks shall not be made payable to "Cash" or "Bearer", nor shall blank checks be issued[1];
- Access to blank check forms and signature plates shall be limited to authorized personnel;
- Trial balances shall be prepared monthly;
- Bank accounts shall be reconciled monthly; and
- Payroll is supported by time and effort records and disbursed in a secure manner.

2.06b Petty Cash

The following internal controls shall be in place to protect petty cash:

- Cash in the fund plus receipts for payments shall always equal the petty cash amount. The petty cash fund shall be periodically reconciled and the reconciliation documented;
- Petty cash storage shall be secured by the use of locked and restricted storage;
- Petty cash custodian shall be designated where the subrecipient maintains a petty cash fund;
- Unscheduled audits of the cash in the fund shall be made periodically and documented. These audits shall be conducted by someone other than the petty cash custodian;
- Disbursements from the fund shall be for small amounts with receipts and documentation to support each payment;
- Funds shall not be commingled with other receipts or other activities;
- Upon payment, supporting documents shall be stamped "PAID" or otherwise canceled to prevent reuse; and
- Petty cash fund shall only be an amount necessary and reasonable to conduct business and it is recommended the fund shall not exceed $100 per location.

2.06c Personnel Actions

Complete and accurate documentation shall be completed at the time employees are hired or terminated and any payroll changes are made. Other personnel actions to be documented include the following:

- Attendance records, including supervisory approval, shall be kept regarding each employee;
- Payroll checks shall be distributed only to properly identified employees, with unclaimed payroll checks stored in a secured manner;
  Access to locked storage areas shall be by authorized personnel only;

2.06d Automated Accounting Systems

Computerized accounting systems require additional controls. It is necessary to protect both the automated system, as well as the information stored in the system. At a minimum, both system controls and physical

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1 Blank checks are checks documents not completely filled out.

controls shall be addressed. System controls consist of administrative controls including personnel controls, security testing and documentation of procedures. Physical controls consist of limitations placed on physical access to system components including building security, network controls, cable routing, data backup, user work areas and assigned security levels.

Standard methods of operation to protect computerized accounting systems normally include the following:

- Administrator is formally designated to oversee the system;
- Each individual using the system has a unique password linked to specific duties;
- Individuals have access only to accounting system areas necessary to perform their assigned duties; and
- Backup files are created at least weekly. More frequent backup may be appropriate to organizations with a high volume of transactions.

The following is a list of items to be considered in developing and implementing a computerized accounting system.

- Access to program documentation should be limited to only those programmers who need it to perform their duties;
- Unauthorized personnel should be prohibited from updating or deleting production data files through the use of software and passwords;
- All activity should be recorded and reviewed for propriety by user staff;
- Access by individuals should be controlled through the use of passwords, including the restriction of certain transactions to appropriate individuals;
- Transactions should be authorized and approved before input;
- Control totals of source documents should be reconciled with accumulated totals of transactions after posting and edit;
- Source documents should be canceled (hole-punched, marked, stamped or initialed) after data entry to prevent duplicate entry;
- To ensure update of the correct master file in a mainframe environment, new data to be processed should be entered with the old data to be replaced and compared to the master file;
- Ability to override and bypass data validation and editing should be controlled by the following:
    - Limiting the capability of supervisors to only a limited number of situations;
    - Logging and review all overrides and bypasses; and
    - Separating duties to ensure one individual does not prepare more than one type of the following transactions:
        - Entering budget and changing or updating budget;
        - Entering revenue and receivables;
        - Entering check register and preparing bank reconciliations; and
        - Entering expenditures and accounts payable.
- Source documents should include type of transaction, amount and identification of preparer and approval of the transaction;
- Personnel should be cross-trained to ensure continued operation of the application is not dependent upon one individual;
- Schedule for data backup should depend on the cost in personnel time to recreate previously input data if it is lost;

- Current documentation, program files and data backup files should be backed up and maintained at an off-premise storage location;
- Computers should be checked for viruses at start-up or at least every time a new disk is introduced or every time the Internet is accessed;
- Procedures should be developed for use in the event of a computer outage;
- Arrangements should be in place to secure off-site processing in the event of a computer outage;
- Someone should be responsible for reviewing the output for completeness and checklists or written procedures should be developed for these output reviews;
- Control totals should be reconciled;
- Transactions should be traceable from output back to source documents;
- Reports should be received on a timely basis;
- Periodic evaluations should be conducted to determine whether current reports could be eliminated, combined, modified; and/or replaced by entirely new reports;
- Written procedures should be in place for distribution of output with a distribution list for each type of output report;
- Distribution lists should indicate the frequency of each type of output; and
- Confidential output should be shredded when no longer needed.

2.07 Effect of Written Policies/Procedures on Internal Controls and General Operations

The proper performance of control procedures requires employees understand their responsibilities and have access to the Standard Operating Procedures Manual. It is essential managers recognize control requirements and be actively involved in the development and maintenance of controls.

The quality of the general control environment serves as a basis for predicting the plausibility of effective operation of specific controls. This environment should be assessed by management and the auditor/monitor as a first step in the review of controls.

Written policies and procedures not only support the internal control structure and comply with Commerce policies, they provide an additional safeguard for the entity if an employee becomes unable to perform their job duties. Whether on a temporary or permanent basis, an employee attempting to cover for another employee would be aided by the written Standard Operating Procedures Manual. This in turn would benefit the entity through continuity of effort.

Chapter Three

Insurance, Bonding, and Record Requirements

In this chapter you will find the following:

- Bonding Requirements
- Subrecipient Insurance Requirements
- Record Retention and Maintenance
- Access to Records
- Changes and Amendments to Contracts
- Subcontracts
- Audits and Evaluations

3.00 INSURANCE, BONDING AND RECORD REQUIREMENTS

3.01 Bonding Requirements

If a subrecipient does not have adequate insurance coverage for officers, directors and employees authorized to represent the subrecipient for the purpose of receiving or depositing program funds or issuing financial documents, checks or other instruments of payment, Commerce may require the subrecipient obtain fidelity bond coverage prior to receiving any funds. In such cases where a fidelity bond is required, the subrecipient shall be the insured and Commerce shall be the certificate holder. The subrecipient shall immediately notify Commerce if a bond is canceled or reduced and no further disbursements shall be made to the subrecipient until adequate coverage has been obtained.

Adequate controls must be maintained to ensure persons responsible at the subrecipient level for handling program funds, as well as persons responsible for program property, are properly bonded and the bonding continues for the duration of the contract period. Crime and employee dishonesty coverage included in the subrecipient's general liability package may be sufficient in lieu of a fidelity bond.

If an entity is required to obtain a fidelity bond, the fidelity bond must be sufficient to cover the largest cumulative amount of all cash requests submitted by an entity on any given day or cumulative funds on hand at any given point. The subrecipients shall be the bond owner and Commerce shall be the certificate holder. A copy of the bond shall be forwarded to:

Kansas Department of Commerce
Fiscal Unit
1000 S.W. Jackson, Suite 100
Topeka, Kansas 66612-1354

The following are types of fidelity bonds:

- *Blanket Bond* - Covers all employees.
- *Position Bond* - Covers the position bonded regardless of who occupies the position.
- *Name Bond* - Covers only named employees. (NOTE: Name bonds are not recommended due to increased potential of inaccuracy resulting from normal turnover).

Under no circumstances will Commerce disburse to subrecipient an amount of cash to exceed the bond amount. This determination shall be made on the cumulative amounts drawn by a subrecipient during any consecutive three day period. The bonds shall be obtained from companies holding certificates of authority as acceptable sureties.

3.02 Subrecipient Insurance Recommendations

Subrecipients are allowed to purchase insurance from third parties or to make satisfactory self-insurance arrangements to cover assets and potential operational and participant liabilities. Insurance includes the following financial protections the subrecipient is recommended to carry or approved to carry under the terms of the contract and any other insurance the entity maintains in connection with the general conduct of its operations.

- *General Liability Insurance* - general liability insurance for personal injury and bodily injury and property damage to a third party.
- *Participant Insurance* - ensures participants not qualified as "employees" are covered by on-site medical and accident insurance.
- *Automobile Insurance* - general liability insurance on vehicles purchased or leased with program funds.

Subrecipients must maintain certificates or policies of insurance and be responsible for payment of premiums or assessments on such policies.

3.03 Record Retention and Maintenance

The State of Kansas has established the following policies regarding retention of and custodial requirement, for records associated with the administration of employment and training programs:

- Record Retention Policy
    - All digital and paper records, including but not limited to: financial, statistical, property, and participant records and supporting documents, for a period of 3 years or until audit has been completed and resolved, subject to the qualifications set forth in the following bullet point, below.
- Retention Periods
    - For subrecipients, the retention period will begin on the date of submission of the annual report or final expenditure report. In all cases, records shall be retained for a period of three (3) years or until an audit has been completed and resolved.
    - If prior to the expiration of the three-year retention period, any litigation or audit is begun or a claim is instituted, the subrecipient shall retain the records beyond the three-year period until the litigation, audit findings, or claim has been finally resolved.

If data are stored in a computer or similar device, any printout or other output readable by sight, shown to reflect the date accurately, is an original. To prove the content of a writing or recording, the original writing or recording is required. Unrevised microfilmed, photocopied, or digitally produced records can substitute for original records because they are generally accepted (unless questions as to authenticity are raised) as admissible for evidentiary purposes.

As in any case in which a record is maintained, the burden of producing and authenticating it is on the custodian of the record, and failure to authenticate the record will deny the custodian the right to use it for any evidentiary purpose. Thus, if a subrecipient maintains its participant eligibility records on computer files and is unable to show that those records were secure or were tamperproof, the records cannot be used to prove that participants were eligible for services they receive.

See state policy ***1-15 Record Maintenance and Retention.***

3.04 Changes and Amendments to Contracts

Any alterations, additions or deletions to the terms of a contract required by changes in federal or state law or regulations will automatically be incorporated into the contract and shall become effective on the date designated by such law or by regulation.

To ensure the legal and effective performance of a contract, Commerce shall issue policy directives to establish, interpret or clarify subrecipient performance and fiscal requirements. Policy directives shall qualify the terms of the contract and be binding upon the subrecipient as written.

3.05 Subcontracts

The subrecipient shall ensure performance rendered under all subcontracts complies with the terms and provisions of the subrecipient's contract with Commerce. All subcontracts shall be subject to applicable federal and state laws, as well as Commerce policies, procedures and issuances.

3.06 Audits or Evaluations

Commerce will work with the subrecipient to ensure an audit is conducted in accordance with the Single Audit Act of 1984, the Single Audit Amendments of 1996, Public Law 98-502, OMB A-133 Single Audit Requirement, and OMB Uniform Guidance (200 CFR Subpart F) as applicable and in effect at the time costs were incurred, in accordance with federal laws and regulations governing the program(s). For further information, see State policy *1-08 Auditing and Audit Resolution*.

Commerce retains the right to perform/require evaluation studies determined necessary. Commerce will report preliminary results to the subrecipient before the evaluation is concluded and the findings are made a matter of record.

Subrecipients are required to obtain and review a single or program-specific audit of all non-Federal entities receiving $750,000 or more in federal funds during the non-Federal entity's fiscal year for any questioned or disallowed costs. Audits must be performed at least annually and in accordance with OMB Uniform Guidance and State policy requirements. In the event of questioned or disallowed costs, the subrecipients will follow the procedures detailed in State policy *1-08 Auditing and Audit Resolution*.

Chapter Four

Accounting and Financial Management Systems

In this chapter you will find the following:

- Financial Management Systems
- Minimum Standards for Financial Management Systems
- Automated Financial Management System Development
- Financial Management System Improvements
- Generally Accepted Accounting Principles
- Basis of Accounting
- Fund Accounting
- Required Accounting Policies and Procedures
- Budgeting

4.00 ACCOUNTING AND FINANCIAL MANAGEMENT SYSTEMS

4.01 Financial Management Systems

A financial management system is an information system comprised of one or more applications used to collect, process, maintain, accumulate, report and transmit data about financial events. This definition incorporates the following activities typically taking place in most organizations:

- Recording financial transactions in the entity's books of account;
- Planning financial or budgeting activities;
- Accumulating and reporting cost information;
- Preparing and distributing financial statements; and
- Reporting and evaluating cost-related performance data.

A financial management system supports the financial functions required to track financial events, provide information significant to the financial management of the entity and/or required for the preparation of financial statements. The system encompasses automated and manual processes, policies, procedures, controls, data, hardware, software and support personnel dedicated to the operation and maintenance of system functions. The system may include multiple applications integrated through a common database or electronically interfaced, as necessary, to meet defined data and processing requirements.

In assessing the adequacy of a subrecipient's financial management system Commerce may rely on readily available external sources of information such as audit reports or may generate information through interviews with key personnel, questionnaires and other means.

4.02 Minimum Standards for Financial Management Systems

Financial management systems shall comply with the following requirements.

- Tracks specific program expenditures, any required matching expenditures and (where appropriate) potential stand-in costs by cost category, title, grant and year of appropriation;
- Produces and reports data related to program performance;
- Minimizes data redundancy, encourages consistent formats for entering data directly into the system and ensures consistent information is --
    - Collected for similar transactions throughout the entity;
    - Available to authorized users; and
    - Provided to internal managers at all levels within the organization.
- Supports the organization's budget, accounting, internal reporting and financial reporting processes;
- Includes internal controls as described in Chapter Two, Administrative Standards and Internal Control Systems;
- Provides financial information in a useful, timely manner to support the following:
    - Fiduciary role of management;
    - Legal, regulatory and other special management requirements of the organization; and
    - Fiscal management of program delivery and program decision making.

As new financial and performance measures are established, organizations must incorporate the necessary information and reporting requirements into their financial management systems. **The financial management**

system and processing instructions shall be clearly documented in hard copy or electronically, and be readily available for examination. The original and all revisions to documentation shall be dated to indicate the effective date of the original and changes. Documentation shall be in sufficient detail to permit a person generally knowledgeable of the organization's programs and financial management systems to obtain a comprehensive understanding of the entity's financial operations.

On-going maintenance of the financial systems shall be performed to enable the system to continue to operate in an effective and efficient manner. The organization shall periodically evaluate how effectively and efficiently the financial management system maintains the integrity of the data and supports the organization's changing business practices and makes appropriate modifications.

The subrecipient shall have written policies and procedures to ensure all data necessary to prepare reports is captured and entered accurately. Data capture entails funneling all financial source documents to the accounting department. Accurate entry can be accomplished by a review of daily transaction registers produced by user and a comparison of a sample of source documents with the corresponding entry on the transaction register.

Written policies and procedures shall be established to ensure changes in reporting requirements are made when required. Responsibility for keeping current with laws and regulations should be assigned to someone with the ability to communicate any new requirements accurately. Adequate training and appropriate support shall be provided to the users of the financial management system based on their levels, responsibilities and roles to enable the users to understand, operate and maintain the system.

Written policies and procedures shall be established to ensure only properly authorized and accurate transactions are submitted for processing. All transactions should be authorized in advance and should show evidence of authorization. Similarly, transactions should be checked for accuracy, both mathematical and posting to the correct account and should show evidence this occurred. Data entry personnel should be instructed to reject any transaction missing either of these indications.

Written policies and procedures shall be established to ensure access to data is restricted to only personnel with a need for such access. Such policies and procedures should incorporate the concept of an information officer, security officer or database administrator to coordinate access to the financial management system. Restricted access to hard-copy reports, schedules, bank statements and other financial data should be addressed.

4.03 Automated Financial Management System Development

Financial management system development and implementation shall seek cost effective and efficient solutions consistent with program quality. Customized software shall be developed for financial management systems only if it more cost effective and only after consideration of all other appropriate software options. The cost effectiveness of developing custom software shall be clear and documented. A benefit/cost analysis shall include a justification of the unique nature of the system's functions to preclude the use of alternative approaches. Cross servicing of financial management system support, where one department within an organization provides financial management software and processing support to another department within the organization or private servicing through commercial contractors shall be used whenever feasible and cost effective, as a means to meet financial management system requirements. In cases where an organization determines it is more efficient and effective to use or adopt the software of another organization to meet its financial management system requirements the organization shall ensure the following:

- Software meets the financial management system requirements outlined above;
- Necessary support requirements, including implementation support and training, shall be assessed and determined to be adequate; and
- An ongoing relationship will exist with the provider for determining future enhancements of the software.

4.04 Financial Management System Improvements

Redesigns of financial management systems shall be based on the financial and programmatic information and processing needs of the organization. As part of any financial management system redesign effort organizations must analyze how the system improvements, new technology to support financial management systems and modifications to work processes will enhance agency operations and improve program and financial management.

The reassessment of information and processing needs shall be an integral part of determining the system's requirements. Process redesign shall be considered an essential step toward meeting user needs in program management, financial management and budgeting. Organizations shall consider program operations, roles and responsibilities and policies/practices to identify related changes necessary to facilitate financial management systems operational efficiency and effectiveness.

4.05 Generally Accepted Accounting Principles

Subrecipient financial management systems shall be structured to account for financial transactions in accordance with generally accepted accounting principles. Subrecipients may be local governmental units, nonprofit organizations, educational institutions or for-profit entities. **Subrecipients shall adhere to the pronouncements applicable to the specific type of entity.** Local governmental entities shall follow promulgations of the Governmental Accounting Standards Board. Other entities shall adhere to promulgations of the Financial Accounting Standards Board and its predecessors.

Although the subrecipient shall not be required to establish a new accounting system to maintain financial data relating to contracts, the organization's existing system must meet specified minimum standards. The organization's accounting system must be capable of providing the financial information required by Commerce. Subrecipients shall establish separate accounts within its existing accounting system for accumulating and recording activities funded by Commerce.

4.06 Basis of Accounting

The basis of accounting refers to how revenues, expenditures, expenses and transfers, as well as related assets and liabilities, are recognized in the accounts and reported in the financial statements. Specifically, it is related to the timing of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

4.06a Cash Basis

Under the cash basis of accounting, which is unacceptable for Commerce expenditure reporting, revenues are recorded in the accounts when cash is received and expenditures are recorded only when cash is disbursed.

The cash basis of accounting is limited in its ability to accurately reflect the results of operations. In an organization with restricted funds, where more than one person has the ability to obligate funds, cash accounting

increases the potential to overspend or misspend. Generally, cash accounting methods are only efficient or effective in small organizations where few decision makers have access to unrestricted funds.

4.06b Accrual Basis

Under the accrual basis of accounting, most transactions are recorded when they occur, regardless of when cash is received or disbursed. Commerce recommends this method of accounting to all subrecipients. The accrual basis of accounting is the superior method of accounting for the economic resources of any organization. It results in accounting measurements based on the substance of transactions and events, rather than merely when cash is received or disbursed and thus enhances their relevance, neutrality, timeliness, completeness and comparability.

Subrecipient financial statements must be prepared based on the accrual method of accounting. Commerce strongly encourages its subrecipients to obtain an accounting package to facilitate accrual basis accounting and reporting.

4.06c Modified Accrual Basis

The modified accrual basis of accounting is a hybrid of the cash and accrual basis. The modified accrual concept does not recognize all of the transactions inherent in the full accrual basis. For example, depreciation may not be recognized in the accounting records because it does not represent a true cost of producing revenues.

4.07 Fund Accounting

Fund accounting is not required. However, Commerce strongly recommends the accounting system be organized and operated on a fund basis.

Governmental accounting systems should be organized and operated on a fund basis. A *fund* is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The necessity of assuring legal compliance with each federal or state program precludes a subrecipient from recording and summarizing all governmental assistance financial transactions and balances in a single accounting entity. Unlike a private business, which accounts for funds as a single entity, LWDBs and other subrecipients, must account for several funding sources, each with specific purposes and spending requirements. Thus, from an accounting perspective, a LWDB is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently of other funds.

Fund accounting facilitates accountability for restricted resources such as grants. Generally, the funds provided through Commerce should be accounted for in a *Special Revenue Fund* defined as a fund to account for the proceeds of specific sources legally restricted to expenditure for a specific purpose.

If a nonprofit organization chooses not to report using the fund format, all material resource restrictions must be disclosed in the financial statements.

Only funds required by law and sound financial administration should be established and maintained. Unnecessary funds result in inflexibility, undue complexity and inefficient financial administration.

4.08 Required Accounting Policies and Procedures

Subrecipients are required to establish written accounting policies and procedures which provide current, accurate and complete information regarding its day to day operations. The policies and procedures must address the following:

- Development, approval and use of the organization's budgeting system;
- Methodology to deposit receipts into the bank and record and post in the accounting records, including appropriate separation of duties and other controls as necessary;
- Methodology to ensure accurate cash forecasting and the periodic review of fidelity bond coverage and collateral agreements;
- Methodology to disburse funds under the contract, including appropriate separation of duties and other controls as necessary;
- Methodology to ensure program income is accounted for appropriately;
- Determination of insurance coverage needed and methodology to obtain the needed insurance;
- Processes to generate and distribute internal and external reports;
- Methodology to ensure competition when procuring goods and services;
- Methodology to obtain the goods and services once procured;
- Development, approval and use of a reasonable cost allocation plan;
- Property custodianship and authority to obtain property, inventory of property, reconciliation of property records to accounting records and appropriate other separation of duties and controls as necessary;
- Processes to obtain an independent audit in accordance with OMB Uniform Guidance Audit Requirements for Federal Awards and to correct deficiencies noted and/or implement corrective action plan(s);
- Processes to monitor the financial activities of its subrecipients, subgrant agreements, and contractors;
- Methodology for hiring personnel, including verification of meeting minimum qualifications, performing background checks and making job offers;
- Methodology for promoting, giving raises and terminating personnel are;
- Methodology for charging personnel costs to funding sources and/or cost categories; Development and use of a plan for vacation, sick leave and other absences (NOTE: may be included in the organization's Personnel Handbook in lieu of being mentioned in the Accounting Policies and Procedures.);
- Determination of allowable travel costs, including cut-off times for application of per diem, where applicable; and
- Maintenance of data integrity.

Data integrity refers to the financial management system's ability to produce accurate and comparable information in compliance with applicable rules and regulations and authorizing accessibility to data, whether in the form of financial books of account or financial reports.

Subrecipients shall ensure common terminology and classification is used consistently throughout its budget, accounts and financial reports.

4.09 Budgeting

<u>4.09a Development</u>

A *budget* is defined as the financial plan for the organization. It should specify the resources expected to be received during the fiscal year and the uses for those resources in meeting the organization's goals. The organization should develop an overall budget to list total expected revenues by contract, category and year of appropriation. The budget should reflect total expected expenses, by functional classification, by cost category and by year of appropriation.

Once the overall budget is prepared, it may be approved by the entity's governing board or it may be ready to be allocated to the various funding sources and then presented to the LWDB for approval, depending on the requirements of the budget policies.

Subrecipients should note, approval of the budget as awarded does not constitute prior approval of those items requiring prior approval, including those items the Federal Awarding agency specifies as requiring prior approval. See §200.407 for more information about prior approval. (See 2 CFR 200.8)

4.09b Use as a Management Tool

Once the allocated budget is approved by the organization's governing board, it should be used to generate comparisons, at least quarterly, of budget versus actual results. A policy should prescribe the threshold above or below which budget variances should be explained. Several methods are available to affect the budget vs. actual comparison. The following are some ideas which may be used and are not intended to be prescriptive in nature. The organization may use any method which communicates, to its governing Board, how well the organization is operating:

- The annual budget may be input into the accounting system. Monthly, the organization generates a comparison report, in total, by funding source, cost category and year of appropriation. The report show three columns: annual budget figures, actual year-to-date figures and the variance. The variance column is the difference between budgeted amount and actual amount for each line item and each sub-total. The variance column includes a percent-of-budget column indicating the percentage amount the variance represents based on the budget figure. This percentage is compared with a percentage representing the number of months remaining in the entity's fiscal year. The variance threshold is expressed as the amount of percentage difference allowable between the two percentage figures. Because this method assumes costs are incurred at a stable rate throughout the year, it is important to know what circumstances, if any, account for budget variances.
- The budget may be divided into one month increments, which do not have to be equal but should reflect the anticipated level of operations for each month. Of course, a budget divided in this manner should have prior approval by the LWDB. A comparison report would list the same three columns, but without percentages. The variance threshold would be stated in terms of a dollar amount. This budget reflects anticipated operations, but not actual operations due to unanticipated differences in activity levels.
- The budget may be shown as a graphical presentation to illustrate the comparison. By charting the dollar amount of each line item on the vertical axis and the months of the fiscal year on the horizontal axis, a comparison is affected by plotting actual year-to-date figures each month and noting the difference from a straight line, representing the budget for each month. The variance threshold is stated as a distance from the budget line. This method assumes activity occurs at a stable rate throughout the year.

4.09c Projections

At least quarterly, the organization should perform a budget projection, which is an extension of cumulative actual operating results into the future, usually to the end of the entity's fiscal year. This extension is performed to predict possible budget overages and shortages and to offer the entity the means to make compliance determinations. As with the budget-to-actual comparison, the budget projection may be accomplished in a number of different ways.

Chapter Five

Allowable Costs

In this chapter you will find the following:

- Standard Cost Principles
- Allowable vs. Unallowable
- Summary of Cost Items

5.00 ALLOWABLE COSTS

5.01 Standard Cost Principles

This chapter provides general guidance to define allowable costs, described criteria and conditions such as prior approval and specific types of costs addressed either in OMB circulars on cost principles or in authorizing regulations. It contains the following sections:

- Allowable vs. Unallowable
- Selected Items of Cost
- Specific WIOA Conditions
- Reference Chart – Summary of Cost Items, *see* Section 5.05.

5.02 Cost Allowable vs. Unallowable

Each state, local area and provider receiving funds under WIOA shall comply with the appropriate uniform administrative requirements for grants and agreements applicable for the type of entity receiving the funds, as promulgated in OMB Circulars. The criteria contained in the OMB circulars on cost principles provide the basic guidance on determining whether costs are allowable in federally funded programs covered by the manual. It is important subgrantees be aware OMB circulars are designed to offer guidance to determine allowable costs and should be used as the first source of reference. It is possible such a cost would be automatically allowed or prohibited. The cost should be treated consistent with the standards provided for similar or related costs. If a cost is not specifically treated within the applicable circular or regulation governing allowable costs, the general cost principles of the applicable circular or regulation are used to determine whether the cost is allowable. OMB has issued Final Uniform Guidance for Cost Principles, Audit, and Administrative Requirements for Federal Awards in Subpart F, Appendix IV, Appendix V, and Appendix IX. Costs charged to Federal awards must be: allowable, reasonable, and allocable to the applicable Federal award.

All subgrantees must be familiar with OMB circulars and the appropriate USDOL Employment and Training Administration (ETA) program regulations. Costs may be allowable per the OMB circulars, allowable per the circulars but with conditions, or allowable per the circulars but unallowable per ETA regulations. Similarly, some costs are allowable but only with prior approval of either the cognizant federal agency Grant Officer or the Department of Commerce.

The following examples attempt to delineate commonly incurred costs as they would apply to a particular type of grantee or subgrantee, state or local government, nonprofit organization, institution of higher education or commercial organization. The discussion in this chapter focuses mainly on direct costs, not indirect costs:

Travel - Reasonable travel costs necessary to effectively manage the grant, provide oversight and measure program effectiveness are allowable. Air travel, when necessary, should be obtained at the lowest possible customary standard (coach or equivalent fare). All OMB circulars treat these costs as allowable.

Training - Federally funded grantee's professional development and training costs are allowable. Under WIOA these are called "capacity building" costs. Consistent with the "necessary and reasonable" provisions, subgrantees should ensure training is relevant to specific federally funded programs or result in increasing the effectiveness of staff working on a federally funded program.

General Government Expenses - Subgrantees should avoid charging general government expenses to federally funded grant. The costs of chief executives, legislatures (including city and county councils), judiciary and prosecutors and public safety (fire and police) are unallowable unless provided otherwise in the grant. These costs are specifically treated in OMB Uniform Guidance Subpart E.

Public Outreach and Advertising - Grantees should be familiar with how the OMB Uniform Guidance deals with costs for public outreach, community relations and advertising. Advertising and media costs associated with publicizing federally funded program solely to promote the organization or costs not directly related to the federally funded program providing the funding are considered unallowable. OMB circulars and WIOA regulations contain specific requirements and prohibitions related to the use of advertising and advertising media and are quite specific on the conditions under which public relations costs are allowable. In a comprehensive one-stop center setting, partner programs may have other restrictions in their particular authorizing legislation or regulations. Determining the appropriateness of the cost and permissibility for specific programs is a key responsibility for one-stop operators.

Interest - Subgrantees should be familiar with how OMB Uniform Guidance addresses interest expenses. Generally, interest on borrowed capital is unallowable. However, interest on payments for equipment bought on time payments is allowable as a direct cost under certain conditions. Again, subgrantees should review the Uniform Guidance.

Pre-Award Costs - Unless authorized in writing by the cognizant federal agency Grant Officer (for direct grantees only and to the extent they would have been allowable if incurred post-award), pre-award costs cannot be charged to a federal grant. Pre-award costs are not authorized for formula grantees.

Capital Asset Costs - Capital assets are noncurrent assets (assets not available or cannot be made available to finance current operations). Capital assets are the result of capital expenditures and include items such as land, buildings and equipment. Expenditures for land or building improvements as well as building and equipment repairs or maintenance expenditures to increase the value of a capital asset or increase its estimated useful life are identified as capital expenditures in federal regulations. OMB Uniform Guidance provides directions on the permissibility of expenditures for capital assets, guidelines on conditions and applicable prior approval requirements. The costs of capital leases are treated in the same manner. Uniform Guidance requires the approval of the grantor agency for capital expenditures. This approval authority has been delegated to the states for the formula grants; and to the extent state procedures for state organizations are sufficient to define the permissibility of ETA capital asset acquisition costs and do not inappropriately constrain non-state organizations, state policy is applicable to non-state governmental subgrantees.

Leasing - Interest costs associated with capital leases and other lease-purchase arrangements are allowable if they are reasonable and allocable to the grant pursuant to the specific criteria identified in applicable OMB cost principles. Lease-purchase arrangements for real property are unallowable under WIOA programs. Permissible lease costs of real property are limited to operating leases, not capital leases.

Start-Up Costs - Costs associated with the start-up of a business are not allowable under the provisions of WIOA Section 181(e). This prohibition also applies to start-up costs associated with entrepreneur training and start-up costs of any business to provide services to WIOA clients. However, the purchase of equipment (with appropriate prior approval) is an allowable cost. Additional examples of unallowable activities are contained in WIOA and other program regulations. These examples are but a few of the specific items of cost addressed in OMB Uniform Guidance and program regulations. Grantees and subgrantees are urged to become familiar with applicable OMB Uniform Guidance.

Note: Prior approval authority has been delegated to Commerce for ETA-funded formula grants. For competitive grants prior approval authority remains with the federal cognizant agency Grant Officer. For subgrantees, prior approval authority rests with the awarding entity.

5.03 Selected Items of Cost

Within OMB Uniform Guidance and USDOL Regulations 48 CFR Part 31, there are specific discussions of items of cost. Subgrantees should be familiar with these items and use the regulations as references. Some items are treated one way when awarded to one type of grant subrecipient, but may not be treated the same way for another. Similarly, some allowable costs are not addressed at all in the OMB Uniform Guidance. Some cost items require prior approval or are allowable for one type of entity, but are unallowable by ETA program regulations. The cognizant agency Grant Officer is the approving authority for competitive grantees; and Commerce is the approving authority for ETA-funded formula grants. The reference chart in Section 5.06is a summary of cost items mentioned in OMB Uniform Guidelines and USDOL regulations.

Grantees should also be familiar with the administrative cost limits as outlined in USDOL Regulations 20 CFR 667.200. Grantees and subgrantees are urged to consult their applicable circular and to be cognizant of particular program requirements related to administrative cost limits.

5.04 Specific WIOA Conditions

In addition to the allowable cost provisions of the OMB Uniform Guidance, WIOA regulations contain a number of provisions related to allowable and unallowable costs and activities. These provisions are as follows:

- Any legal expenses incurred for the prosecution of claims against the government are unallowable. This includes appeals to the Administrative Law Judge of disallowed costs or other claims and civil actions where the federal government is a defendant (USDOL Regulations 20 CFR 667.200(c) (6)).
- With four exceptions, the costs of construction or purchase of facilities are unallowable for all WIOA Title I programs (USDOL Regulations 20 CFR 667.260). The conditions in the OMB Uniform Guidelines would apply to the excepted construction costs. The exceptions are listed below:
    1. To meet obligations for access and accommodation under the Rehabilitation Act of 1973, as amended and the Americans with Disabilities Act (ADA) of 1990, as amended;
    2. Repairs, renovations and capital improvements of real property, including the following:
        - State Employment Service Agency (SESA) real property (identified at WIOA Section 193) or
        - Job Training Partnership Act (JTPA) owned property transferred to WIOA Title I programs;
    3. Job Corps facilities;
    4. Construction-related disaster relief projects.
- In addition to restrictions described in OMB Uniform Guidelines or the FAR, WIOA also prohibits certain activities. All costs associated with an unallowable activity are considered unallowable costs, regardless of their permissibility under other circumstances. Prohibited activities are as follows:
    - Employment-generating activities, including economic development activities. An exception is made only for those employer outreach and job development activities directly related to participants. Employment-generating activities are addressed in USDOL Regulations 20 CFR 667.262 and WIOA 181(e)

  - Public service employment, except to provide disaster relief employment (USDOL Regulations 20 CFR 667.264(a) (2)).
  - Wages of incumbent employees participating in statewide economic development activities (USDOL Regulations 20 CFR 667.264(a) (1)).
  - Employment or training programs for sectarian activities. This does not prohibit the provision of services by faith-based organizations, unless those services are sectarian in nature (USDOL Regulations 20 CFR 667.266 and 29 CFR 37.6(f) (1)).
- The regulations prohibit the use of WIOA funds for business relocation, if the relocation results in the loss of jobs at the original location within the United States. The use of WIA funds for customized or skilled training, on-the-job training or company-specific job applicant assessments are prohibited for the first 120 days a relocated business operates in the new location. The regulations require Commerce develop specific pre-award criteria prior to providing WIOA funds to a new or expanding business to ensure compliance with this requirement (USDOL Regulations 20 CFR 667.268).

5.05 Allowable Expenditure of Funds During WIA/WIOA Transition Period

Subject to and in accordance with WIOA proposed and final regulations, States, grant recipients, administrative entities, and other recipients of financial assistance under the Workforce Investment Act of 1998 may expend funds received under such Act in order to plan and implement programs and activities authorized under this act. Not more than 2 percent of any allotment to any State from amounts appropriated under the Workforce Investment Act of 1998 for fiscal year 2014 may be made available to carry out authorized activities, and not less than 50 percent of any amount used to carry out authorized activities shall be made available to local entities for the purposes of authorized activities. For more information, see section 503(g) of WIOA and TEGL 12-14.

For the 2 percent of the PY 2014 WIA formula allotments that are made from the funds appropriated under Division H-1 of the Consolidated Appropriations Act, 2014, costs related to transition activities will be reported separately on the applicable ETA-9130 form. Specifically, costs are to be reported utilizing Line 12, Remarks. These costs should be traceable through the entity's accounting system. Any other funds used by states, local areas, or other WIA grantees would be reported separately on the 9130 on Line 12, Remarks.

5.06 Cost Items

The reference chart below is a summary of cost items mentioned in the applicable Uniform Guidance and regulations. Some of the costs on the chart are allowable under Uniform Guidance, but prohibited under WIOA or other program specific regulations.

NOTE: Refer to the program-specific regulations on permissibility of a particular cost. This chart is for reference only.

SUMMARY OF COST ITMES

NT Not included in Uniform Guidance
A Allowable
AC Allowable with conditions
AP Allowable with prior approval of either the USDOL Grant Officer or Commerce
U Unallowable
A/U Some categories within the particular activity are allowable, while some are not (consult Uniform Guidance for precise explanations).

	Activities	2 CFR Part 220 (A-21)	2 CFR Part 230 (A-122)	2 CFR Part 225 (A-87)	48 CFR Part 31
1	Accounting systems	NT	NT	A	NT
2	Advertising and public relations	AC	AC/U	AC/U	AC
3	Advisory councils	NT	NT	A	NT
4	Alcoholic beverages	U	U	U	U
5	Alumni activities	U	NT	NT	NT
6	Asset valuations resulting from business combinations	NT	NT	NT	A
7	Audit services	See 200 CFR Subpart F	See 200 CFR Subpart F	See 200 CFR Subpart	NT
8	Automatic electronic data processing	NT	NT	AC	NT
9	Bad debts	U	U	U	U
10	Bid and proposal costs (See Item 65)	Item 65	Reserved	Item 65	Item 65
11	Bonding costs	NT	A	A	NT
12	Budgeting	NT	NT	A	NT
13	Civil defense costs	A	NT	NT	A/U
14	Commencement and convocation costs	U	NT	NT	NT
15	Communication costs	A	A	A	NT
16	Compensation for personal services	A/U	A/U	A/U	A/U
17	Contingency provisions	U	U	U	U
18	Cost of money (See Item 40)	U	U	U	AC
19	Deans of faculty and graduate schools	A	NT	NT	NT
20	Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement	U	U	A/U	U
21	Deferred research and development costs	NT	NT	NT	AC/U
22	Depreciation and use allowances	AC	AC	AC	AC
23	Disbursing service	NT	NT	A	NT
24	Donations and contributions	U	U	U	U
25	Economic planning costs	AC/U	AC/U	AC/U	NT/U
26	Employee morale, health/welfare costs & credits	A	A	A	U
27	Entertainment costs	U	U	U	U
28	Equipment and other capital expenditures	A/U	AP	AP	AP
29	Executive lobbying costs	U	U	U	U
30	Fines and penalties	U	U	U	U

31	Fundraising and investment management costs (See item 40)	NT	NT	U	U
32	Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs (See Item 64)	NT	NT	A	A
33	General government expenses	NT	NT	U	NT
34	Goods/services for personal use	U	U	NT	NT
35	Goodwill	NT	NT	NT	U
36	Housing and personal living expenses	U	AC/U	NT	NT
37	Idle facilities and capacity	NT	AC/U	AC/U	AC/U
38	Independent research and development	NT	Reserved	NT	AC
39	Insurance and indemnification	A	A	A	A
40	Interest, fund raising and investment management costs	A/U	A/U	A/U	U
41	Labor relations costs	AC	AC	NT	AC
42	Lobbying	U	U	U	U
43	Losses on other sponsored agreements/contracts	U	U	U	U
44	Maintenance and repair costs	A	A	A	A
45	Manufacturing and repair costs	NT	NT	NT	A
46	Manufacturing and product engineering costs	NT	NT	NT	A
47	Material costs	A	A	A	A
48	Meetings and conferences	NT	A	See Item 2	See Item 2
49	Memberships, subscriptions and professional activity costs	A/U	A/U See Item 2	A/U See Item 2	NT
50	Motor pools	NT	NT	A	NT
51	Organization costs	NT	AP	NT	U
52	Other business expense	NT	NT	NT	A
53	Overtime, extra-pay shift, $multi-shift premiums	NT	AC	AC	See Item 16
54	Page charges in professional journals	NT	A	NT	NT
55	Participant support costs	NT	A	NT	NT
56	Patent costs	A	A/U	NT	A/U
57	Plant protection costs	NT	NT	NT	A
58	Plant reconversion costs (See Item 68)	NT	NT	NT	U
59	Plant security costs	U	A	NT	NT
60	Pre-agreement costs (See Item 61)	U	NT	NT	NT
61	Pre-award costs	NT	AP	U (formula)/ AP	NT
62	Pre-contract costs (See Item 61)	NT	NT	NT	AP
63	Professional services costs	A	A	A	A
64	Profits and losses on disposition of plant equipment/other capital assets	A	A	See Item 32	See Item 32
65	Proposal costs (See Item 10)	AP	Reserved	AP	AP
66	Publication and printing costs	NT	A/U	A	NT
67	Rearrangement and alteration costs	A	A	A	NT
68	Reconversion costs (See Item 58)	A	A	A	NT
69	Recruiting costs	A/U	A/U	See Item 2	A
70	Relocation costs	NT	A	NT	A/U
71	Rental costs of buildings and equipment	AC	AC	AC	AC

72	Royalties and other costs for use of patents	A	A	NT	A
73	Sabbatical leave costs	A	NT	NT	NT
74	Scholarships and student aid costs	A	NT	NT	NT
75	Selling and outreach	U	U	NT	A/U
76	Service and warranty costs	NT	NT	NT	A
77	Severance pay	AC	AC	AC	AC
78	Special tooling and special test equipment costs	NT	NT	NT	A
79	Specialized service facilities	A	A	NT	NT
80	Student activity costs	U	NT	NT	NT
81	Taxes	AC	AC	AC	AC
82	Termination costs	NT	A	NT	A/U
83	Trade, business, technical and professional	AC	AC	AC	AC
84	Training and education costs	AC	AC	AC	AC
85	Transportation	AC	AC	NT	AC
86	Travel costs	AC	AC	AC	AC
87	Termination costs applicable to sponsored agreement (See Item 82)	A	NT	NT	NT
88	Trustees	A	A	NT	NT
89	Under recovery of costs under fed agreements	U	U	U	U

Chapter Six

Financial Reporting

In this chapter you will find the following:

-
- Financial Statements and Financial Reports
- Types of Entities and Reporting Requirements Types of Reporting Needs
- Deobligation/Reobligation and Reallocation
- Commerce Financial Reporting Requirements

6.00 FINANCIAL REPORTING

6.01 Financial Statements and Financial Reports

Financial statements, prepared in accordance with generally accepted accounting principles, communicate financial information to interested users, facilitate management control of the organization's financial operations and provide financial data to oversight bodies. Users of the organization's financial information include managers, members of the subrecipient's governing board, legislative officials, creditors, financial analysts, contributors, the general public and others having a need for publicly- supported workforce program information. According to generally accepted accounting principles, financial statements include a statement of financial position (often called a balance sheet), an operating statement (sometimes called an income statement), statement of cash flow and related notes and disclosures. Financial reporting is the process by which financial statements are produced and distributed.

6.02 Types of Entities and Reporting Requirements

Commerce works with various entities to provide services which may include local governmental units, nonprofit organizations, for-profit organizations and educational institutions. Although each type of entity has specific accounting requirements, each entity provides the same basic information.

602a Local Governmental Units

Local governmental units account for financial transactions within discrete financial units known as funds. A fund is a self-balancing set of accounting books to include both balance sheet and income statement accounts. There are seven types of funds and two types of account groups used in governmental accounting.

- Governmental Funds (4)
    1. *The General Fund* is used to account for all financial resources except those required to be accounted for in another fund;
    2. *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) legally restricted to expenditure for specified purposes;
    3. *Capital Projects Funds* are used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by proprietary funds and trust funds); and
    4. *Debt Service Funds* are used to account for the accumulation of resources for and the payment of, general long-term debt principal and interest.
- Proprietary Funds (2)
    1. *Enterprise Funds* are used to account for operations financed and operated in a manner similar to private business enterprises. These funds are used where –
        - The intent of the governing body is costs of providing goods or services to the general public (expenses, including depreciation) on a continuing basis be financed or received primarily through user charges; or
        - The governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. *Internal Service Funds* are used to account for the financing of goods or services provided to one department or agency to other departments or agencies of the governmental unit or to other governmental units, on a cost-reimbursement basis.

- Fiduciary Funds (1)
    1. *Trust and Agency Funds* are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include the following:
        - Expendable trust funds;
        - Nonexpendable trust funds;
        - Pension trust funds; and
        - Agency funds.
- *Account Groups* - For the most part, federal and state funds will be accounted for in Special Revenue fund types; one Special Revenue fund will be established for each separate program and program year (where applicable). Where a separate bank account is maintained for each specific fund, the entity becomes split into completely separate sub-entities. For the most part, one bank account may be used for all Special Revenue funds or for all funds when interfund receivable and payable accounts are needed because each fund is a self-balancing set of accounting books. One fund cannot have a debit to expense without a corresponding credit within the same fund. Another fund cannot have a credit to cash without a corresponding debit within the same fund. When expenses are paid, the fund with the cash debits an interfund receivable account; the fund with the expenses credits an interfund payable account. When the reimbursement for that expense is received, the fund with the cash debits the cash account and credits the interfund receivable account and the fund with the expenses debits the expenses and interfund payable account and credits the revenue account.

6.02b Nonprofit Organizations

Nonprofit organizations account for financial transactions according to the type or lack, of restriction placed on the funds. Unrestricted funds, temporarily restricted funds and permanently restricted funds comprise the three fund types in nonprofit organizations. Since a subrecipient must be able to account for funds received to a level of expenditure sufficiently detailed to allow a reviewer to determine funds have not been used inappropriately, the nonprofit organization's subrecipient will not be able to maintain their general ledger solely according to fund restrictions. For example, a WIOA Adult Program contract must be accounted for separately from a WIOA Youth Program contract, even though both are temporarily restricted types of funds. For this reason, it is recommended subrecipients maintain separate accounts for each funding source.

Financial statements prepared in accordance with generally accepted accounting principles are called the Statement of Financial Position (balance sheet), the Statement of Activities (operating statement) and Statement of Cash Flows. In addition, nonprofit organizations are required to present a Statement of Functional Expenses. This statement shows which function of the nonprofit organization incurred the expenses.

6.02c For-Profit Organizations

Financial statements of for-profit organizations, prepared in accordance with generally accepted accounting principles, include the Statement of Financial Position (balance sheet), the Statement of Revenues and Expenses or Income Statement (operating statement) and the Statement of Cash Flows. Although generally accepted accounting principles do not require any separations due to receipt of state contract funds, organizations still need

to maintain separate accounts in their general ledgers to allow a reviewer to determine funds have not been used inappropriately.

6.02d Educational Institutions

Educational institutions are either nonprofit organizations or governmental units and use the appropriate accounting principles. Proprietary schools certified by the State of Kansas are usually either nonprofit organizations or for-profit organizations and should use the appropriate accounting principles. A comparison of the reporting formats for a local governmental unit and a nonprofit organization each with two state contracts and one other source of funding is shown in Exhibit 12-1 on the following page. Where a title is separated by a slash(/), verbiage on the right side applies to a local governmental unit and to a nonprofit organization on the left.

Exhibit 12-1

Comparison of Accounting Presentations			
Local Governmental Unit and NPO			
	Local governmental unit		*NPO*	
		Special	Unrestricted	Restricted
Statement of Financial Position	General fund	revenue fund	fund	fund
Current assets:				
Cash in bank	1,100	50	1,100	50
Accounts receivable	150	-	150	-
Grants receivable	-	200	-	200
Prepaid expenses	50	50	50	50
Total current assets	1,300	300	1,300	300
Fixed assets:				
Building	5,000	-	5,000	-
Equipment	2,000	1,000	2,000	1,000
Less: Accumulated depreciation	(1,000)	(200)	(1,000)	(200)
Total fixed assets	6,000	800	6,000	800
Total assets	6,500	1,100	6,500	1,100
Current liabilities:				
Accrued expenses	1,550	600	1,550	600
Payroll tax liabilities	650	300	650	300
Total liabilities	2,200	900	2,200	900
Fund balance/Net assets:	4,100	-		
Unencumbered/Unrestricted			4,100	
Restricted				
Encumbered		200		200
Total liabilities and fund balance/net assets	6,500	1,100	6,500	1,100
Statement of Revenues and Expenditures/Statement of Activities				
Revenues:				
State grant 1	-	1,500	-	1,500
State grant 2	-	2,000	-	2,000
Other donation	3,000	-	3,000	-
Net assets released from restrictions	-	-	3,500	(3,500)
Total revenues	3,000	3,500	6,500	-
Expenditures/Expenses:				
Salaries	3,300	1,550	4,850	
Benefits	375	175	550	
Supplies	450	275	725	
Travel	1,625	1,500	3,125	
Total expenditures/expenses	5,750	3,500	9,250	
Excess (Deficiency) of revenues over expenditures/expenses	(2,750)	-	(2,750)	

6.03 Types of Reporting Needs

6.03a Managers

Managers need a variety of reports for planning, control purposes, presentation to oversight boards and other purposes.

6.03b Oversight Boards

Oversight boards are charged with the responsibility for ensuring program goals are met, sufficient financial systems are in place, financial systems are operating as intended and funds received are used for their intended purposes efficiently. LWDBs need reports to contain sufficient information to evaluate the following:

- How well the organization is meeting its program goals;
- How well the organization is operating within its financial constraints; and
- The performance of its managers.

Although reports addressing program goals will usually come from program staff, the accounting department may be asked to produce cost per participant data. Such data may be used as a comparison with a standardized measure of such cost or as a means of evaluating management's performance. A comparison of budget to actual results may also provide the governing body with information regarding management's performance. Budget reports should provide information on how well the organization is operating, both overall and on a per-program basis and include encumbrances or obligations.

6.03c External Users

External users will obtain their information primarily from audit reports. However, the organization may elect to produce an annual report, similar to the report created for shareholders in for-profit entities. Such a report would give subrecipients an opportunity to showcase the organization's accomplishments and become an invaluable fund-raising tool.

6.04 Deobligation/Reobligation and Reallocation

Commerce has developed policies and procedures to maximize the use of available funds through the voluntary and involuntary deobligation of allocated funds.

6.04a Involuntary Deobligations

Involuntary deobligations may occur for the following reasons:

- Funding allocation available to Commerce has been modified and cannot support the current level of funding to the subrecipient;
- Subrecipient's failure to expend allocated funds in a timely manner to allow maximum use of resources for the program purpose and avoid the possible return of federal funds;
- Subrecipient's failure to submit timely and/or complete financial reports; or
- Subrecipient's failure to resolve audit or monitoring review findings.

6.04b Voluntary Deobligations

Voluntary deobligations occur at the request of the subrecipient. The reasons for voluntary deobligations vary from one subrecipient to another. The most common reasons for voluntary deobligation are inability to carry out the statement of work, meet budgetary obligations such as matching or expend sufficient funds to use the total funding.

6.04c Reobligation and Reallocation

With the exception of a funding reduction/shortfall at the state administrative level, deobligated funds will be reallocated to other subrecipients exhibiting the ability to use the funds effectively and appropriately. The funds will be reallocated/obligated to the eligible subrecipients based on a percentage share methodology similar to the original allocation of funds.

6.05 Commerce Monthly Financial Reporting Requirements

For reporting consistency, all Local Areas are required to use the Commerce Monthly Fiscal Reports template for monthly fiscal reporting, beginning with January's reporting due February 20, 2015.

****Subrecipients are required to report the financial status of their contracts with Commerce by the 20th day of the month being reported.*****

REPORT HEADING SECTION

GRANT NAME: Choose the appropriate Grant from the drop-down list in cell Q3. This will populate the "1. Reportable Transactions" column and the appropriate CFDA #.

NAME AND ADDRESS: Please populate with your legal name and address.

PREPARED BY AND TELEPHONE: Fill in the name of the individual who prepared the data and can be contacted should any need for clarification arise.

AWARD #: Fill in the award number assigned by Commerce.

REPORT PERIOD: Beginning of the grant period to month being reported.

REPORT NUMBER: Reports are to be numbered consecutively beginning with "1" for the first report submitted for the funding source. A report is to be submitted for each calendar month and each report needs to identify the month for which the report is being submitted.

FUNDS RECEIVED TO DATE. It is CRITICAL to enter the amount of Grant cash received by the LWDB or service provider from the beginning date of the allocation or agreement through report period for each funding stream. This total should be funding stream specific and not a total multiple funding streams.

Note: If the Funds Received to Date is greater than Cumulative Total Expenditures (Column #6); the cell will change to red. This indicates a "cash on hand" situation. Please make references to why in the Remarks Section.

DATE: The date the report was prepared.

Column 1, REPORTABLE TRANSACTIONS

This column is separated into the particular reportable line items as required by each grant. The following example is for WIA Grants:

COMPREHENSIVE PROGRAM OUTLAYS should include any costs incurred for goods and services, amounts owed for and other property received; for services performed by employees, contractors, sub-grantees, and other payees and other amounts owed.

ADMINISTRATION are any costs for WIOA-funded programs and can be found in the WIOA regulations at 20 CFR 683.215. The definition is function-based; therefore, only the costs associated with performing the activities or functions listed in the regulations and ones that are not related to the direct provision of workforce investment services are considered to be administrative costs.

OUT-OF-SCHOOL YOUTH OUTLAYS are expenditures for allowable program activities for participants meeting the eligibility criteria for an out-of-school youth. (WIOA sec. 101(33))

IN-SCHOOL YOUTH OUTLAYS are expenditures for allowable program activities for eligible in-school youth. (WIOA sec. 101(13) Note*: SUMMER EMPLOYMENT OPPORTUNITIES are expenditures of funds for allowable program activities designed to link summer employment opportunities with academic and occupational learning. This is a NON-ADD amount and NOT included in the REPORTABLE TRANSACTIONS.*

RAPID RESPONSE ADDITIONAL ASSISTANCE are expenditures for allowable additional Rapid Response assistance from State funds provided to Local Areas in need. (WIA Section 134(a)(2)(A)(ii).)

Column 2, PLAN AMOUNT. Enter the amount budgeted for each appropriate reportable category of cost line item. Total should be equal to the sub-award agreement.

Column 3, CUMULATIVE THRU LAST REPORT. Enter the cumulative amount of cash expenditures, by reportable category, from the beginning date of the grant through the last report submitted.

Column 4, EXPENDITURES THIS MONTH. Enter the amount of cash expenditures, by reportable category, for this report period. This will include any accruals from the last report that were paid during the report period.

Column 5, CUMULATIVE DISBURSEMENTS. Add columns #3 and #4. Note: Column #5 will become Column #3 on next monthly report if payments are made.

Column 6, ACCRUALS. Enter the cumulative amount of unsatisfied/unpaid charges incurred through the end of the report period for each reportable category section. Accrued expenditures are the charges incurred (but not yet paid) by the grantee during a given period requiring the provision of funds for:

1. Goods and other tangible property received;
2. Services performed by employees, contractors, subgrantees, subcontractors, and other payees; and
3. Other amounts becoming owed under programs for which no current services or performance is required, such as annuities, insurance claims and other benefit payments. (29 CFR 95.2 & 29 CFR 97.3)

Column 7. UNLIQUIDATED OBLIGATIONS. The definition of an obligation is the (outstanding) amount of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions committing program funds and will require payment by the subrecipient during a future reporting period. Amounts reported as ACCRUED EXPENDITURES (Column 5) or CUMULATIVE TOTAL EXPENSES (Column 6), are NOT included in reported UNLIQUIDATED OBLIGATIONS.

Column 8, UNOBLIGATED BALANCE. The remaining balance of funds available after all expenditures and obligations. Column 2 minus Column 5 minus Column 6 minus Column 7.

SUBTOTAL. The sum total of the previously listed Reportable Transactions.

LESS: REFUNDS, REBATES, ETC. or any receipt that is treated as a reduction of expenditures rather than as income here unless already netted out above. Reducing for any refunds insures that there will not be double accounting for expenses incurred and then, for whatever reason, a refund is received and the same funds are used to pay for another program activity.

REPORTABLE EXPENSES is the sum of SUBTOTAL less REFUNDS, REBATES.

RECIPIENT EXPENSES FOR ALLOWABLE PROGRAM ACT should include any costs incurred that are otherwise allowable except for funding limitations. (WIOA Section 185(f)(2).) Definition for this line is all contributions, including cash and third party in-kind, that can be included as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria:

- Are verifiable from the recipient's records.
- Are not included as contributions for any other federally-assisted project or program.
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- Are allowable under the applicable cost principles.

- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- Are provided for in the approved budget when required by the Federal awarding agency.

PROGRAM INCOME CONSISTING OF:

Disbursed program income. Program income used for purposes and under the conditions of the WIA grant.
Undisbursed program income. Program income available to be expended for WIA purposes.

Program income realized. Sum of Dispersed program and Undispersed program income.

The definition of Program Income is gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federally-funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds. Interest earned on advances of Federal funds is program income. Except as otherwise provided in Federal awarding agency regulations or the terms and conditions of the award, program income does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of them.

REMARKS. Reporting entity may need to add comments or clarify items on the report.

CERTIFICATION. Signature of authorized on the signor(s) required for all Local Areas, regardless of who is preparing the report.

SAVING THE REPORT. Do a File Save As, Name the file “Name of Grant”, “Subaward #”, “Month”, “Year” (ex. Rapid Response FY13-RR-00X February 2013), then change file type as .pdf and click on Save.

Questions contact Richard Martinez (rmartinez@kansascommerce.com 785-296-3736)
or Sherry Rentfro (srentfro@kansascommerce.com 785-296-7988).

Kansas Department of Commerce/WFC Expenditure Report

Grant Name: --Select A Grant-- **CFDA#** #N/A

NAME AND ADDRES: _____

LWIB#: _____ Award #: _____

Report Period: _____ to _____ Report #: _____

PREPARED BY: _____

TELEPHONE: _____ **Funds Received To Date:** _____ DATE: _____

1. REPORTABLE TRANSACTIONS	2. Plan Amount	3. Cum. Thru Last Report	4. Expend. This Month	5. Cum. Disbursements	6.Accruals	7. Unliquidated Obligations	8. Unobligated Balance
0				-			-
0				-			-
0				-			-
0				-			-
				-			-
				-			-
				-			-
				-			-
				-			-
				-			-
				-			-
				-			-
				-			-
				-			-
				-			-
SUBTOTAL	-	-	-	-	-	-	-
LESS: Refunds, rebates, etc.							-
REPORTABLE EXPENSES	-	-	-	-	-	-	-
Recipient expenses for allowable program act.							
Program income consisting of:							
Disbursed program income							
Undisbursed program income							
Program income realized		-	-	-	-	-	-

REMARKS:

_____ _____

Reporting Agency Official Signature and Title *Date*

6.06 Commerce Weekly Request for Payment Requirements

Local Areas or their designee are required to use the Commerce Weekly Payment Request template beginning the week of February 16, 2015.

Instructions for Payment Request Template

Combine all sub awards for each grant allocation and enter in the 'Amount' cells provided on the payment request template on the next tab. Then type the date, name and title in signature section for electronic approval signature. Obtain any necessary counter signatures.

Please then forward the completed file to fiscal@kansascommerce.com & sheim@kansascommerce.com with the payment request date and requested dollar amount in the subject line of the email.

Please email any questions to: fiscal@kansascommerce.com

Kansas Department of Commerce

Last Revised 12/1/2015

Voucher#	Entered By
	Request #

REQUEST FOR PAYMENT

Send Payment To:

Local Area Official Name
Address
City, ST Zip

GRANT/PROGRAM	AWARD #	DEPT ID	FUND	BUDGET UNIT	PROG	ACCOUNT	AMOUNT	PO #/Designation
WIA Youth-In School		3000060550	3039	3040	03300	550600		
WIA Youth-Out School		3000060550	3039	3042	03300	550600		
WIOA Youth Transitional Activities		3000060550	3039	3051	03300	550600		
WIA Adult		3000060550	3270	3205	03300	550600		
WIOA Adult Transitional Activities		3000060550	3270	3263	03300	550600		
WIA Dislocated Worker		3000060550	3428	3430	03300	550600		
WIOA Dislocated Worker Transitional Activities		3000060550	3428	3443	03300	550600		
Discretionary Grant	FYxx-Grant-00x	3000060100	3951	3952	03300	550600		
Rapid Response	FYxx-RR-1-001	3000060350	3428	3433	03300	550600		
Rapid Response Add'l Assistance	FY15-RRAA-1-00x	3000060350	3428	3442	03300	550600		
Rapid Response Add'l Assistance	FYxx-RRAA-2-00x	3000060350	3428	3442	03300	550600		
Discretionary Grant	FYxx-Grant-00x	3000060350	3275	3293	03300	550600		
Discretionary Grant	FYxx-Grant-00x	3000060350	3400	3403	03300	550600		
						TOTAL	$ -	

CERTIFICATION		
I certify this Request for Payment has been drawn in accordance with Federal and State policies and procedures and the information reported above is both correct and does not exceed current expenditures.		
Date	Signature (electronic signature acceptable)	Title
Date	Countersignature (electronic signature acceptable)	Title

COMMENTS	

Chapter Seven

Reporting and Cash Payments

In this chapter you will find the following:

- Methods of Payments
- Forms of Payments
- Obtaining Payments
- Rejection of Payments
- Withholding Payments
- Reporting to Commerce
- Cash Management

7.00 REPORTING AND CASH PAYMENTS

7.01 Method of Payment

To minimize the time between the receiving of federal grant funds to the issuance of checks; the State of Kansas has the responsibility to establish a mechanism for the funding and flow of cash to a subrecipient. The State has attempted to provide a systematic approach that is similar to what is required of the State by the U.S. Department of Labor/ETA.

The mechanics of the Funding/Cash Management system are:

- *Completion of an Authorized Signature Page;*
- *Issuance of the Notice of Funding/contract encumbrance by the State to the subrecipient;*
- *Preparation of a Request for Payment by the subrecipient;*
- *Review by the State of the Request for Payment;*
- *Preparation by the State of a "Request for Payment" to the U.S. Treasury;*
- *"Request for Funds" will be transferred via electronic Direct Deposit to the State.*
- *A Receipt voucher is prepared as the requesting of funds is processed.*
- *Concurrently, the State is preparing a voucher for a Direct Deposit into the subrecipient's designated depository.*

The complete process will take approximately two (2) to three (3) days. This method of financing provides the mechanism that enables a subrecipient to obtain cash promptly, within the established criteria, based upon its own determination of when and how much cash is needed for disbursements. Withdrawals must be authorized by officials designated by the subrecipient organization and approved by the State of Kansas. At the present time, the schedule of funding/cash flow is on either Tuesday or Thursday, allowing for holidays.

The State will establish a Notice of Funding for each funding stream within an appropriation year/budget period. This will allow the State and the subrecipient to establish the amount of funds available within a funding source for a program year. The Notice of Funding delineates the maximum expenses that can be incurred against a funding source during a specified period of time. ***Note for subrecipients:*** ***There will be a separate notice for each year of appropriation/year of appropriation.*** Expenditures must be reported to the State by the year of appropriation, which in turn will be reported to the federal government on a cumulated appropriation year basis. A notice will be issued for program year of appropriation and the two succeeding program years, unless any recapture/reallotment action is required.

Since it is required that the subrecipient use sound cash management procedures, it will be necessary that sound funding/cash management techniques be developed. Whether the technique is utilization of another fund source for the initial payment and then reimbursement from the State or a system to pay vouchers as funds are received from the State. It is required that each subrecipient have its depository maintain (or financial system) as means of detailing the daily cash balances for workforce system funds. This will enable Federal and State staff to review the subrecipient funding/cash management systems, to insure funds are being spent with documentation submitted on the request form and there is a minimum of funds on-hand.

The subrecipient shall follow the following practices:

- *Initiating cash drawdowns only when needed;*

- *The timely reporting of disbursements to the State; and*
- *The imposition of the same standards of timing and amount upon any subrecipients with the understanding that failure to follow these provisions may cause the unexpected portion of the Notice of Funding to be revoked by the State.*

In the event the Notice of Funding is revoked, payments will be made only on a reimbursement basis. The financial management system of the subrecipient organization shall provide for effective control over and accountability for all federal funds. Subrecipients should be paid on a reimbursement basis, if all possible.

Payment methods employed by Commerce and the subrecipient shall minimize the time elapsing between the transfer of funds from Commerce to subrecipients for payment to service providers and contractors.

After execution of the contract, subrecipients may submit financial information with a State Fund Request. Funds are forwarded through two methods: 1) advance method and 2) cost reimbursement method. The Commerce Fiscal Unit receives and processes the requests as follows:

- Mathematical accuracy and supporting documentation is checked;
- Request is checked against the subrecipient's fidelity bond or certificate of insurance regarding Employee Dishonesty coverage amount to ensure subrecipient is not drawing down more funds than are insured;
- Request is checked against the contract encumbrance to ensure the subrecipient is not drawing down more funds than are contracted;
- Voucher is forwarded to the State Treasurer for processing and a warrant is issued by electronic transfer or mail.

To the extent available, subrecipients shall disburse funds available from repayments to a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

Commerce reserves the right to reject or withhold payments based on noncompliance with the contract and/or the Workforce Services Fiscal Manual.

7.01a Reimbursement Method

The reimbursement method limits the amount of cash disbursed to a subrecipient to the amount of costs the subrecipient has actually incurred. Commerce retains the right to change the payment method from the advance method to the reimbursement method if the following standards are not met:

- Subrecipient does not maintain procedures to minimize the time elapsing between the transfer of funds and their disbursement; and
- Subrecipient's financial management system does not meet standards described in this manual for accountability or other conditions warranted appropriate by Commerce.

This action will take effect upon written notification by Commerce. Commerce may revert to the advance method after deficiencies have been corrected.

7.01b Advance Method

The advance method affords subrecipients the opportunity to be paid in advance of actual cash disbursements. To be eligible to use this method subrecipients must maintain or demonstrate the willingness to maintain the following:

- Written procedures to minimize the time elapsing between the transfer of funds and disbursement by the subrecipient and
- Financial management systems meeting the standards for accountability established in Chapter Four, Accounting and Financial Management Systems.

Cash advances to a subrecipient are comprised of a reimbursement component for allowable costs paid and an advance component representing the amount of costs expected to be disbursed in the immediate future. Advance requests shall be limited to the minimum amounts needed and timed to coincide with the actual, immediate cash requirements of the subrecipient for direct program or project costs plus the proportionate share of any allowable indirect costs. Advances may be requested weekly.

7.02 Forms of Payments

The recommended method of disbursement is direct deposit because it is faster and the likelihood of being lost is drastically decreased. Direct deposit allows subrecipient's advances and/or reimbursements to be electronically transferred directly into its bank account. If warrants are specifically requested it shall be noted that the subrecipient has requested the less efficient means of distributing funds. Warrants are generally sent by regular mail, courier mail services or direct deposit through the State Treasurer's Office.

Warrants shall be distributed to the subrecipient in the manner requested by the subrecipient. Warrants are generally sent by regular mail, courier mail services or direct deposit through the State Treasurer's Office. The recommended method of disbursement is direct deposit because it is faster and the likelihood of being lost is significantly decreased. Direct deposit allows subrecipient's advances and/or reimbursements to be electronically transferred directly into its bank account.

7.03 Obtaining Payments

Regardless of the method of payment used by the subrecipient to receive cash subrecipients must complete either the Requesting Reimbursement form or a faxed Request for Payment form [Refer to Section 6.05 of this manual for a copy of the Requesting Reimbursement (Reporting of Expenditures) form and instructions].

7.04 Rejection of Payments

Certain errors or omissions of a more pronounced nature may result in Commerce rejecting requests for payments. When rejection of a request appears necessary Commerce will notify the subrecipient of the specific reasons for rejections to include reasons such as the following:

- Lack of authorized signatures on file;
- Omission or unauthorized signature(s);
- Lack of adequate bonding or insurance coverage;
- Failure to submit monthly expenditure reports;
- Failure to report appropriate cost categories on the monthly reports;
- Delinquent audit reports;

- Delinquent close-out reports;
- Excessive cash on-hand (as determined by Commerce); and
- Written request from the Secretary of Commerce to withhold payment. This could occur if the Secretary was informed of the existence of a criminal investigation of a subrecipient, although there could be other reasons for making such a request.
- Request exceeds available funds

Commerce will adjust requests for funds if the requested amount exceeds the balance available under a contract. In no event shall cash drawn exceed the contract amount.

7.05 Withholding Payments

Commerce is required to establish fiscal controls to ensure the proper disbursal of federal funds. Commerce retains the right to suspend or withhold funding, in whole or in part, to protect the integrity of funds or to ensure proper operation of programs, provided the subrecipient is given prompt notice and the opportunity for a hearing within 30 business days from the suspension.

7.06 Reporting to Commerce

Subrecipients are required to report the financial status of their contracts with Commerce by the 20th day of each month. The Commerce Fiscal Unit has devised forms to use for reporting. Subrecipients must report the status of WIOA programs on the Expenditure Report Form. The Commerce Fiscal Unit can provide a copy of the reporting forms electronically if desired.

7.07 Cash Management

Cash management refers to several processes essential to a well-run organization. The subrecipient must minimize the time lapse between the receipt of funds and disbursal of those funds and must require the same of its contractors. The effectiveness of this procedure is evaluated through excess cash analysis.

The subrecipient must evaluate its cash needs and the cash needs of its contractors and be able to accurately forecast those needs using a cash forecasting system. The effectiveness of this system is evaluated in part by the excess cash analysis and in part by a comparison of amounts advanced with actual expenditures for the same period. The subrecipient must constantly be aware of its cash position by reconciling its bank accounts timely. The subrecipient is required to analyze bank charges for reasonableness. The subrecipient must ensure the bond or its insurance coverage and bank balance insurance protect the subrecipient from loss. Finally, the subrecipient must have written policies and procedures to address these issues.

AUTHORIZED SIGNATURE PAGE	
1. FUNDING ISSUED IN FAVOR OF (*Subrecipient*)	2. ISSUED by: **Department of Commerce** **Operations Fiscal** **1000 S.W. Jackson Street, Suite 100**
3. SIGNATURES OF INDIVIDUALS AUTHORIZED TO DRAW ON THE CITED NOTICE OF FUNDING	☐ ONLY ONE SIGNATURE REQUIRED ON PAYMENT VOUCHER OR ☐ ANY TWO SIGNATURES REQUIRED TO SIGN OR COUNTER SIGN
4. Typed Name and Signature	Typed Name and Signature
Typed Name and Signature	Typed Name and Signature
5. I CERTIFY THAT THE SIGNATURES ABOVE ARE OF THE INDIVIDUALS AUTHORIZED TO DRAW PAYMENT VOUCHERS FOR THE CITED NOTICE OF FUNDING.	

Instructions for Completing the Signature Page.

Item 2 will be completed by the State office issuing the Notice of Funding.

1. Notice of Funding Issued in Favor of (Subrecipient). Enter the official organization name and address. The subrecipient E.I.N. is also needed to process payment promptly and accurately or delays will occur. The information in this block must be complete and accurate.
   NOTE: For funds will be wired directly to a bank and the following information should be shown of the reverse of the signature page: name of the bank or financial institution; department or office receiving the wire; mailing address; subrecipient's account number; and contact person(s).
2. Name and address of the State agency.
3. Signature of Individuals Authorized to Draw on the Cited Notice of Funding. Check the appropriate block to show if one (1) or two (2) signatures will be required to certify the Requests for Payment. Two (2) signatures (countersigning) is recommended. (Corresponds with #3 on the page form)
4. Typed Name and Signature. Type the name(s) and enter actual manual signature(s) as typed of the individual(s) authorized to sign the Requests for Payment. The name(s) and signature(s) must be free of any defacement (erasure, correction tape or fluids, etc.) and identical to the signature(s) that will certify the Requests for Payment. (Correspond with #4 on related form.)
5. Date and Signature of Authorizing Official (Subrecipient). To be signed by an official of the subrecipient organization (executive, program director or equivalent) who has authority to certify the validity of the signature(s) in Item 3. The individual signing this certification should be known by the State Representative. (Correspond with #5 on related form.)

7.07a Security Over Cash

Because cash on hand and in the bank represents the most liquid asset the subrecipient possesses, security over cash is of particular importance. The subrecipient shall ensure blank check forms, canceled checks, bank reconciliations, check signature plates (if applicable) and other information identifying the bank account is maintained in locked storage areas. The storage areas shall remain locked at all times when immediate access is not required.

The subrecipient shall identify and appoint persons cognizant of their fiduciary duties to be check signers and/or custodians of check signature plates. The subrecipient shall specify a reasonable limit to the check amount requiring a single signature and shall prescribe dual signatures thereafter. The subrecipient may require dual signatures on all checks and/or may require specific signatures for given dollar amounts (e.g., President of the governing Board must sign all checks over $1,000). Persons with signatory responsibility and/or custody of signature plates shall not serve as asset custodians nor perform any recording duties. All specifications required herein shall be documented in written policies and procedures.

7.07b Security Over Other Liquid Assets

If the subrecipient acquires other liquid assets such as investments in marketable securities the subrecipient shall ensure the security of these assets. Other liquid assets shall be maintained in a locked storage area, preferably away from the general office setting. A safe deposit box is an acceptable storage area and the cost may be charged to the program deriving a benefit from its storage space. The subrecipient shall develop written policies and procedures addressing the maintenance and accountability over other liquid assets.

7.07c Cash Flow Timing

Subrecipients shall have written policies and procedures to minimize the time lapsing between the receipt and the disbursal of WIOA funds. Subrecipients shall ensure contractors have such policies and procedures as well.

In general, subrecipients shall be paid in advance provided they demonstrate the willingness and ability to limit advance requests to the actual immediate disbursement needs to carry out programs. Under no circumstances shall Commerce advance to the subrecipient an amount in excess of 20 percent of the contract award. If the subrecipient does not demonstrate the willingness and ability to limit advance requests to the actual immediate disbursement needs, the reimbursement method of payment shall be implemented.

7.07d Cash Forecasting

An effective cash forecasting system shall be developed to accurately estimate future cash needs and limit advance requests to the minimum amount needed. An effective cash forecasting system will allow the entity to time the receipt of the cash advance in accordance with actual, immediate cash requirements to carry out program activities. If the organization is unable to effectively estimate cash needs and maintains excess cash on hand, the subrecipient may be required to repay all excess cash and may be placed on the reimbursement method.

Although it is the responsibility of the subrecipient to determine the best method for estimating its cash needs, the organization should consider the following factors:

- Legislative or procedural requirements the subrecipient must comply with as a part of a larger organization;
- Services available to the subrecipient from the banking industry in its locality; and
- Cost of such services in comparison to potential interest savings if such services are not used.

When designing a cash forecasting system, the subrecipient shall consider the following:

- Frequency checks will be written and disbursed;
- Frequency cash draws will be prepared and submitted to the funding agency;
- Average period of time between the request of cash and receipt of cash;
- Documentation to be provided to substantiate current cash needs; and
- Methods for filing and maintaining supporting documentation.

Subrecipients should work closely with contractors to develop the subrecipient's cash forecasting systems.

When forecasting cash needs, the subrecipient shall take into account any cash on hand. For example, estimated cash needs should be reduced by program income, rebates, refunds, contract settlements, audit recoveries or interest earned on such funds.

Definition of Excess Cash - Excess cash is defined as maintaining a cash balance exceeding three days need. Any amount on hand must be related to a valid cost, immediately due and payable or it may be construed as excess cash. If the forecast of need is inaccurate and over estimated it should be offset in a subsequent request for payment when such a request is to be initiated within a reasonable time period. If no immediate request is to be made any material excess funds shall be returned to Commerce immediately.

Determination of Excess Cash - Commerce reviews the fiscal reports submitted by subrecipients on a regular basis. These reports enable the accounting and fiscal monitoring staff to determine the current fiscal position and trends of LWDBs and/or other subrecipients. If, based on these reports, Commerce determines a more in depth analysis of the LWDBs and/or other subrecipients is required; an on-site visit may be scheduled.

Factors to consider when determining excess cash are:

- Contract period;
- Three days need, as defined below;
- Cumulative draws to date;
- Cumulative expenditures to date; and
- Accruals/accounts payable balance.

To determine if excess cash exists, cumulative cash draws must be compared to cumulative expenditures. If draws exceed expenditures the difference must be compared to three days need which is the allowable amount of cash to retain on hand.

Three Days Cash Need – The following method shall be used to calculate three days cash need:

$$\frac{\text{Cumulative Expenditures}}{\text{Number of Months expired}} = \text{Average Monthly Expenditures}$$

Average Monthly Expenditures ÷ 30 = Daily Expenditure Amount
Daily Expenditure Amount x 3 (days) = three days cash need.

If the determination of Excess Cash shows there is excess cash on hand, Commerce may require a more in depth review of the cash account.

7.07e Banking Requirements

Although recommended, a subrecipient need not maintain a separate bank account for each federally-funded program. However, the subrecipient must be able to account for the receipt, obligation and expenditure of funds. The organization must also be able to identify funds from any federally-funded program in its bank account for the purpose of cash forecasting.

Advances of federal and state funds shall be deposited and maintained in accounts insured by the Federal Deposit Insurance Corporation (FDIC) and collaterally secured, if necessary. Consistent with the national goal of extending opportunities for women and minority-owned businesses, subrecipients are strongly encouraged to use banks with a majority of such ownership.

Subrecipients shall maintain advances of federal funds in interest bearing accounts, unless the following occurs:

- The subrecipient receives less than $120,000 in federal and/or state awards per year;
- The best reasonably interest bearing account will not be expected to earn interest in excess of $250 per year on advance balances; or
- The depository requires an average or minimum balance so high it will not be feasible to maintain with federal, state and other resources.

The organization's banking institution should be procured using the above factors, as well as the following additional considerations:

- Amount the bank charges for monthly service charges and services included;
- Amount the bank charges for special services, such as stop-payments, NSF checks deposited, NSF checks presented, wire transfers, collateral agreements and others the organization might reasonably expect to encounter;
- Type of checks the organization requires and amount the bank charges for printing this type of check; and
- Fees, charges and other financial requirements the bank offers to waive.

If a non-interest bearing account is utilized, valid cost/benefit information must be demonstrated upon request. As with any other procurement, the subrecipient shall maintain documentation of its procurement effort.

7.07f Bank Reconciliations

To maintain awareness of its cash position related to cash forecasting and other reasons, the subrecipient shall reconcile its monthly bank statement with the general ledger balance of cash on a timely basis. It is recommended the reconciliation be approved by a person who does not have access to the bank account (i.e., person responsible for cash forecasting) and the approval documented. In smaller offices, additional controls may have to be implemented for the bank reconciliation process due to the limited staff available for separation of duties. Permanent reconciling items (i.e., those items not resolved by the passage of time) shall be resolved in a timely

manner. Examples include bank encoding errors (contact the bank for correction if bank error or post a correction to the general ledger if subrecipient error) and credits or debits posted to the account without explanation (contact the bank, obtain explanation and/or correction if bank error and/or post to the general ledger if legitimate).

7.07g Fidelity Bonding/Employee Dishonesty Coverage

Any entity receiving funding advances shall obtain and maintain a fidelity bond or secure Employee Dishonesty coverage through it general liability insurance package. The fidelity bond or Employee Dishonesty coverage shall insure the organization from losses resulting from all acts of employee dishonesty. The bond or dishonesty coverage may cover all employees or cover certain employees who occupy specific positions.

7.07h Collateral Agreements

Governmental units may deposit program funds in their treasury. All other entities shall deposit funds into an account insured by the FDIC. Any balance exceeding FDIC insurance coverage (click here for current amount) shall be secured by a bank collateral agreement or other agreement providing the same protections. A collateral agreement binds the bank or other financial institution to pledge securities it holds to the organization's account should the bank or other financial institution become insolvent. A copy of the agreement shall be maintained in the organization's files for monitoring and audit review.

The balance exceeding the insurance coverage must be collaterally secured. The securities pledged should be evaluated for marketability and liquidity because in the event the institution becomes insolvent they would replace the organization's cash deposited.

Liquid securities include municipal and state bonds, treasury bills, bonds and other obligations of the federal government and securities traded over a national stock exchange (New York Stock Exchange, American Stock Exchange and NASDAQ Stock Exchange). The entity shall request a statement of pledged securities stated at market value. In the event the financial institution will not honor the request the organization shall research the market value of the collateral and document the research.

Commerce recommends the market value of securities pledged equal one and one-half times the largest amount to be collateralized. In no event may the amount be less than the amount to be collateralized. If the market value of collateral is equal to the amount to be collateralized and the financial institution will not honor a request to state the market value of the pledged securities monthly the entity shall perform the market value research no less than quarterly and document the research for monitoring review and audit. The organization shall institute written procedures for verifying and documenting the adequacy of the pledged securities.

In the event the collateral agreement expires before the subrecipient may negotiate a new one, the subrecipient shall immediately notify Commerce and advances will be limited to the current FDIC maximum insurance coverage amount until such a time as Commerce is notified a new collateral agreement has been executed.

It shall be the responsibility of the subrecipient to ensure its contractors obtain collateral agreements with their financial institutions when it is possible their account balances may exceed their account insurance coverage.

Chapter Eight

Property Management

In this chapter you will find the following:

- Definitions
- Property Accountability
- Prior Review and Concurrence
- Real Property
- Nonexpendable Personal Property (Equipment)
- Disposition of Equipment
- Financial Accounting for Leases
- Lease- Purchase Property
- Expendable Personal Property
- Federally Owned Equipment
- Exempt Property
- Inventory Control
- Property Maintenance and Security
- Property Insurance
- Transfer of Property
- Records Retention

8.00 PROPERTY MANAGEMENT

LWDBs, administrative entities and subrecipients shall comply with the applicable property management standards to ensure proper accountability of property obtained with public funds. LWDBs shall require that all subrecipients comply with these standards. The Uniform Administrative Requirements (2 CFR Part 215 Subpart C) detail the appropriate property management standards for:

- Real property
- Equipment
- Federally owned property
- Expendable property (supplies)
- Intangible property

8.01 Definitions

Acquisition cost - The net invoice unit price of an item of equipment (or the present value of the minimum lease payments of lease-purchase property) including the cost of any modifications, attachments, accessories or auxiliary apparatus necessary to make it usable for the purpose it is acquired. Ancillary charges such as taxes, duty, protective in-transit insurance, freight and installation shall be included in or excluded from unit acquisition cost in accordance with the organization's regular written accounting practices.

Awarding agency – All references made to the awarding agency refer to the Kansas Department of Commerce.

Basket purchase - The cumulative amount paid for the purchase of multiple equipment items and/or supplies with individual unit acquisition costs.

Capital lease – In generally accepted accounting principles, a capital lease that effectively transfers ownership of an asset to the lessee.

Capitalization – In accounting, the process of establishing an asset in the accounting records for a relatively high unit-cost item whose service or useful life extends over more than one year. Subrecipients shall use the lower of $5,000 or the threshold established in their accounting procedures.

Equipment - Tangible nonexpendable property having a useful life of more than one year and a unit acquisition cost of $5,000 or more per unit; includes lease-purchase equipment.

Excess property - Property no longer required for its needs or the discharge of its responsibilities.

Exempt property – Property acquired with federal or state cost participation where the awarding agency has statutory authority to vest title to the subrecipient without further obligation to the federal or state government.

Expendable personal property (supplies) – All tangible personal property other than equipment, as defined above.

Federally-owned property – Property purchased directly by the federal government and furnished to the subrecipient (e.g.., property transferred from JTPA/WIA).

Lease-purchase – An arrangement qualifying as a capital lease under generally accepted accounting principles.

Operating lease – In generally accepted accounting principles, a lease that does not transfer ownership to the lessee.

Prior Approval – Securing written permission from Commerce in advance of noncompetitive procurements exceeding $25,000.00 in the aggregate. The written response must be maintained in the procurement file.

Prior Review and Concurrence – The review process utilized by Commerce to document its efforts to help ensure compliance with procurement requirements. Involves securing written permission from Commerce in advance of equipment purchases.

Real Property - Land, structures and appurtenances including any improvements thereto, but excludes movable machinery and equipment.

Standards - Refers to the Uniform Grants Management Standards, dated January 1998.

UAC - Unit Acquisition Cost (see Acquisition Cost above).

UGMS - Uniform Grant Management Standards, dated January 1998.

8.02 Property Accountability

Commerce has overall responsibility for accounting for real property and equipment. In turn, Commerce shall hold each subrecipient accountable for its property and property in the custody of contractors. Real property and equipment must be safeguarded and accounted for properly.

Each subrecipient must designate an administrative staff person to serve as Property Control Officer. The individual designated will be responsible for compliance with the inventory accountability standards and reporting requirements outlined in this chapter. Such designation shall be in writing and maintained on file for audit or review.

Commerce shall maintain an inventory of all property acquired by a subrecipient with a Unit Acquisition Cost of at least $5,000.

8.03 Prior Review and Concurrence

Subrecipients wishing to purchase equipment, including lease-purchase equipment, having a useful life of more than one year with an aggregate basket purchase cost of $25,000 or more, including data processing hardware and software, must submit a request to Commerce for review and concurrence prior to purchase. Subrecipients wishing to purchase equipment (including lease-purchase equipment) with an aggregate basket purchase cost of $25,000 or more, including data processing hardware and software must submit their requests to the LWDB for review and concurrence. The subrecipient will then forward requests to Commerce for prior review and concurrence prior to purchase.

Concurrence is based on assurances procurement requirements will be followed, appropriate cost categories will be charged and the equipment will be utilized for the purpose(s) indicated. The concurrence letter is valid for 90 days after issuance. Commerce concurrence does not relieve liability for failure to comply with procurement standards and documentation/record-keeping requirements. Requests for prior review and concurrence prior to purchase must be submitted on the Request for Purchase Review Form to the following address:

Kansas Department of Commerce
Fiscal Unit
1000 S.W. Jackson, Suite 100
Topeka, KS 66612-1354

Requests are to be numbered consecutively, beginning with the first request submitted in the fiscal year (i.e., 05-1, followed by 05-2, followed by 05-03 etc.). Each local area will maintain its own numbering system.

8.04 Real Property

Subrecipients shall not be permitted to acquire real property either through outright purchase or lease-purchase, unless they meet the exceptions noted at 20 CFR 667.260 as follows:

- To meet ADA and Rehabilitation act physical and programmatic accessibility accommodations;
- To fund repairs, alterations and capital improvements to SESA owned or
- JTPA transferred property;
- Job Corps facilities;
- To fund disaster relief employment projects.

All subrecipients desiring to purchase real property via the exceptions must obtain prior written approval from Commerce. Such requests will include the location of the real property and the federal/state share percentage. Title to real property shall vest in the subrecipient (apart from exceptions described in Section 8.16, Property Acquisitions by Commercial Organizations) as long as the property is used for the authorized purpose of the original contract.

8.05 Disposition of Property

Subrecipients shall obtain approval from Commerce for the use of the real property in other projects when the property is no longer needed for the original contract purposes. The use of real property in other projects shall be limited to those under other federal grant programs or programs with purposes consistent with those authorized for support by Commerce.

When real property is no longer needed for the originally authorized purpose the subrecipient will request disposition instructions from Commerce. Requests should be submitted to equipmentdisposal@kansascommerce.com. Requests for disposition instructions will identify, at a minimum, information on the source and amount of funds used in acquiring the property, the date acquired, the fair market value and how the value was determined (e.g., by appraisal, bids, etc.) and the proposed use of the proceeds. Disposition instructions will provide for one of the following alternatives:

> *Retention of title* –Retain title after compensating the awarding agency. The amount paid to the awarding agency will be computed by applying the awarding agency's percentage of participation in the cost of the original purchase to the fair market value of the property. However, in those situations where the subrecipient is disposing of real property acquired with grant funds and acquiring replacement real property under the same program the net proceeds from the disposition may be used as an offset to the cost of the replacement property.

Sale of property - Sell the property and compensate the awarding agency. The amount due to the awarding agency will be calculated by applying the awarding agency's percentage of participation in the cost of the original purchase to the proceeds of the sale after deduction of any actual and reasonable selling and fixing-up expenses. If the grant is still active the net proceeds from the sale may be offset against the original cost of the property. When a subrecipient is directed to sell property sales procedures shall be followed to provide for competition to the extent practicable and result in the highest possible return. Proceeds shall be returned to the appropriate funding source(s).

Transfer of title - Transfer title to awarding agency or to a third-party designated/approved by the awarding agency. The subrecipient shall be paid an amount calculated by applying their percentage of participation in the purchase of the real property to the current fair market value of the property.

8.06 Nonexpendable Personal Property (Equipment)

Nonexpendable personal property is defined as purchased or lease-purchase equipment having a unit cost of $5,000 or more and a useful life of more than one year. Such equipment must be accounted for as capitalized assets and is referred to herein as accountable property. Any subrecipient purchasing nonexpendable personal property in whole or in part with funds received from Commerce must abide with the procurement standards prescribed in Chapter Nine, Procurement. Purchasing procedures will allow for maximum open and free competition.

Title to equipment - Subject to the obligations and conditions set forth in this chapter, title to such equipment remains vested in the subrecipient. Commerce reserves the right to transfer title or issue disposition instructions for property with a unit acquisition cost of $5,000 or more and/or a current per unit fair market value of $5,000 or more. Commerce reserves the right to transfer equipment upon termination of a contract and/or change in service providers to ensure the utilization of the equipment for its useful life within the purchasing program.

Use of equipment - Equipment must be used in the program or project for which acquired for as long as needed whether or not the program continues to receive federal/state support. This means the subrecipient may use the equipment as long as the program continues to operate, regardless of whether or not the program continues to receive federal/state support. When the equipment is no longer needed for the original program the subrecipient may use the equipment in other activities currently or previously supported by a federal/state agency.

The equipment may be made available for use on other projects or programs currently or previously supported by federal/state funds providing such use will not interfere with the project or program for which it was originally acquired. This means the subrecipient must make available to other federally/state funded programs any excess capacity of the program equipment. Priority must be given to other programs or projects supported by the awarding agency. User fees should be considered if appropriate. The following matrix specifies the order of use of equipment.

Exhibit 11-2

Priority of Equipment Use

Priority	Use	Funding
Second	Program for which acquired	Previous Federal/State
Third	Program of awarding agency*	Current Federal/State
Fourth	Program of awarding agency*	Previous Federal/State
Fifth	Other Federal/State program*	Current or previous Federal/State

* Use priority is contingent upon availability of excess capacity of the program equipment.

Equipment purchased with federal/state funds may not be used to generate user fees for services, which compete unfairly with private companies providing equivalent services. Commerce recommends LWDB or subrecipient not charge user fees to other programs within its organization.

8.07 Disposition of Equipment

When acquiring replacement equipment, the equipment to be replaced may be used as a trade-in or the equipment may be sold and the proceeds used to offset the cost of the replacement property. Proper sales procedures must be established to ensure the highest sales price possible. When equipment is no longer needed to meet program objectives (see Exhibit 11-2 above) the equipment shall be disposed of in accordance with the following:

- Items of equipment with a current per unit fair market value of less than $5,000 may be retained, sold or otherwise disposed of as long as the program(s) originally purchased the equipment is (are) compensated the existing fair market value at the time the usage of the property changes. Methods used to determine per unit fair market value must be documented, kept on file and made available to Commerce upon request.
- For items of equipment with a current per unit fair market value of $5,000 or more, the subrecipient must provide Commerce with a written description of the property including its unit acquisition cost and a brief description of the property's condition. Commerce may either: 1) authorize the sale of the property for fair market value and the proceeds credited to the program originally purchasing the equipment; or 2) determine an alternative use for such property. Methods used to determine per unit fair market value must be documented, kept on file and made available to Commerce upon request.
- If Commerce authorizes the sale of the property, Commerce shall be given an amount equal to its pro- rata share in the cost of the equipment and/or give guidance relative to utilizing expenses towards off- setting new purchases or program expenses. If Commerce transfers the property to another program, the receiving program shall reimburse the transferring program an amount equal to the transferring program's pro-rata share participation in the cost of the equipment. The pro-rata share of participation in the cost of the equipment shall be determined by multiplying the current fair market value of the equipment by the ratio of the respective agency's contribution to the original cost of the equipment to the equipment's full cost.
- Within 30 days of disposition of any property with a unit acquisition cost of at least $5,000 subrecipients shall provide Commerce with a written report of the equipment disposed. The report shall include a

description of the property, the unit acquisition cost, the disposition date, the item's serial number and the funding source.

8.08 Calculating Equipment Fair Market Value

Calculating equipment fair market value is not an exact science and fixed formulas, rules, or methods do not accurately determine an item's value on the open market.

Fair market value is the price under normal conditions at which equipment would change hands between a willing buyer and seller, neither compelled to buy or sell, and both having knowledge of all the relevant facts surrounding the exchange.

Acceptable methods for calculating equipment fair market value include:

- *Equipment Item's Current Selling Price:* Only acceptable if the equipment's disposal date is in close proximity to the acquisition date. Referenced price quotations must be adequately documented and available for review.
- *Comparable Equipment Sales:* Only acceptable if the equipment's disposal date is in close proximity to the acquisition date. Referenced price quotations must be adequately documented and available for review.
- *Documented Price Quotations:* Minimum of three bidder responses.
- *Online Equipment Bluebook Estimators:* The Orion Blue Book Online and Gazelle are two examples.
- *Internet Marketplaces and Classifieds:* EBay and Craigslist are two examples.

8.09 Financial Accounting for Leases

Leasing involves one party, the lessee, "borrowing" a piece of property from its owner, the lessor. In exchange the lessee pays the lessor a fee called rent. Generally accepted accounting principles recognize two types of leases from the standpoint of the lessee: 1) capital lease; and 2) operating lease.

A capital lease transfers substantially all of the benefits and risks of ownership to the lessee, whereas an operating lease does not. The substantial transfer of ownership creates an acquisition of property and a related debt, requiring the lessee to record both an asset and an obligation to the lessor. Generally accepted accounting principles require a capital lease be accounted for as an acquisition if the lease meets any one of the following:

- The lease transfers ownership of the property to the lessee by the end of the lease term;
- The lease contains an option to purchase the leased property at a bargain price;
- The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property; or
- The present value of rental and other minimum lease payments equals or exceeds 90 percent of the fair value of the lease property, less any investment tax credit retained by the lessor.

The last two criteria are not applicable when the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property. If a lease qualifies under the two middle criteria this does not necessarily convey permanent possession of the property to the subrecipient. The first criterion does not transfer legal title of the property (unless the bargain purchase option is exercised). Nonetheless, generally accepted accounting principles determine leases containing any one of these criteria transfer substantially all of the benefits and risks of ownership. The property must be capitalized and depreciated and the lease obligation amortized.

8.10 Lease-Purchase Property

Subrecipients should understand the cost permissibility provisions related to rental costs and interest prior to executing a lease agreement. All lease payments contain two components: 1) a principal portion to reimburse the lessor for part of the cost of the property; and 2) an interest portion, to reimburse the lessor for the use of their money. A lease agreement may specify the rate of interest the lessor is charging the lessee (the explicit rate) but usually does not. When the lease agreement does not specify the rate of interest inherent in the agreement the lessee must determine the implicit interest rate (the rate of interest implied by the agreement). The implicit rate of interest is the rate that could obtain in the open market given the subrecipient's creditworthiness, lease term and amount financed.

The explicit interest rate should be requested from the lessor before attempting to determine the implicit interest rate. In the event the lessor will not reveal the explicit rate, contact banks and/or credit unions to determine their rates. Given the lease term, the interest rate and the total amount of payments required by the lease agreement the present value of the lease payments may be determined. If this amount exceeds $500 leased personal property must be considered nonexpendable property (see Section 8.05, Nonexpendable Personal Property). Lease purchase agreements are subject to prior approval.

8.11 Expendable Personal Property

Expendable personal property refers to all tangible personal property having a useful life of less than one year or an acquisition cost of less than $5000 per unit. If there is a residual inventory of 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 subrecipient shall compensate Commerce for its share.

If there is a residual inventory of unused supplies with a total fair market value of greater than $5,000 Commerce may direct the subrecipient to transfer the unused supplies to another program or direct the subrecipient to sell the unused supplies. In the event the supplies are sold, Commerce shall have a right to an amount calculated by multiplying the current market value or proceeds from the sale by the Commerce share of the supplies.

8.11. a Computing Devises Computing devices with an acquisition cost of less than $5,000.00 per unit are considered supplies. See 8.11.

8.12 Federally Owned Equipment

Federally-owned equipment is purchased directly by the federal government and transferred to a subrecipient. Title to federally-owned equipment remains vested in the federal government. Subrecipients shall submit an annual inventory of federally-owned property to Commerce. Upon completion of the contract agreement or when the property is no longer needed, the subrecipient shall report the property to Commerce for further agency utilization.

8.13 Exempt Property

When statutory authority exists, title to nonexpendable personal property acquired with public funds shall be vested in the subrecipient upon acquisition unless it is determined to do so is not in furtherance of the objectives of the federal sponsoring agency. When title is vested in the subrecipient there is no other obligation or accountability to the federal government for its use or disposition.

8.14 Inventory Control

8.14a Property Files

Each LWDB's or subrecipient's Property Control Officer shall maintain a current record of all equipment/accountable property (nonexpendable personal property having a unit acquisition cost equal to or greater than $5,000) in its custody. The subrecipient must notify Commerce of the acquisition of equipment with a unit acquisition cost of $5,000 or more within 30 days of the acquisition. A Property Acquisition Form must be completed and submitted.

The LWDB or subrecipient's inventory files should include the information cited below, copies of the Purchase Order or other acquisition documents and an entry concerning the use of the property item. Property records shall be maintained accurately and shall include:

- Description of the property, including brand name;
- Manufacturer's serial number, model number, federal stock number, national stock number or other identification number;
- Funding source (JTPA, WIA, WIOA, Trade Act etc.);
- Notation of who holds title;
- Acquisition date or date received if the property was furnished by the federal/state government);
- Location, use and condition of the property;
- Unit acquisition cost;
- Percentage of federal/state participation in the cost;
- Date of disposition; and
- Sales price of the disposed property.

Commerce recommends incorporating disposition information into property records, as this information is subject to review. Such information should include a calculation of the federal/state participation share of fair market value and the location and/or program to which property is transferred.

8.14b Physical Inventory of Property

The LWDB or subrecipient shall conduct a 100 percent annual physical inventory of property (as defined in 8.14a) and reconcile the results with their property accounting records. Any difference between quantities determined by the physical inspection and those shown in property records shall be investigated and the cause of the difference documented.

The LWDB or subrecipient shall, in connection with the inventory, verify the existence, location, current utilization and continued need for the property. Documentation of annual inventories will be subject to review during on-site monitoring reviews conducted by Commerce. To ensure separation of duties, someone other than the Property Control Officer shall conduct the annual inventory.

8.14c Tagging

The LWDB or subrecipient is responsible for tagging all equipment (tangible nonexpendable property having a useful life of more than one year and a unit acquisition cost $5,000 or more). Tagging involves the purchase of small, self-adhesive labels, pre-printed with a name/logo and number. As a cross-reference for audit purposes, the

tag number should be entered in the property control record and noted on the invoice for each item of property. Tagging supports the property control system and can provide the following important benefits:

- Ready identification of an item of property when taking inventory. A serial number inconveniently located on the bottom or back of an item need not be located. Instead, the tag takes the place of the serial number;
- Ready identification of the item as belonging to the organization. In some cases, tagging may reduce property theft;
- The tag number may be used as a code to identify the location of property (by physical location or by unit designation), type of property, funding source used or other useful identifier; and
- Where the organization charges depreciation or use allowance, the tag number may be used to allocate those costs to the correct department or funding source.

8.15 Property Maintenance and Security

Adequate maintenance procedures must be implemented to keep accountable property in good condition. The manufacturer's recommended procedures for maintenance shall be followed. Property records must include copies of pertinent warranties. Maintenance agreements may be obtained based on the results of a price analysis, cost/benefit analysis and the availability of in-house technical support.

Adequate safeguards must be implemented to prevent or reduce the risk of loss, damage or theft of property. Any loss, damage or theft of accountable property shall be investigated and fully documented. LWDBs and subrecipients shall contact the appropriate law enforcement office to report any missing or stolen property and must maintain a copy of the law enforcement report in the property records.

Licensing and Maintenance Fees - As noted above, LWDBs or subrecipients are responsible for the proper maintenance of property. If any licensing and/or maintenance agreement fees cover a period of more than one year, these fees should be prorated through the duration of the agreement. Licensing/maintenance agreement fees benefiting multiple years may be charged only if it can be demonstrated the payment generates significant savings to the program.

8.16 Property Insurance

Non-governmental entities must obtain insurance adequate to cover replacement costs for federal/state property losses resulting from vandalism, theft, fire, flood, windstorm or other hazards. Governmental entities or their subrecipients shall be required by Commerce to replace any damaged, lost or stolen property from sources other than federal funds if no property insurance is in effect. Insurance proceeds shall be considered to be rebates and shall reduce the federal/state share of the program cost. The reduction shall be the greater of the following:

- Federal/state participation share of the cost of the insurance premiums multiplied by the proceeds received; or
- Federal/state participation share of the cost of the property lost or destroyed.

8.17 Transfer of Property

Commerce may determine another need for property an LWDB or subrecipient has requested to dispose. In this event, the LWDB or subrecipient will be instructed to transfer the property. Requests should be submitted to

equipmentdisposal@kansascommerce.com. Responsibility for arranging shipment rests with the requesting (receiving) entity. When surplus property is shipped to warehouse storage, responsibility for arranging shipment rests with the entity in possession of the property.

The entity responsible for arranging movement of property should give careful attention to transportation costs, staff costs, susceptibility to damage of the particular property and other pertinent considerations before determining the most cost-effective mode of shipment. Property insurance does not normally cover property in transit. Common carrier (commercial shipper) standard liability covers only a fraction of the value of property shipped unless additional coverage is specifically arranged. Thus, special insurance may be needed to provide adequate coverage of property in transit.

8.18 Property Acquisitions by Commercial Organizations

This section applies to real property and equipment acquired or produced under a contract with a commercial (for-profit) organization. Title to property acquired or produced by a commercial subrecipient shall vest in the higher-tier, noncommercial organization that awarded the contract.

A commercial subrecipient shall not acquire property with WIOA funds without the prior approval of Commerce.

8.19 Property Records Retention

See section: "3.03 Record Retention and Maintenance"

Chapter Nine

Procurement

In this chapter you will find the following:

- Procurement Responsibility
- Procurement Basics
- Conflict of Interest Policy
- Procurement File
- Reasonableness of Cost
- Methods of Procurement
- Sealed Bid Method
- Competitive Negotiation Method
- Protest/Dispute/Grievance Procedure
- Contract Negotiations
- Special Procurement Considerations

9.00 PROCUREMENT

9.01 Responsibility for Procurement

This chapter discusses the minimum standards for policies and procedures required of subrecipients and others involved in the procurement of goods and services. These minimum standards are established to ensure purchases made with public funds are economical and efficient and are in compliance with applicable laws and regulations. All subrecipients shall maintain a written procurement policy to adequately address the elements contained herein.

All subrecipients must comply with requirements imposed by federal/state statute, regulations or the terms of a federally/state funded grant. In general, compliance with standards established for federal/state funds, as well as the standards outlined in this chapter, will ensure acceptable procurement practices. All subrecipients and standing committees must follow these standards and guidelines for the procurement of goods and services for all programs.

Each non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts according to Federal, State, and local requirements. Subrecipients shall adopt and maintain a written Code of Conduct (see Section 9.03, Conflict of Interest Policy) to prohibit persons involved in the procurement process from accepting gifts, favors or anything of monetary value from subrecipients or potential subrecipients. The code must address moral and ethical issues involved in procurement to include the following:

- Individual conflicts of interest occurring when persons involved in the award and administration of contracts have a financial or personal interest in prospective lower-tier subrecipients or suppliers; and
- Penalties, sanctions or disciplinary actions for violators to the extent provided by state and local laws, rules or regulations.

All subrecipients must perform a cost or price analysis for every procurement action and maintain documentation of such in their procurement file (see Section 9.04, Procurement File). Subrecipients may use their own purchasing and procurement system if it meets the requirements contained in this chapter. However, subrecipients must adhere to whichever purchasing and procurement system is more restrictive.

All subrecipients receiving federal/state funds assume full responsibility for establishing and maintaining their own procurement systems and have no recourse for the settlement and satisfaction of contractual issues. This includes responsibility for settling disputes, claims, protests of awards made and other contracting matters resulting from a lower-tier subrecipient's procurement practices.

9.02 Basic Procurement Principles

Subrecipients shall comply with the following principles of procurement when initiating actions to procure goods or services in support of funded programs.

All subrecipients receiving federal or state funds must implement and maintain a documented procurement system to adhere to the applicable federal, state and local laws, rules and regulations. While legislation governing workforce programs range from OMB Circulars to specific regulations, rules and policy, there are basic fundamental principles common to all programs.

An effective procurement system will meet the standards set by these principles, as well as satisfy the needs of the subrecipient in a timely manner and ensure goods and services are purchased at a fair and reasonable price.

Regardless of the program, legislation or the source of federal funds, the principles outlined below must be followed to have a sound, efficient and fair procurement system.

9.02a Written Procurement Policies and Procedures

Subrecipients must develop and maintain written procurement policies and procedures for all programs to clearly identify the methodology employed when obligating and expending public funds. The procurement policies and procedures shall address both the common procurement elements and program specific requirements.

During pre-award surveys and monitoring evaluations the procurement policies and procedures will be reviewed to determine if they meet applicable federal/state requirements and are being followed. Failure of a subrecipient to follow its own policies increases the probability of a noncompliance finding. Punitive action, resulting from noncompliance findings is based on the severity and frequency of occurrences. However, if noncompliance results in a less than adequate (i.e., flawed, inconsistent, etc.) procurement, associated costs may be questioned and possibly disallowed. It is important for LWDBs and subrecipients to accomplish the following:

- Have knowledge of fundamental procurement principles;
- Ensure the administrative staff develop clear, concise and comprehensive procurement policies and procedures; and
- Ensure local procurement policy is implemented, maintained and monitored.

Subrecipients must develop written policies and procedures to address the following minimum requirements:

- Procurement authority, responsibility and delegation;
- Code of Conduct;
- Conflict of Interest;
- General policy of competition;
- Selection of lease, lease-purchase or purchase method of procurement;
- Selection of procurement method (includes minimum dollar thresholds and procedures for each type of procurement utilized by the subrecipient):
    - Small Purchase,
    - Noncompetitive,
    - Invitation for Bid (Competitive - Sealed Bid), and
    - Request for Proposal (Competitive);
- Determination of cost/price reasonableness (e.g., cost/price analysis);
- The basis for award selection (includes solicitation, evaluation and award process for each procurement method utilized) must specify the subrecipient is responsible for the following:
    - Incorporating a clear and accurate description of the technical requirements for the product or service to be procured;
    - Evaluating prior subrecipient/contractor performance before issuing subsequent awards; and
    - Identifying all requirements which the bidders must fulfill and all other factors to be used in evaluating bids or proposals;
- Selection of type of contract (including cost reimbursement, fixed-unit price, etc.);
- Standard clauses for inclusion in award document;

- Pre-award determination of subrecipient responsibility (e.g., debarment and suspension, certifications, pre-award survey, audit results, etc.);
- Contract specifications (scope of work, budget, etc.);
- Contract administration (including inspection and/or performance and compliance monitoring);
- Emergency purchase specifications;
- Contract award protests, disputes, grievances and claims process;
- Development and maintenance of procurement records; and
- Sanctions relevant to violations of procurement standards.

Procedures shall include "how-to-steps" in carrying out the above actions. Staff members responsible for executing the procedures shall be familiar with them. Care shall be taken to ensure such policies do not violate federal, state or local laws.

9.02b Procurement Authority

The authority for procurement actions, as well as the responsibility for design and implementation of procurement systems, is vested with each entity purchasing goods and services, related to the provision of workforce services. Subrecipients shall utilize specific program requirements in the event of a conflict with these requirements.

9.02c Equal Treatment

Equal opportunity must be available to all prospective sources of goods and services to be purchased. This means equal access to bid specification information and evaluation must be ensured for all bidders and prospective providers.

9.02d Full and Open Competition

All subrecipients must procure goods and services in a manner to provide maximum open and full competition. Such competition shall be sought for every purchase, regardless of the article or service to be obtained or the dollar value of the purchase. Where no competition exists or where it is not cost effective to obtain competitive bids, documentation shall be maintained to substantiate why there was a deviation from full and open competition.

In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements. The OMB Uniform Guidance identifies several situations which restrict open and free competition, and the following must be avoided:

- Unreasonable requirements imposed on firms to qualify;
- Unnecessary requirements for experience or bonding;
- Noncompetitive pricing practices between firms or affiliated companies;
- Noncompetitive awards to consultants on retainer contracts;
- Organizational conflicts of interest, including related party transactions;
- "Brand name" specifications;
- Overly restrictive specifications;
- Arbitrary actions in the procurement process; and'
- Exclusion of potential bidders from qualifying during solicitation period for prequalified bidders lists.

9.02e Arms-Length Negotiations

Negotiations between subrecipients and bidders must be arms-length arrangements. A strict code of conduct shall be observed to prohibit favors or special treatment. Negotiations between departments within the same unit of government shall be structured to achieve an arms-length arrangement.

9.02f Protests and Remedies

Potential subrecipients and contractors shall have recourse to remedy a situation when it believes it was treated unfairly in the procurement/award process. The subrecipient's procedure shall include both an informal and a formal resolution process.

9.02g.Procurement Records

The subrecipient shall maintain fully documented files and other records sufficient to detail the significant history of procurement. The subrecipient shall retain all records pertinent to all grants and agreements including financial, statistical, property and participant records and supporting documentation. These records must be retained for three years after acceptance of the final audit report, unless any litigation or claim has been started before the expiration of the three-year period. Then records must be retained until the completion of the action and resolution of all issues or until the end of the regular three year period, whichever is later.

Subrecipients shall be responsible for notifying all contractors of the retention requirements. If the relationship with a contractor is terminated, the subrecipient is responsible for the maintenance and retention of the contractor records if the contractor is unable to retain them.

9.02h Determination of Need

The process of considering and justifying the determination of the need for a purchase shall be documented and included in the procurement file. Entities submitting plans for approval, such as LWDBs, may refer to their plan in satisfying this requirement. Where the need was not identified in the plan, the requirements of this section shall be followed. The extent of the needs assessment analysis is dependent upon the nature of the procurement. Simple, small purchases may require as little as concurrence from the person with the procurement authority. More complex and costly procurement requires a full assessment as described below. Decisions on the extent of assessment require justification and the subrecipient shall ensure justification is consistent with the nature of the procurement.

Part of the process includes gathering information using objective, statistical and subjective data. Census reports, municipal and county demographic data, information from special projects and surveys may be used to determine areas of need based on the extent and complexity of the procurement. A written statement of need is compiled for the procurement record. The needs assessment shall address the following:

- Clear statement describing the population in need of services;
- Statement describing the services needed;
- Description of the benefit to employers and the workforce population to be served;
- Description of the availability and accessibility of local and other resources to meet the identified need, including cost, location and eligibility conditions; and

- Assessment of the availability of funding and the cost effectiveness of purchasing the services externally as opposed to transferring clients to other community resources providing the service.

An appropriate authorization through the chain of command must be obtained and documented for each procurement. The authorization must include documentation and approval of the following:

- Needs assessment determination;
- Procurement method selected;
- Funding level;
- Procurement time frames; and
- Procurement and performance specifications, requirements and criteria.

The designation of the appropriate signatory(ies) for procurement authorization must be established in formal written policy. The policy shall include delegation of responsibility and authority. Levels of authority may be established for the type and method of the procurement (i.e., administrative versus programmatic types of procurement). However, ultimate authority and responsibility shall be established with one person or entity within the organization.

9.03 Conflict of Interest Policy.

Each subrecipient shall maintain a written Code of Conduct to govern the performance of its officers, standing committee members, employees or agents engaged in the award and administration of contracts. Each LWDB member, officer, standing committee member, employee or agent of a subrecipient must sign the code of conduct. Subrecipient officers, standing committee members, employees and agents involved in the procurement process are prohibited from accepting gifts, favors or anything of monetary value from existing or potential subrecipients or parties to sub-agreements. Subrecipients may set limitations where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value.

Every reasonable course of action shall be taken in order to maintain the integrity of the expenditure of public funds and to avoid any favoritism or questionable conduct. Any situation suggesting a decision was influenced by prejudice, bias, special interest or personal gain shall be avoided. Before being awarded a contract a person may be required to ensure, in writing, such person has not been retained in violation of the ethical standards. Failure to do so constitutes a breach of ethical standards.

9.03a Avoidance of Conflicts of Interest

The Code of Conduct must address real or apparent circumstances requiring declarations of conflicts, abstention from voting and abstention from participating in procurement decisions. If an individual has a conflict of interest they must declare a conflict on the official record and abstain from voting on and participating in the procurement.

The following create conflicts of interest and must be avoided by all LWDB members, officers, standing committee members, employees or agents of a subrecipient in procuring goods or services with federal/state funds:

- *Gratuities* - Soliciting, demanding, accepting or agreeing to accept or to offer, give or agree to give, from/to another person any economic opportunity, future employment, gift, loan, special discount, trip, favor or service, except nominal gifts as specified in state requirements.

- *Procurement Documents* - Any individual's participation in the development of procurement documents, review of procurement packages prior to release to potential bidders, acceptance by deadline, initial review of procurement packages, negotiation, selection, discussion, award or administration of a procurement supported by WIOA funds where, to the individual's knowledge, any of the following has a financial or other substantive interest in any organization which may be considered for award:
    - The individual;
    - Any member of his or her immediate family;
    - His/her partner; or
    - Any organization in which any of the above has a material financial or other substantive interest.
- *Contingent Fees* - To solicit or secure a contract upon agreement or understanding for a commission, percentage, brokerage or contingent fee except for retention of bona fide employees or established commercial selling agencies for the purpose of securing business.
- *Confidentiality and Nondisclosure* – Certain information may not be disclosed until a particular point in the procurement process has been reached. Other information must be kept confidential permanently. The following are examples of procurement information not to be used by any person for actual or anticipated personal gain or for the gain of any other person:
    - Information about the funds available or related data, until the information is made known to all bidders;
    - Number and names of bidders until the contract is awarded and the decision is made public;
    - Technical or cost/price information to anyone not officially involved in the procurement while the procurement is in progress; and
    - Certain technical or proposal information the bidder has designated as proprietary or trade secret, even after the award is made and publicized.
- *Illegal Acts* - Accepting or paying bribes or kickbacks, conspiring to thwart the competitive procurement process;
- *Other Actions* – Other actions which create real or apparent conflicts of interest.

Substantive interest means any interest of a substantial nature, whether or not financial in nature, including membership on an organization's governing board, acting as the agent for an organization or employed as an officer of an organization.

Immediate family means any person related within the second degree of affinity (marriage) or within third degree of consanguinity (blood) to the party involved. The prohibited relationships are as follows:

- First degree of affinity Husband, wife, spouse's father or mother, son's wife, daughter's husband;
- Second degree of affinity Spouse's grandfather or grandmother, spouse's brother or sister;
- First degree of consanguinity Father, mother, son, daughter;
- Second degree of consanguinity Grandfather, grandmother, brother, sister, grandson, granddaughter; and
- Third degree of consanguinity Great grandfather, great grandmother, uncle, aunt, brother or sister's son or daughter, great grandson, great granddaughter.

9.04 Procurement File

A historical file to accurately reflect a trail of events and actions leading to the procurement of a product or service must be maintained in a secure, central, accessible location. Procurement files shall include, at a minimum, copies of the following:

- Needs assessment determination;
- Procurement method selected;
- Procurement authorization(s);
- Public media advertisement;
- Request for Proposal (RFP)/Invitation for Bids document;
- Proposals received;
- Rating criteria;
- Completed staff and/or Board evaluation forms;
- Independent cost estimates
- Cost/price analysis forms and cost reasonableness determination;
- Notes and other documentation concerning negotiations;
- Notice of award/non-selection;
- Fully executed contract; including amendments/modifications;
- Contract performance evaluation;
- Signature authorities;
- General correspondence related to the specific procurement action; required reports; and
- Documentation related to disputes; protests; and claims.

The procurement records/files are subject to audit and must be available for review during on-site monitoring visits performed by Commerce State Auditor, the USDOL or any other authorized monitoring/auditing entity.

9.05 Reasonableness of Cost

As stated previously, the selection and award of contracts should reflect an assurance consideration has been given to competition, effectiveness and efficiency during the evaluation process. A reasonableness of cost analysis is a required step in this process.

It is of utmost importance the procuring subrecipient recognize its responsibility in this area. The task should be specifically assigned, there should be a clear understanding of the steps required and the process must be thoroughly documented.

The subrecipient shall perform a cost and/or price analysis in connection with every procurement action, including modifications, except for modifications lacking a monetary impact. The method and degree of analysis depend on the facts surrounding the particular procurement and pricing situation but, at a minimum, the subrecipient shall make independent cost estimates before receiving bids or proposals.

Price analysis includes a comparison of prices paid for the same or similar products in the past, as well as the current market rate. Quantities, production and delivery rates should also be taken into consideration. Cost analysis is the element-by-element examination of the detailed costs submitted in the line item budget. Each of the costs contributes to the total price.

A cost analysis must be performed under the following circumstances:

- When the bidder is required to submit the elements of its estimated cost;
- When adequate price analysis is lacking; and

- For noncompetitive procurements, including contract modifications or change orders, unless price reasonableness can be established on the basis of a catalog or market price of a commercial product sold in substantial quantities to the general public or based on prices set by law or regulation.

A price analysis will be used in all other instances to determine the reasonableness of the proposed contract price.

9.05a Independent Cost Estimate

The subrecipient shall, prior to release of the RFP, develop an independent cost estimate. The independent cost estimate provides an objective reference point from which the cost reasonableness is determined. It is derived from a cost breakdown of similar programs in the local market. The estimated costs should be as precise as possible. In some cases, specific costs may not be available either due to the lack of similar types of programs in the market area or due to the inability to predict the type of proposals responding to the RFP. In those cases, the estimate should be based on the best information available. The estimate is the standard from which the established reasonable cost may vary. It is not necessarily the standard to which the proposals must conform. The estimate may be derived from historical data, although allowances and adjustments for time (i.e., information from programs conducted in prior years) must be factored in. This estimate shall be included in the procurement file as an integral part of the cost/price reasonableness analysis.

9.05b Establishing Price Analysis

Price analysis is the process of examining and evaluating a price without looking at the estimated cost elements and proposed profit of the offer. In negotiated procurements, especially where technical factors are most important, price competition may be inadequate. In such instances, comparing the prices of offers is not usually sufficient to ensure cost reasonableness. A more detailed analysis is needed utilizing past prices, quantities, production, delivery rates and similar non-cost information. The subrecipient will need to conduct discussions with bidders in negotiated procurements to be sure about price. Acceptable ways to seek and document price analysis include the following:

- RFP solicitation of competitive proposals;
- Invitation for bid solicitation (formal advertising) with receipt of sealed bids, public opening and award to the lowest responsible and conforming bidder on a fixed price basis;
- Small purchase method-documentation of price quotations received is a result of shopping for equipment, supplies or services priced by commercial contractors not in excess of the authorized local small purchase dollar threshold amount;
- Catalog pricing (such as for tuition) to the extent these rates are actually relied upon to charge the public for the listed goods or services (frequent discounting would jeopardize reliance on catalog prices as a source for demonstrating reasonableness);
- Recent past pricing for similar goods or services procured locally (assumes past pricing was reasonable);
- Recent past pricing for similar goods or services procured by others in the vicinity (assumes past pricing was reasonable); and
- Yardsticks developed from models designed to identify and price the mix of resources considered necessary for achievement of delivery within the expected range of performance (seeks to predetermine the cost of the object of the procurement).

9.05c Establishing Cost Analysis

Proposal costs analysis is used to establish the basis for negotiating contract prices where price competition is not adequate or is lacking altogether and where price analysis by itself does not ensure the reasonableness of prices. Cost analysis is the review and evaluation, element by element, of the cost estimate supporting a bidder's proposal for the purpose of pricing a contract. This review includes analysis and evaluation of the following:

- Supporting data submitted by the bidder;
- Cost elements; and
- Factors the bidder considered in projecting from data to develop the estimate of cost to perform the specified work.

The following processes require specific additional cost analysis and justification to be supported as price reasonable:

- Agreements in which a written technical and cost proposal applicant has not been submitted;
- Agreements funded at or above the proposed cost level;
- Agreements only compared to average cost standards (i.e., per participant per training hour) and do not weigh actual differences in relative value (i.e., pre-employment skills versus occupational training);
- Agreements resulting from noncompetitive (sole source) procurement; and
- Tuition-based agreements in which the rate charged is not justified by comparison to other available prices in the area.

After costs are identified, they are evaluated to determine permissibility of individual items. Factors affecting permissibility are necessity, reasonableness, application of generally accepted accounting principles, practices appropriate to the particular circumstances and any regulatory or contractual limitations on types or amounts of cost items.

Bidders are usually required to submit basic cost or pricing data for most training related procurements. Even when the contract type contemplated is a fixed unit price performance-based contract, the bidder will submit a detailed line-item budget. This budget shows the detailed cost elements and sub-elements the bidder estimates it will incur in carrying out the work in its technical proposal. Frequently, the bidder is requested to submit backup data to support its cost estimates, either with the cost and price proposal or at a later point in the procurement process.

Contract cost analysis is the element-by-element examination of the costs and related information presented in the cost and pricing data bidders submit. It involves analyzing cost data furnished, estimating assumptions stated and the rationale employed by bidders in reaching the amounts proposed. All these are cost factors contributing to the total price estimated by bidders.

The first step of a cost analysis is verifying the cost and pricing data submitted and evaluate the cost elements in the data to include the following:

- Judging the necessity for and reasonableness of proposed costs;
- Evaluating the bidder's cost trends on the basis of current and historical costs or pricing data;
- Conducting a technical appraisal of the estimated labor, material and other requirements proposed; and
- Applying negotiated, audited or proposed indirect cost rates to determine the contract price, where such rates are proposed.

The second step of a cost analysis is comparing the costs proposed by bidders with other data. This data includes actual costs incurred by the same bidder in the past. Cost analysis can also compare the current proposed costs with previous cost estimates from the same bidder or from other bidders for the same or similar items. It is appropriate and helpful to compare a bidder's costs with those proposed by other bidders in the same procurement. Comparison to the subrecipient's independent cost estimate can be helpful as well.

The third step of a cost analysis is evaluating the bidder's cost submissions against applicable contract cost principles. These cost principles define and describe the meanings and limits of a variety of costs. Costs not conforming to these meanings and limits are not allowable. State or local laws and regulations may make certain costs unallowable or place limits on costs in addition to those cited in program specific provisions and regulations.

Subrecipients shall negotiate profit as a separate element of the price. Procurements shall not permit excess program income (for nonprofit and governmental entities) or excess profit (for private for-profit entities). Under no circumstances shall fees or profits exceed 10 percent of the contract amount. To establish a fair and reasonable profit, consideration shall be given to the following:

- Complexity of the work to be performed;
- Risk borne by the awardee;
- Bidder's investment;
- Amount of subcontract;
- Quality of the bidder's past performance;
- Industry profit rates in the surrounding geographical area for the same or similar work; and
- Market conditions in the surrounding geographical area.

9.05d Guide to Conducting Cost Reasonableness Review

The following is a guide to conduct a cost reasonableness review. The review should include, but not be limited to the following:

- Consider prior experience and effectiveness;
- Conduct a line item budget analysis;
- Determine the amount of profit applicable. Profit should be allocated by category according to benefits received. Profit may be identified as a fee. Excess profit (for private-for-profit entities) is not allowable. Neither is the generation of excess program income (for nonprofit and governmental entities);
- Determine the amount of the total budget;
- Determine the amount of the administrative budget;
- Determine the administrative percentage of the total budget;
- Identify all cost items and salaries;
- Ensure costs are properly allocated and classified;
- Review all cost items with respect to relevancy and appropriateness in accomplishing the services provided;
- List any high or questionable costs;
- Ensure an organization-wide cost allocation plan is provided where the bidder has multiple sources of funding, if applicable;
- List any questionable issues of purchase or lease;
- Ensure the cost of audit is covered;

- Review staffing resources and salaries.
- Ensure the budget matches the salary distributions sheet;
- Ensure staff salaries are properly allocated to administration or other applicable categories, such as training;
- Determine if the staff appears adequate for the proposed activities;
- List high or questionable staff salaries and benefits;
- List low cost or unreasonable staffing;
- Review travel reimbursement policies;
- Review cost per positive termination in relation to similar training, length of time and quality;
- Review cost per entered employment in relation to similar training, length of time and quality;
- Review cost per contract hour (total participants x hours of participation for completion = contract hours);
- Perform a comparative analysis when more than one organization responds to the solicitation for same or similar services. The analysis should include a comparison of activities and services to be offered, staffing patterns and costs proposed. Use this type of comparison to assess the reasonableness of price through competition;
- Perform a comparative analysis when an item or service is currently available in the local service delivery area. This should include comparisons with current market rates to establish the reasonableness of the proposed cost; and
- Compare relevant data to information gathered in the independent cost estimate. Consideration should be given to such factors as time (i.e., currently programs as compared to previous programs), similarity of programs and other relevant cost elements. Other relevant factors to be considered may be target populations (i.e., hard-to-serve individuals, dislocated workers, unemployment insurance claimants, etc.) and performance measures. These and any other relevant comparisons must be justified in terms of similarities and differences of the programs under consideration.

9.05e Documentation

Records must be maintained certifying an appropriate review has determined the price is reasonable. All awards must be supported with documentation establishing relevant and appropriately detailed cost and/or price data has been submitted and reviewed by assigned staff. At a minimum, each proposal should contain the following:

- Copy of the line item budget;
- Lease agreements and calculations of space and costs allocated for program purposes;
- Cost allocation plans where costs to be funded are prorated between different funding sources;
- Subrecipient-approved wage and benefit schedules for positions to be funded in the proposal submitted;
- Policies on travel reimbursement;
- Calculations, bids and/or documentation used to determine costs of equipment, supplies and where appropriate, start-up costs;
- Cost determinations of each classroom training course based on per hour, day and week cost considerations if applicable to services offered; and
- Documentation on costs of other funding sources received by the organization impacting directly or indirectly on the program services proposed.

Records must be maintained certifying the name(s) of individual(s) who performed and/or approved the cost reasonableness review. Records should also be maintained to show differences in the quality of the service or

output. After completion of the review, a report outlining strengths and weaknesses of the proposed budget should be compiled and used in negotiations. All changes resulting from negotiation should be documented.

Services continually provided in-house, as well as organizations repeatedly funded through noncompetitive, roll over awards, pose a risk. Periodic cost reasonableness reviews ensure the procurement objective of free and open competition is protected and the service is, in fact, the best quality at the most comparable price. The market should be tested periodically to signal a readiness for acceptance of change and to demonstrate no one has a "lock" on the procurement action.

Commerce shall allow costs or prices based on estimated costs for the subrecipient only to the extent costs incurred or cost estimates included in negotiated prices are consistent with items of the contract and applicable federal cost principles.

9.06 Competitive Procurements: Small Purchase, Sealed Bid and Competitive Negotiation Methods

The subrecipient shall accomplish its procurement by using one of the following procurement methods, as appropriate to the dollar amount, nature of the procurement and availability of bidders or bidders.

1. Micro-purchase – where aggregate dollar amount does not exceed $3,000. Competitive quotes are not required. Subrecipient determines price reasonableness in accordance with local policy.
2. Small purchase – purchases of $3,000 up to Simplified Acquisition Threshold (SAT), currently $150,000, using informal purchasing procedures. Price quotes are obtained from an adequate number of sources.
3. Formal Advertised - Purchases over the SAT.

    a. Sealed bids –Formal solicitation of bids and awarded to bidder who conformed to all material and terms and is the lowest in price.
    b. Competitive proposals – over the SAT. Formal solicitation of bids, used when sealed bids are not appropriate. Awarded to firm whose proposal is most advantageous to the program, including price being used to factor.
4. Noncompetitive – aka sole-source. Used in emergencies or competition is inadequate.

9.07 Micro Purchase (aggregate dollar amount < $3,000)

The subrecipient shall use the micro purchase method for aggregate purchases not greater than $3,000. Purchases can be made without obtaining competitive quotes if management determines the price for purchase is reasonable. Purchases under this method should be distributed among qualified suppliers.

9.08 Small Purchase Method (up to Simplified Acquisition Threshold)

The subrecipient shall use the small purchase method for relatively simple, informal purchases with an aggregate cost of at least $3,000 but not more than $150,000. The subrecipient shall make every reasonable effort to obtain price or rate quotations from a minimum of three responsive providers to ensure reasonable competition. Such quotations shall be documented and made part of the procurement files for review purposes. Documentation of all awards must substantiate the best price/value to the subrecipient.

The subrecipient shall develop written procedures to outline any smaller limits adopted for small purchases, established procedures for emergency purchases in the event of potential financial loss or operational damage if purchase is delayed and identify the person in the organization authorized to approve emergency purchases.

Aggregate purchases exceeding $150,000 shall not be divided to fall within the small purchase limit and avoid competitive bidding requirements. Split purchases used to circumvent competitive bidding shall be considered flawed and may be disallowed.

9.09 Formal Advertisement Methods (aggregate cost > $150,000)

Purchases with aggregate cost exceeding $150,000 must be procured using one of two formal advertisement methods. The nature of the goods/services needed generally specifies the method used. The **sealed bid method** (see Section 9.10., Sealed Bid Method) is generally used to obtain goods and services where precise requirements can be easily specified. **The competitive proposal method** (see Section 9.11, Competitive Proposal Method) is generally used to obtain services that cannot be specifically defined. Both methods solicit written responses via public invitation (advertising).

9.10 Sealed Bid Method

The subrecipient shall use the sealed bid procurement method if, at a minimum, the following conditions are present:

- Complete, adequate and realistic specification or purchase description is available;
- Two or more responsible suppliers are willing and able to compete effectively for the award; and
- Procurement lends itself to a firm fixed-price contract and lower-tier subrecipient or contractor selection based primarily on price is appropriate.

In formally advertised procurements the subrecipient shall accomplish the following:

- Issue invitations for bids to known suppliers and publicly advertise the invitation allowing sufficient time, considering the complexity of the item to be procured prior to the date of bid opening, to permit adequate responses;
- Clearly define the items or services needed to enable bidders to respond properly;
- Open all bids publicly at the time and place stated in the invitation for bids; and
- Award a firm fixed-price contract (lump sum or unit price) by written notice to the responsible suppliers whose bid, conforming to the invitation for bids, is lowest in price.

The subrecipient shall consider factors such as discounts, transportation costs and life cycle costs if the invitation for bids provides for their consideration. The subrecipient may use payment discounts to determine the low bid only if prior experience indicates such discounts are generally taken.

The subrecipient’s invitation for bid should state the subrecipient may reject any or all bids when there are sound, documented business reasons.

9.11 Competitive Negotiation Method

The subrecipient shall use the competitive negotiation method if the following conditions are present:

- Nature of the item or service needed precludes developing a specification or a purchase description precise enough so all interested parties have an identical understanding of the requirement;
- In addition to price, other factors will be considered in making an award; and
- Two or more responsible suppliers are willing and able to compete effectively for the award.

When using the competitive negotiation method, the subrecipient must accomplish the following:

- Solicit offers by distributing RFPs to an adequate number of qualified sources to ensure competition. This should include contacting sources included on the subrecipient's mailing or bidders lists, publicizing the RFP and honoring requests for copies of the RFP to the maximum extent practicable;
- Ensure the RFP identifies all significant evaluation factors, including cost or price, and the relative importance of each;
- Identify the type of contract (cost reimbursement, fixed price, or fixed unit price performance based) to be awarded;
- Provide mechanisms for the following:
    - Making technical evaluations of proposals received and determining responsible suppliers for the purpose of holding written or oral discussions;
    - Selecting the lower-tier subrecipient or contractor whose proposals, when evaluated, are believed to have a reasonable chance of being selected for awards;
    - Conducting negotiations with bidders deemed to be in the competitive range;
    - Awarding the contract to the responsible bidder(s) whose proposal will be most advantageous to the subrecipient, price and other factors considered; and
    - Notifying unsuccessful bidders of the award.

9.11a Request for Proposal Process

The RFP process provides the opportunity for negotiation of both technical and cost/price elements with responsive and responsible bidders whose proposals are judged to be within the competitive range. In addition to price, values such as experience and apparent understanding of the quality/effectiveness of the goods or services must be considered. To assess these values equitably, a point system should be used to rate the proposals received.

All requests for offers for the provisions of goods and services must be in writing. At a minimum, an RFP process shall include the following elements:

- Bidders shall submit a line item budget;
- RFP process shall require proposals are separately rated by staff and/or other qualified objective third parties using a rating method to set criteria for valuing and judging price reasonableness and consideration of past performance in a quantifiable and criteria referenced manner. Rating sheets describing the minimum qualification thresholds, dated and signed by designated reviewers, must be maintained;
- RFP process shall provide for individual scores to be aggregated;
- Final awards shall be consistent in dollar value and category with the stated intentions and numerical ratings in the RFP. Any inconsistencies shall be documented;
- Awards for training shall be in-demand occupations approved by the LWDB;
- Awarded contracts shall be consistent in cost, scope and deliverables approved by the LWDB and any inconsistencies shall be documented; and
- An RFP shall not indicate acceptable prices.

This method of solicitation requires step-by-step written procedures to address the ways the proposals will be developed. The process begins with some basic decisions described in the following section.

9.11b Basic Decisions Regarding the RFP

Because the RFP is an extension of the local planning process, there are as many variables to its development as there are subrecipients. The subrecipient shall be aware each method has its own vulnerability and requires countervailing steps and measures. Basic considerations are as follows:

Yearly or. Multi-Year Contract

The yearly method means the contract shall be for a period of one year only. In using the multi-year choice, the subrecipient shall establish additional year continuation requirements such as whether or not an updated proposal will be required. The subrecipient must fully document the renewal evaluation process from start to finish.

Single or Multiple Cycle RFPs

The subrecipient shall decide on the most effective system for issuing the RFP, whether one RFP cycle should be utilized for all procurement transactions or whether it would be more appropriate to establish varying cycles for different transactions. An important consideration is the length and timing of the cycles within the previously established frameworks.

Program Cost Estimates, Budgets, Historical Cost or No Dollar Figure

In publishing the RFP, the subrecipient must decide whether to include an estimated cost range derived from a properly conducted cost analysis, the amount of the allocation budgeted for the RFP goods/services, or historical costs the local area is accustomed to paying for same/similar goods/service. Lack of a cost estimates, budget or historical costs will be considered to be a No Dollar or No Cost RFP and deemed non-competitive.

Open or Rolling RFP

Similar to the single/multiple cycle decision, the subrecipient should decide on the acceptability of open or rolling RFPs. Repeatedly funding an organization through noncompetitive, roll over awards creates a risk of unreasonable pricing and inadequate quality, especially in situations where the activity being sought is a tailored rather than an off-the-shelf procurement. The market should be tested periodically to signal a readiness for acceptance of change and to demonstrate no one has a lock on the procurement action.

9.11c RFP Development

An acceptable RFP must reflect decisions concerning funding sources, labor market conditions, program mix and federal, state and local requirements. An internal review shall be conducted to ensure all required elements have been included in the document and are described in detail, leaving nothing to assumption. If an area is to be reviewed separately (during negotiation or after selection) the RFP should make this clear.

While the subrecipient is not required to publish the point scale assigned to each criterion as a part of the RFP package, the scale must be developed and established prior to the solicitation. Any requirement noted in the RFP instructions must be included in the evaluation criteria. The subrecipient shall decide, and state in the RFP,

whether proposing entities will be afforded an opportunity to submit information or documentation initially omitted. It is of the utmost importance to the integrity of the subrecipient's RFP process proposing entities be afforded fair and equitable treatment.

The RFP package shall include general information such as the purpose, due date, information about the bidder conference, available funds, proposed grant period and type of contract to be awarded, applicable Commerce policies and procedures, assurances and certifications and the contract boilerplate (if applicable). The package shall also contain solicitation instructions including a requirement for information, as applicable, concerning the bidder's background and experience, accounting system and audit/monitoring results, as well as instructions for developing the program proposal, budget detail and performance schedule.

9.11d Modifications to the RFP

During the procurement process, if changes occur regarding service delivery requirements, funding, or the scope of work to be procured, the RFP may be amended. All bidders of record shall be notified of the modification(s) in writing. If modifications are substantial and may affect a bidder's right to equal and non- biased treatment, the RFP shall be withdrawn and another shall be prepared.

9.11e RFP Elements

A strong RFP process reflects the goals and objectives of the subrecipient. The RFP shall be comprehensive and detailed to secure responsive proposals. If an element is not included in the RFP, it cannot be considered during the rating process. At a minimum, the RFP shall include the following.

- *Proposal Outline* - This element identifies the exact format and sequence for submitting responses. This can be accomplished by including a table of contents in the RFP to define the expected contents and format.
- *Statement of Work* - The RFP must include a statement of work. One of the most crucial parts of the RFP package is the statement of work. This provides a clear, concise description of the services to be provided and influences the bidder's actions and indicates the subrecipient's expectations as well as whether this is a subrecipient or contractor procurement. A sufficient statement of work summarizes the key features of the proposal in terms of mandatory, optional and supplemental components and program results. A statement of work is comprehensive and includes definitions and specifications (such as units of service, standards, performance goals, objectives, activities) of the workforce development services to be purchased.

  The proposed program or activity must be sufficiently detailed and adequate to protect federal/state funds. This item is developed, in negotiation with bidders, to establish acceptable levels of performance during the time period for the training.

- *Time/date* - This element includes statements regarding the period of time during which services are to be performed and due dates established for responses to be considered. Where proposed contracts are to be multi-year, the RFP should include requirements for continuing the additional years.
- *Protest Rights* - This element establishes the recourse for bidders who believe their rights were violated in the solicitation or selection process and for those whose proposals were rejected. The RFP shall identify the process to be followed when protesting or inquiring. It shall include the name and address of the person to whom inquiries may be submitted and the time frame for submittals. Methods to be undertaken

by the subrecipient, upon receipt of the inquiry, should be addressed, including who will respond and the time frame for response.

- *Right to Not Make Award* - This element includes statements regarding the soliciting subrecipient's right to accept or reject any and all proposals received. It also addresses the subrecipient's right to cancel all or portions of the RFP or reject any contract, and whether any of the bidder's costs in preparing or submitting a response to the RFP will be paid.
- *Negotiation Requirement* - This element establishes the soliciting subrecipient's negotiation rights to contact the bidder to clarify, explain, or verify any aspect of a submitted proposal in response to an RFP. It also establishes the subrecipient's right to require the revision of any price, technical aspect, or other portion of the proposal resulting from negotiations conducted.
- *Signature Authorization Certificate* - This element includes signed statements from the responding organization to ensure the individual signing on behalf of the organization has the authority to submit the proposal and carry out services solicited in the RFP.
- *Defined Cost Data Requirement* - This element identifies fiscal compliance requirements of cost categories, allowable costs and references to cost limitations (where applicable) by specific program legislation or regulation. This element also specifies the use of specific forms (if applicable) such as use of a standard budget form to be used in responding to the RFP.
- *Line Item Budget by Cost Category* - This element includes an outline of the budget summary to be completed by bidder. It must require sufficient detail of costs to enable an analysis of cost/price reasonableness. Planned expenditures within each cost category should be detailed by line item.
- *Responsiveness Thresholds* - This element identifies minimum standards for considering a response, as well as any component to cause a proposal to be disqualified. These components may include administrative and organizational qualifications, fiscal system standards, performance and outcome expectations, expected completeness, compliance with RFP requirements, adherence to time frames, pre-award survey results and other provisions.
- *Assessment Ranking Criteria* - The entire review and selection process for assessing and considering responses should be identified in the RFP. The description should note when selected staff and LWDB members will review the proposals. It shall also describe how the proposals will be reviewed. The discussion shall include the ranking or rating criteria to be used and how points will be assigned, as well as any considerations relating to competition, reasonableness of cost/price, organizational issues and scope of work activity.
- *Performance Standards* - This element defines the established goals and outcomes expected in the solicitation. Any written procedures regarding performance standards to be met through services solicited should be included.
- *Participant Selection* - This element identifies the approach to be used and the process to be followed to select participants, negotiated service levels for target groups, clear delineation of responsibility for participant recruitment and a provision for the contingency of low enrollments.
- *Policy Priorities* - This element identifies policies or statements of intent regarding program specific priorities established by the soliciting subrecipient as a result of its review of local workforce development needs.
- *Required Certifications* - A certification of compliance with the Clean Air Act, Federal Water Pollution Act, Drug-Free Workplace Act and prohibitions on lobbying, suspension and debarment may be required by federal regulations. All RFPs expected to result in a lower tier subrecipient award or contract exceeding $100,000 must include a completed debarment certification or statement of compliance. Federal agency subrecipients must certify they will provide a drug-free workplace as a pre-condition of receiving a federally funded contract exceeding $100,000. Lobbying certifications are required for all lower tier subrecipient contracts exceeding $100,000.

- *Conflict of Interest* - This element defines the soliciting subrecipient's code of conduct and conflict of interest policies. Such policies shall include confidentiality of the proposal process, arms-length negotiation expectations with the bidders, objectivity and fairness bidders may expect in the RFP process, provisions concerning the protection of government funds and expected standards of performance.
- *Corporation Certification* - When applicable, this element requires submission of the State of Kansas Corporation Certification to include articles of incorporation, organization charts, bylaws and governing board members. The element also requires submission of the certification of nonprofit status, if applicable.
- *Standard Contract Terms and Conditions* - All RFPs shall include a copy of the general obligations to be made a part of the final contract.
- *Definition of Terms* - All key terms contained in the RFP shall be expressly defined in the RFP.
- *Regulations* - Potential respondents of the RFP are expected to be familiar with applicable regulations and appropriate subrecipient directives governing the program. All lower tier subrecipients and contractors selected for a subaward or contract are expected to understand and comply with all applicable requirements in conducting services under the agreement awarded. Copies of all legislation and regulations must be made available upon request.
- *Program Income Requirements* - This element describes the soliciting subrecipient's requirements concerning profit earned/program income for lower tier subrecipient solicitations. Refer to applicable regulations for guidelines to establish reasonable profit level and program income disposition requirements.
- *Pell Grants and Other Funding Sources* – When applicable, this element identifies funds that may directly or indirectly impact the services solicited under the RFP. Provisions shall require duplicate resources be used to supplement the expenditure of federal/state funds.
- *Key Staff Qualifications* – When applicable, this element requires information concerning the staff qualifications and licensing and/or certification necessary to provide services. This could include a request for resumes and job descriptions for personnel to be hired for the services to be provided.
- *Training Definition, if applicable* - This element requires the following information regarding any training to be provided:
    - Days/hours
    - Sequence
    - Duration
    - Course curriculum
    - Skills to be achieved
    - Measurement of achievement
    - Pre/post testing
    - Entrance minimums/maximums
    - Attendance

9.11f Development/Use of Bidders Lists

Development of the bidders list is accomplished through a survey of the open market. Efforts to fortify the list must be made through advertising and other means designed to recruit the greatest number of potential bidders. Bidders lists are intended to provide a directory of responsible bidders/bidders the subrecipient may utilize in its solicitation of goods and services.

A potential bidder may have his/her name placed on a potential bidders list maintained and kept current by the entity or agency conducting procurement activity. Release of information about the procurement must not

compromise the equal competitive status and treatment of all potential lower tier subrecipients and contractors. Historically, underutilized businesses must have an equal opportunity to compete for and be selected for award of contracts or subcontracts.

9.11g Published Notice

A competitive procurement is formally advertised by publishing a notice of intent to contract. Consider the type of service to be purchased, the geographic area to be served, the number of individuals to be served and the availability of resources (i.e., staff, time, funding, etc.) to determine the appropriate degree of advertisement.

The following information should be included in the published notice:

- Brief description of the issuing agency and service to be provided;
- Description of geographic area to be served;
- How to obtain a RFP package;
- Deadline for obtaining RFP package and submitting an offer;
- Date of bidder conference, if applicable; and
- Name and phone number of contact person;
- Federal funds will be utilized for procurement and organization receiving approval must be an Equal Opportunity Employer.

9.11h Bidders Conference

The entity conducting the procurement may hold a conference for potential bidders to acquaint them with procurement policies and procedures, the service(s) being procured and the requirements of the RFP. The decision to hold a bidders conference is based on the extent of competition, the complexity of the RFP material and resources available (i.e., staff, time, funding, etc.). If a bidder conference is held, the information concerning the date, time and place of the conference must be stated in the procurement package and in the advertisement of the procurement. Ideally, the conference is held shortly after the procurement package is released and after potential bidders have had time to review the RFP. The conference can be conducted in one or more of the following ways:

- Deliver a presentation on the procurement package, then accept written questions from those in attendance;
- Accept written questions only and respond to bidders only in writing;
- Accept written and oral questions and respond orally and in writing with copies of the questions and answers provided to all potential bidders of record. Only written answers to questions are considered official and binding;
- Following the bidders conference, all written questions and answers should be documented and maintained in the procurement file. In any event, all bidders must be treated equally and be given access to the same information. The bidders conference may be recorded by video or audio for future reference and clarification; and
- Capacity-building conferences may be held by entities procuring services. At these conferences, staff may complete an example or model package to give potential bidders an understanding of the procurement process. Capacity building conferences must be held prior to a procurement activity.

9.11i Receipt of Late Offers

Offers received after the RFP's specified date and time shall not be considered.

9.11j Unsolicited Proposals

Written procedures must address the process to be followed when unsolicited proposals are submitted. If a subrecipient receives an unsolicited proposal and considers the proposal for funding, the subrecipient must document a determination of need and initiate a full procurement process. If an RFP or other solicitation is developed, the subrecipient must take special care to ensure the language contained in the specifications is unbiased, clear and unambiguous. Every effort shall be taken to ensure the principle of full and open competition is maintained.

9.11k Proposal Processing

The method by which an RFP is processed is equally as important as the contents of its package. The availability of the RFP should be announced through a legal notice in general circulation newspapers and bidders list notices (if applicable) updated at least annually. A bidder conference is beneficial in providing information regarding the RFP. A list of attendees and minutes of the meeting shall be kept in the official file. An official proposal receipt list shall be maintained. Proposals received should be date and time stamped. Receipt signatures shall be required for hand delivered proposals.

All proposals accepted shall be reviewed. Initially, proposals must be reviewed for completeness. If a proposal is incomplete, the procuring subrecipient may either contact the bidder to obtain additional information or declare the proposal unresponsive, thereby eliminating it from further consideration. In all cases, the subrecipient's procurement procedures shall identify which practice will be used when incomplete information is received and such information should be shared with potential bidders. Responsive offers are those offers conforming to all the requirements of the solicitation request. The procuring subrecipient must ensure potential lower tier subrecipients are none of the following:

- Organizations/Corporations not in good standing with the State of Kansas (delinquency in paying taxes, etc.) https://www.kansas.gov/bess/flow/main?execution=e1s1
- Organizations/Corporations listed on the federal debarment list https://www.sam.gov/portal/SAM/?portal:componentId=9c7c412d-0e75-4bfd-8223-f425559b9408&interactionstate=JBPNS_rO0ABXc0ABBfanNmQnJpZGdlVmlld0lkAAAAAQATL2pzZi9uYXZpZ2F0aW9uLmpzcAAHX19FT0ZfXw**&portal:type=action#1

The review and rating of responses to solicitations through a consistently applied evaluation method is of primary importance in the procurement process. The key to an acceptable method is the assurance of equal treatment and arms-length consideration. In developing a method for reviewing and rating responses to solicitations the following considerations should be addressed:

- Each acquisition shall include evaluation factors specific to the particular acquisition;
- A cost analysis shall be performed by the contracting entity to arrive at the best offer. Reasonableness of cost (cost/price analysis) is discussed further in Section 9.05, Reasonableness of Cost. A cost reasonableness determination shall be part of the evaluation process and such determination shall be made a part of the procurement file; and
- While price is an important factor in selecting proposals for an award, other factors in the competitive proposal process shall be considered. Those factors may include the following:

- Quality of services offered;
- Operating characteristics;
- Technical innovations;
- Administrative capability;
- Compatibility with ongoing programs of the bidder's organization;
- Previous experience in providing the same or similar programs;
- Audit/monitoring reports; and
- Goal attainment and program outcomes.

Review criteria shall include, at a minimum, the following:

- *Administrative and organizational capability* - The demonstrated ability of the responding organization to successfully administer and operate a program of services of the kind and scope proposed including the following:
  - Experience providing services;
  - Quality and staffing pattern of project personnel; and
  - Organization's capability for project administration and fiscal management.
- *Scope of work activity* - The demonstrated methods proposed to achieve the desired results through the adequacy of detailed work plans, activities and outcomes identified in the proposal.
- *Program Budget* - The demonstrated cost reasonableness of budgeted items with respect to permissibility, necessity and relationship to the provision of services identified in the proposal and its anticipated outcomes.

Generally, the procuring subrecipient selects the lower tier subrecipient or contractor receiving the most favorable evaluation, cost and other factors considered. Where only one agreement is to be awarded and more than one bidder is being considered for an award, changes in proposals resulting from any negotiation performed with each bidder shall be re-evaluated in accordance with the same evaluation method used in the original review. Proposals received shall be rated in relation to other proposals received in the same solicitation.

Proposals selected for an award, as a result of the review and evaluation method should be contingent upon satisfactory results received from negotiations conducted and a pre-award survey of the organization. The procuring subrecipient should reserve the right to not award a contract should the proposals received fail to meet established minimum standards. In all RFP procurements, documentation to justify the selected bid is required.

All bidders shall be notified in writing of the results of the selection process. Upon request, procuring subrecipients may conduct a meeting with unsuccessful bidders. A copy of the successful proposal may be made available upon request.

In the review and decision process, it is important to follow established RFP steps to the letter. Each decision step must be segregated, each step and outcome at all levels must be documented, the roles of each decision making group (i.e., review committee, program staff, LWDB staff, etc.) must be distinguished, and all records must be maintained in the official files.

9.11l Selection and Award Process

Because of its importance to the subrecipient's procurement process, the system for selection and award must be well planned in advance of the receipt of proposals. The written plan should include the following:

- Dates the process will begin and end;
- Roles assigned to subrecipient staff and LWDB members;
- Reasonableness of cost/price (analysis required);
- Scoring approaches;
- Procedures to be used in technical evaluation of responses; and
- Assurances of maximum use of full and open competition, including criteria to justify approval of any sole source procurements.

Technical evaluations shall include the following:

- Quality of services offered;
- Operating characteristics;
- Technical innovations;
- Administrative capability;
- Compatibility with other ongoing programs;
- Previous experience in providing the same or similar programs; and
- Review of monitoring reports, goal attainment and program outcomes (if the bidder is a previous subrecipient, lower tier subrecipient or contractor).

Evaluation Process - The need to rigorously correlate the evaluation process to the technical criteria is especially important. The RFP shall incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. The RFP must set forth all requirements bidders or bidders must fulfill and all other factors the subrecipient will use in evaluating bids or proposals. The evaluation process must be based upon the technical criteria included in the RFP.

Evaluation Factors - Factors must be established and used to standardize and evaluate the proposals received. In addition to the standard audit requirement and necessary debarment language, the following factors must be utilized to evaluate responses to solicitations:

- How the Statement of Work was addressed in relation to what was requested in the RFP;
- Pre-award survey results satisfying the related questions of soundness of fiscal and administrative ability. Existing lower tier subrecipients or contractors shall have a valid pre-award survey/monitoring report not more than two years old;
- Sufficient knowledge of federal/state/local policies to perform objectives of the RFP;
- Cost-reasonableness consideration for all aspects including cost per objective or payment sequence, administrative costs (including salaries) and building/rent costs;
- How objectives are addressed;
- Programmatic structure and format;
- Conformance to the soliciting subrecipient's requirements;
- Budget reviews including payment schedule;
- Experience of those proposed to perform the training documented; and
- In case of ties on the rating, consideration may be given to those bidders who propose additional services to participants beyond the scope of work/core training/budget. Historically Underutilized Businesses may also be given consideration in case of ties in the evaluation process.

Rating/Scoring Sheets - Once evaluation factors have been established, they are used to evaluate/score the proposals received. Subrecipients may achieve the benefits of group rating by holding a discussion of the evaluation factors in advance of the actual rating. However, proposals shall not be rated as part of a group. Each proposal must be rated individually. Rating/scoring sheets are used to determine which bidder will be offered a contract agreement. In the event a dispute or disagreement arises concerning the projects funded, the rating/scoring process will be subject to close scrutiny. A clear and objective format is essential to this particular phase of the procurement process.

A sound rating/scoring is possible only if a technical or specific RFP is utilized. Different parts of the proposal have varying importance factors and shall be reflected in the scoring of the proposal components. Usually each component has a number of points possible to become part of the overall score.

Evaluation Criteria - Weighting an evaluation factor can be accomplished by using numbers or qualitative description. The evaluation factors may be prioritized in ascending or descending order of importance, such as the following:

- Permissibility of proposed activities or services;
- Conformance with regulations and policies;
- Capability (experience) of bidder to deliver services (both programmatic and administrative); and
- Cost (amount and reasonableness).

Weights may be assigned as a percentage or as a point value. Percentages should add up to 100 percent. Individual point values should add up to the total number of points in the scoring system.

After evaluation, each rating/scoring sheet shall be completed and signed by the reviewer. All scores shall be collected and totaled. To help ensure objectivity, each member of the responsible committee should review every proposal. The proposals must be rated against standard criteria established by the subrecipient and its governing board. This criterion shall be included in the RFP.

Rating results shall be issued in writing and reported to the LWDB. Under no circumstance will members of the review committee be directed, or pressured, to change their rating results by any other committee member, LWDB member, or subrecipient staff member. Violations of this policy may result in disallowance of all subsequent contract expenditures.

Relevancy and ensuring the best product is received at the best value should always be the primary objectives of procurement. Applying common sense, knowledge of the process and familiarity with the specific situation will help ensure these objectives are accomplished.

9.12 Noncompetitive Procurements - "i.e. Sole Sourcing"

Noncompetitive negotiation is procurement through solicitation of a proposal from only one source or after solicitation of a number of sources; competition is determined inadequate or nonexistent. The circumstances under which procurements may be awarded by noncompetitive negotiation are limited to one or more of the following conditions:

- If an emergency exists and the urgency of the requirement will not permit a delay created by obtaining competition;

- On-the-Job Training (OJT) contracts, except OJT brokering contracts, which shall be selected competitively;
- The item is available from only a single source;
- Competition is deemed inadequate by an attempt to obtain competing bids;
- Enrollment of individual participants in classroom training; and
- The awarding agency authorizes noncompetitive proposals.

The following types of purchases are also exempt from competitive procurement:

- Magazines
- Books
- Periodicals
- Newspapers
- Direct advertising space and time, unless there are multiple businesses in the area able to provide the same services to the same coverage area needed and same demographics.
- Conferences – the cost of attending or participating is exempted. The cost of putting together a conference is not exempted.
- Training Sessions and Seminars – related to the individual's profession or program and that are available to the public.
- Copyrighted materials such as films, film strips, books, pamphlets, videotapes, or audiotapes (computer software is not included in this category). Copyrighted materials are defined as those which are available for purchase from only the publisher owning an exclusive copyright or from a single distributor operating under an exclusive franchise from the publisher.
- Updates of Computer Software, which the agency already owns.
- Repair services and operational supplies by original manufacturer, if such repairs/parts/services/supplies must be performed or obtained by the original manufacturer or by the manufacturer's authorized service center, because (1) the nature of the repair, service or supplies are available only from the original manufacturer as a result of a lawful patent, or (2) the technical nature of the repair or service can only be performed by the original manufacturer due to a patented design or technical manufacturing process or (3) repairs of such equipment would violate the terms of, or part of, the equipment warranty or purchase agreement.
- Subrecipients eligible to acquire equipment from either State or Federal surplus property may do so without any additional procurement practices.
- Subrecipients eligible to utilize a state contract/agreement awarded by the State of Kansas may do so without any additional procurement practices.
- The subrecipient may make awards for on-the-job training (except OJT brokering awards which shall be selected competitively) of program participants without obtaining competition if the contracts, subgrants, or subagreements provide that an employer-employee relationship will exist between the employer/contractor and the program participant; and that the employer/contractor will provide job training to enable the participant to perform effectively as a regular employee of the employer/contractor's establishment. When such awards are made, the subrecipient shall maintain a record of the awards and, if requested, shall furnish the state with the record that includes the employer/contractor's name, award amount and services to be performed.
- Payment for professional certification licenses which are needed by the client to complete their job training.

- Micro purchases including participant program outlay purchases for $3,000 or less (i.e. tools, books, supplies, uniforms)

Poor planning on the part of the subrecipient shall not qualify as an emergency. Procurement may be handled as an emergency if the following occurs:

- A public calamity requires the prompt purchase of items to provide for public needs or preserve property;
- The item is necessary to preserve or protect the public health or safety of residents; or
- The item is made necessary by unforeseen damage to public property.

A noncompetitive negotiation procurement resulting from inadequate competition must be preceded by a demonstrated good faith effort on the part of the subrecipient to solicit qualified providers through the small purchase, sealed bids, or competitive proposal processes.

Noncompetitive/sole source procurements require cost negotiation and a thorough cost/price analysis. The subrecipient's files must document evidence the values achieved through competition have been maintained.

Noncompetitive Procurement Application - The subrecipient must complete and submit the noncompetitive procurement application form to Commerce prior to executing a contract for any sole source procurement exceeding $25,000 (see application below). Application submission for noncompetitive procurements in response to public emergencies is required within 30 days of contract execution. All subrecipients shall document the circumstances of the noncompetitive procurement in the procurement file. The Noncompetitive Procurement Application should be submitted to the following address:

Kansas Department of Commerce
Fiscal Unit
1000 S.W. Jackson, Suite 100
Topeka, Kansas 66612-1354
- or
fiscal@kansascommerce.com

Noncompetitive Procurement Application

Local Area		**Service or Equipment Purchase**	
Requestor		**Vendor, Manufacturer, or Supplier**	
Date Requested		**Amount**	

Service or Equipment Description
Please describe the service(s) or equipment items to be purchased:
Where applicable, include a needs assessment clearly describing the population to be served, availability of other resources to meet identified needs and benefit to participants, employers and/or employees.

Sole Source Justification Checklist	
Please check all of the following that apply to this purchase:	**(x)**
1. Single Source Availability	
2. Inadequate Competition	
3. Emergency Precludes Delay	
4. Agency Authorized Exemption(s)	
5. Alternative Approval Request	
Fill out all applicable fields listed below and on the following pages.	

1. Single Source Availability

2. Inadequate Competition

Please summarize efforts to solicit qualified vendors/contractors through the small purchase, request for proposals and/or invitation for bids competitive negotiation methods. Include any cost/price analysis conducted and/or rate quotations received pursuant to competitive procurement efforts.

Cost /price analysis and rate quotation documentation shall be maintained in the procurement file and available for review upon request.

3. Emergency Precludes Delay

Please describe the emergency necessitating immediate purchase from a single source.

Qualifying emergencies include:

(1) Public calamities requiring prompt purchase to provide for public need or preserve property;

(2) Purchases necessary to protect public health and/or safety; and

(3) Purchases in response to unforeseen public property damages.

4. Agency Authorized Exemption(s)	
Please check the exemption category applicable to the service or equipment item accompanying the sole source approval request.	**(x)**
1. Advertising	
2. Computer Software Updates	
3. Conferences - cost of attending (hosting is not exempted)	
4. Copyrighted Materials	
5. Magazines, Books, Periodicals and/or Newspapers	
6. Professional certification licenses necessary for participant job training completion	
7. Repair Services and Operational Supplies offered by the original manufacturer	
8. State Contract Awards	
9. State or Federal Surplus Property	
10. Training Seminars/Sessions (must be related to participants' profession or program)	

5. Alternate Approval Request
Please provide alternate grounds for sole source approval if the requested purchase does not fall within previously listed justifications*.
**i.e. "single source", "inadequate competition," "emergency precludes delay," "on-the-job training contract," classroom training enrollments and/or "agency authorized exemptions."*

Commerce Decision	
☐ Approved ☐ Denied	
Decided By:	
Explanation:	

9.13 Protest/Dispute/Grievance Procedures

To ensure equity both in the pre-award and post-award phases of the procurement, written procedures are required for protests and disputes. Once a selection is made bidders must be notified in writing of the results. Failed bidders must be advised in writing they may have the right to appeal the decision. The subrecipient must include this information to prospective bidders. Potential bidders shall be provided with the name and address of the person to contact for any protests, appeals, disputes and inquiries.

LWDBs and other funded subrecipients will be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but not limited to, protests, disputes and claims. These standards do not relieve the subrecipients of any contractual responsibilities under its contracts.

Protests occur when unsuccessful bidders or bidders believe they were treated unfairly in the contract award process. Protesters generally believe they, rather than the organization selected for the award, deserve the contract. Protests may be made before or shortly after an award has been made. To handle protests, procurement procedures must include a provision for assessment of the complaint. Since award of contracts may depend on the disposition, protests should be handled as expeditiously as possible.

Disputes, unlike protests, occur after a contract is awarded and involve a disagreement between the procuring agency and the supplier related to one or more contractual provisions. While work does not normally cease during a dispute, procurement procedures shall contain provisions to handle the dispute quickly to resolve misunderstandings and restore the buyer-seller relationship.

To ensure objectivity, parties other than those charged with failure to make a proper award or recognize bidder's rights should handle disputes and protests. Commerce shall accept no protest or dispute appeal until all administrative remedies at the subrecipient level have been exhausted. Commerce appeal review is limited to the following:

- Violations of federal law and regulations (violations of state or local law shall be under the jurisdiction of state or local authorities); and
- Violations of subrecipient's protest/dispute procedures or failure to review a protest or dispute.

Procurement procedures shall include the following:

- Provisions for appropriate grievance procedures for complaints arising under the contract; and
- Provision stating in all instances, information will be disclosed regarding the protest/dispute to Commerce.

9.14 Contract Negotiations

Successful bidders should be invited in writing to enter negotiations. This phase of the procurement process involves critical decisions. To accomplish the procurement process effectively, the soliciting subrecipient must have written policies and procedures clearly establishing responsibilities and roles. Decisions, including approvals required before an agreement is executed, should be described in writing.

<u>9.14a Pre-Negotiation</u>

Following notification of selection, successful bidders shall be invited to attend a pre-negotiation session, if appropriate. The session is intended to advise each bidder of the parameters of the negotiations to be followed.

Pre-negotiating discussions are conducted among monitoring, planning, operations, management information system, and contracting and client service staff. These sessions usually reveal the previous year's deficiencies or future program and performance variations. These discussions result in a written listing of weaknesses, necessary changes and other items to be addressed during negotiation discussions.

9.14b Purpose of Negotiation

Negotiation procedures should establish the initially proposed funding amount as a starting point rather than an entitlement, and additional cost detail may be required of the bidder for the purpose of establishing a reasonable cost or price. Any increase in costs or reduction in services must be justified and documented to be in the best interest of the program and must be consistent with the authority delegated by the governing body.

9.14c Negotiation

During negotiation, focus is given to cost/price analysis, clarifying the Statement of Work, developing appropriate performance standards and payment terms, assuring reporting requirements measure performance and verifying the bidder is a responsible party.

Part of the negotiation discussions should include administrative cost restrictions and local limits on profit/program income. Additional issues of audit requirements, appropriate insurance, bonding and necessary legal fees should be included.

9.14d Documentation

The steps in the negotiation process should be fully documented, including the names and titles of the individuals participating in the negotiation process. In noncompetitive negotiations a written record of the process should be maintained to sufficiently demonstrate the objectives of least cost, fairness, impartiality and independence have been appropriately safeguarded in the absence of competition.

9.15 Pre-Awards Survey

The purpose of conducting a pre-award survey is to ensure each organization being considered for funding meets all federal/state/local requirements for the provision of program services. For existing lower tier subrecipients and contractors, a valid pre-award survey or monitoring report, not more than two years old, is adequate.

The pre-award survey process, including the name(s) and title(s) of individual(s) responding to the survey, should be documented. A report should be prepared noting the strengths and weaknesses identified during the survey.

9.16 Contract Policy

A subrecipient's written procurement procedures shall contain contract policy describing the types of agreements used in awards. The contract policy should include the method for handling cash advances (if allowed).

The type of contract used is determined in the negotiation process. The type of contract or agreement form selected for a given procurement shall reflect the characteristics of the products or services to be acquired. It should also provide suitable assurances costs incurred are reasonable and necessary, given the value provided, the risk entailed in the contract's performance and current market conditions.

The subrecipient shall not use a cost-plus-a-percentage-of-cost or percentage-of-construction-cost contract.

9.17 Special Procurement Considerations

9.17a Contractors list

A contractors list for services is used in circumstances requiring occasional, often unpredictable access to specific services and/or goods which, when the need arises, may require almost immediate acquisition. Lists are developed in anticipation of the unpredictable yet likely recurrence of situations requiring response by a given program.

The development of the contractors list requires issuance of either an invitation for bid or an RFP (if it can be reasonably anticipated the purchase will be less than $25,000 in the aggregate, small purchase procedures may be employed). Selection of contractors to be included on the list results from a technical evaluation and the issuance of an instrument of understanding with the contractors to include procedures and potential deadlines for eventual selection and contract execution. The nature of the unpredictable need for services/goods may preclude a cost/price reasonableness analysis at the time of proposal evaluation and selection. This does not eliminate the requirement to conduct a cost/price reasonableness analysis at the time of acquisition of the service/goods.

A contractors list ensures those included on the list have undergone a full technical evaluation as described in this chapter for the specific services/goods disclosed on the list. At the time of acquisition, the subrecipient must notify all entities willing to provide the goods/services in the area required of the intent to procure. The notification shall provide specifics of the purchase and (as prescribed in the instrument of understanding) a deadline for cost estimate submission. The subrecipient shall conduct a cost price analysis and shall select a vendor(s) for negotiation and contract development.

9.17b Contractor Enrollment

There are circumstances where institutions are enrolled as potential service providers based on licensing requirements (must be licensed in Kansas) and such other factors as minimum insurance. For example, child care providers are placed on the list if they are licensed by the State of Kansas and maintain insurance.

9.17c Customized Training

Customized training means company or industry specific training designed to fulfill specific workforce needs. For this purpose, an organization may consist of a company(s) or industry, or a trade union or other industry cooperative organization. The organization may be in an alliance or partnership with a training provider to develop and deliver training for specific skills designed to fulfill current workforce needs in the industry. The training must be designed to fulfill training standards/quality and performance consistent with the approved training plan of the LWDB.

Customized training is conducted with a commitment by the employer to employ an individual upon successful completion of the training, and involves the employer paying for a significant portion of the cost of training, as determined by the local board involved. In the case of customized training involving an employer located in multiple local areas in the State, the Governor of the State determines the significant portion of the cost of the training as determined to be appropriate.

In most circumstances, this type of training agreement is procured competitively as prescribed in this chapter. However, organizations may have short timelines requiring immediate implementation of a training program. Under conditions that can be documented, and with a full justification as to the value of the opportunity, the proposal may be procured under the noncompetitive procurement method.

In these circumstances, the subrecipient shall obtain prior written approval from Commerce. A full explanation and justification for the training, with a description of the need and its potential for the local economy, as well as for the participant, shall accompany the notice. The opportunity must clearly be an opportunity for the participant to improve his/her circumstances in terms of skill development and pay consistent with the requirements of the funding program. It is imperative the subrecipient provides a full explanation of the circumstances precluding competitive procurement and all documentation to back up the justification is maintained in the subrecipient's files. The request shall include the results local board determinations of cost of training appropriateness, taking into account: the number of employees participating in training, wage and benefit levels of those employees (at present and anticipated upon completion of the training), relation of the training to the competitiveness of a participant, and other employer-provided training and advancement opportunities. As with all procurement files, a comprehensive cost/price analysis must be maintained in the procurement file.

9.17d Pay-for-Performance Contract Strategy

This is a procurement strategy that uses pay-for-performance contracts in the provision of training services described in Section 134(c)(3) or activities described in Section 129 (c)(2) and includes:

- Contracts, each of which shall specify a fixed amount that will be paid to an eligible service provider (which may include a local or national community-based organization or intermediary, community colleges, or other training provider eligible under Section 122 or Section 123) based on the achievement of specified levels of performance on the primary indicators of performance described in Section 16(b)(2)(A) for target populations as identified by the local board, with a defined timetable, and which may provide for bonus payments to such service provider to expand capacity to provide effective training;
- A strategy for independently validating the achievement of the performance described above; and
- A description of how the State or local area will reallocate funds not paid to a provider because the achievement of the performance described above did not occur.

9.17e Professional Services Contracts

For the purpose of this policy the term 'professional services' means those within the scope of the practice of accounting, architecture, optometry, medicine, land surveying, professional engineering, or real estate appraising as defined by Kansas law or those performed by any licensed architect, optometrist, physician, surgeon, certified public accountant, land surveyor, professional engineer, or a state certified or state licensed real estate appraiser in connection with his professional employment of practice.

Only those individuals or entities listed above may be contracted for services under a professional services contract. Contracts with "professionals" cannot be based on, nor can their selection arise from, competitive bidding. Instead, the selection and award of such contracts and the engagement of such services shall be made on the basis of demonstrated competence and qualifications for the type of professional services to be performed. The costs may be deemed fair and reasonable as long as the professional fees are consistent with and not higher than the published and recommended practices and fees of the various applicable professional associations and do not exceed the maximum provided by any state law. Such a process must be documented prior to the contract award. The choice of a potential contractor may be accomplished through the use of an RFP or an Invitation for Bids.

Although attorneys or legal services in general are not included in the definition of professional services outlined above, all agreements with attorneys to provide legal services must result from an arm's length relationship. Subrecipients shall not enter into agreements with attorneys without first ascertaining and documenting their demonstrated competence, knowledge and qualifications. For the purposes of this policy, subrecipients may choose an attorney through the RFP or RFQ process as identified above (professional services).

9.17f Consultant Contracts

Consulting service means the practice of studying an existing or a proposed operation or project of an agency and advising the agency with regard to the operation or project.

Only those contracts providing for the study of an existing or a proposed operation or project of an agency, and advising the agency with regard to the operation or project can qualify as a consultant contract. For example, a contract providing for the study of an agency's computer capability and the advice given to better utilize such capability would be a consultant contract. A contract to provide instruction to staff in the more efficient use of the computer would not be a consultant contract, as there was no study of the system involved.

A consulting service may be procured only under the following circumstances:

- There is a substantial need for the consulting services; and
- The subrecipient cannot adequately perform the services with its own personnel or obtain the consulting services through a contract with another state agency.

Consulting services must be competitively procured and do not fall under the rule for professional services described above. In the selection of a private consultant, the subrecipient must accomplish the following:

- Demonstrate, through documentation, a substantial need for consulting services exists;
- Base the selection on demonstrated competence, knowledge and qualifications and reasonableness of the proposed fee for the services; and
- Give preference to a private consultant whose principle place of business is in the State of Kansas, or who will manage the consulting contract from an office in the State of Kansas, given other considerations are equal.

Consultant contracts of less than $150,000 do not require formal bids. However, consultants may not receive a combination of contracts if the total exceeds $150,000 during any state fiscal year without benefit of a published competitive procurement.

Consultant contracts under $150,000 may be awarded following a thorough evaluation process. This ability to perform and cost/price involved shall be evaluated for at least three prospective contractors. The object of the evaluation process is to demonstrate the best cost/price was obtained from a qualified contractor for the service being sought. Consultant contracts valued in excess of $150,000 must be secured through a formally advertised procurement process. Contract performance must be evaluated and used as a consideration in any future contract with the same party.

9.17g Leased Office Space and Insurance Providers

Subrecipients shall adhere to the procurement standards in this chapter for all contractor procurement actions, including the solicitation, evaluation and award of office space leasing and/or insurance providers.

Although the use of informal bidding is allowable under the small purchase method, when such services are expected to exceed the small purchase threshold of $150,000, subrecipients should ensure appropriate measures are taken to promote and maximize competition. Minimum measures to promote competition include publicizing the availability of the solicitation and disseminating it to all parties requesting it, as well as to those on bidders or contractor mailing lists maintained by the subrecipient. Utilizing the standards outlined in this chapter will ensure full and open competition and provide equal treatment to all potential respondents.

A broker/agent may procure leasing office space and/or insurance providers on behalf of the subrecipient provided these standards are adhered to. The subrecipient must maintain documentation to substantiate the procurement and selection process. Documentation required is inherent of the procurement method used and the total dollar amount of the award.

The relationship between the subrecipient and the broker/agent must be established through an arm’s length relationship. Subrecipients shall not enter into agreements with brokers/agents without first ascertaining and documenting their demonstrated competence, knowledge and qualifications. Although the selection of a broker/agent for these types of procurements may be informal, it is recommended this process be documented through the issuance of an RFP and a written determination of the selection process.

Chapter Ten

Financial and Administrative Oversight

In this chapter you will find the following:

- Purpose
- Organization and Structure
- Review Process
- Indication of Fraud or Abuse
- Risk Assessment
- Financial and Administrative Review components

10.00 FINANCIAL AND ADMINISTRATIVE OVERSIGHT

10.01 Purpose

The purpose of this chapter is to provide general guidance to LWDBs in performing oversight of financial and administrative requirements pursuant to WIOA Section 107(d)(8). LWDBs, in partnership with chief elected officials, shall conduct oversight with respect to local youth workforce investment activities authorized under WIOA Section 129(c), local employment and training activities authorized under WIOA Section 134(c) and (d), and the One-Stop delivery system in the local area. LWDBs shall ensure the appropriate use and management of funds provided for workforce employment and training in order to maximize performance outcomes under Section 116.

WIOA Section 184 (a)(3) provides each state, local area (including chief elected official for the area) and provider receiving funds under this title shall comply with the appropriate uniform administrative requirements for grants and agreements for the type of entity receiving the funds. Subrecipient staff should have in place a process for review of WIOA financial and administrative systems to ensure compliance and accomplish the following:

- Recognize the positive practices of the entity being reviewed;
- Offer technical assistance when issues of noncompliance are identified;
- Allow sufficient time for corrective action; and
- Ensure implementation through follow up.

10.02 Organization and Structure

Each LWDB shall conduct an independent review of the administrative and financial systems it is responsible for overseeing, including services provided by the local area fiscal agent, administrative entity or other subrecipients receiving federal funding. This review is to be conducted annually as part of the oversight and monitoring activities performed by the LWDB. System monitoring is to be conducted independent of the entity providing such services. This may be done by audit firms conducting independent audits for the LWDB or by staff engaged by the LWDB. Such oversight must be conducted from an independent viewpoint and objective attitude and is to entail an objective consideration of facts and unbiased judgment in evaluating evidence and forming conclusions.

10.03 Review Process

The processes for conducting financial and administrative reviews should be consistent with other program monitoring activities conducted by the LWDB, including time frames. The basic process includes the following:

- Planning for the on-site review;
- Performing the necessary fieldwork;
- Reporting results; and
- Resolving issues.

LWDBs and subrecipients are required to develop written monitoring and oversight policies and procedures related to their oversight responsibilities, which will also be contained in the Local Area Plan. The monitoring procedures should include all of the processes related to on-site monitoring contained in State policy 1-02, Oversight and Monitoring and be available for review. Minimum standards shall include:

- An annual schedule of activities to be reviewed;
- Operational procedures related to documentation of reviews;
- Operational procedures related to resolution of findings; and
- Operational procedures related to corrective action.

10.04 Risk Assessment

Risk assessment is a vital part of the planning and review process. In developing a monitoring schedule, LWDBs should conduct their own risk assessment designed to identify the high risk subrecipients and/or the high areas of risk within an individual subrecipient. Risk identification allows the LWDB to establish a monitoring schedule and customize the monitoring program to best utilize monitoring resources.

The guidelines discussed in this chapter are based primarily on those required to be used by an auditor in accordance with the provisions found in OMB Uniform Guidance Audit Requirements for Federal Awards. They do not necessarily need to be strictly applied in assessing risk status for the purpose of a monitoring review. Reviewers are encouraged to consider their own knowledge of the grantee's operation and any additional input for other federal, state and local staff.

When making a determination of risk, the reviewer should consider any known or apparent weaknesses in the entity's internal controls indicating high risk. Another consideration is the strength of the entity's monitoring system if funds are passed through to other lower tier subrecipients. A weak system for monitoring such entities would indicate higher risk. The reviewer in assessing risk should consider the extent to which computer processing is used to administer WIOA programs. Internal controls such as security of data input and validation of reported data should be considered in the financial reporting process (see Section 6.05, Commerce Financial Reporting Requirements).

Prior audit or other review findings may indicate higher risk, particularly when the situations identified in the audit or other review findings could have a significant impact on the program or have not been corrected. Programs not recently reviewed should be considered higher risk than programs recently reviewed without any financial and/or administrative findings.

An entity meeting all the following conditions for each of the preceding two years shall qualify as a low risk program and be eligible for reduced review coverage:

- Single audits were performed in accordance with their required cycle;
- Auditor's opinions on the financial statements and the schedule of expenditures of federal awards were unqualified;
- No deficiencies in internal control were identified as material weaknesses under the requirements of Generally Accepted Government Auditing Standards (GAGAS);
- No federal programs had audit findings from any of the following in either of the preceding two years:
    - Internal control deficiencies identified as material weaknesses;
    - Noncompliance with the provisions of laws, regulations, contracts or grant agreements which have a material effect on the program; or
    - Known or likely questioned costs exceeding five percent of the total federal awards expended for a program during the year.

An entity may be considered high risk under the following circumstances:

- Entity has a history of unsatisfactory performance;
- Award was made to the subgrantee within the past three years resulting in either of the following:
    - Expenditure rate less than 80 percent of the awarded funds; and/or
    - Expenditure rate in excess of 110 percent of the budgeted amount;
- Entity exhibits signs of financially instability such as the following:
    - Entity's award represents more than 75 percent of its annual budget;
    - Entity requires an advance of funds greater than 10 percent of the award;
    - During a previous award, the entity was not able to liquidate a cash advance within 30 days; and/or
    - Entity does not have a reliable source of nonfederal funds equal to at least 25 percent of the award;
- Prior reviews disclosed the entity has a management system not meeting the following standards:
    - *Financial reporting* - The entity must demonstrate the ability to provide accurate, current and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirements of the grant/subgrant;
    - *Accounting records* - The entity must demonstrate the ability to maintain records to adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to funding awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures and income;
    - *Internal controls* - The entity must demonstrate the ability to maintain effective control and accountability for all grant/subgrant cash, real and personal property and other assets. The entity must demonstrate the ability to adequately safeguard all equipment purchased with grant/subgrant funds and must ensure it will be used solely for authorized purposes;
    - *Budget control* - The entity must demonstrate the ability to compare actual expenditures or outlays with budgeted amounts for each grant/subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant/subgrant agreement. If unit cost data is required, estimates based on available documentation will be accepted whenever possible;
    - *Allowable costs* - The entity must demonstrate ability to follow applicable OMB cost principles, agency program regulations and the terms of the grant agreement in determining the reasonableness and permissibility of costs;
    - *Source documentation* - The entity must support accounting records by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.;
    - *Cash management* - The entity must demonstrate ability to follow procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and/or grantee and disbursement whenever advance payment procedures are used. Grantees/subgrantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transaction reports to the awarding agency. When advances are made by letter-of-credit or electronic-fund transfer methods, the subgrantee must draw down funds as close as possible to the time of making disbursements.
- Entity has not conformed to the terms and conditions of previous awards;
- Entity as a result of a formal review or audit during the past three years has had findings or concerns in any of the following:
    - Reported in an inaccurate and untimely manner;
    - Enrolled individuals who were determined not eligible for the fund source; and/or
    - Failed to resolve complaints or findings within 60 calendar days.

- The entity cannot demonstrate it has the following:
    - Defined methods to account for and report program income where appropriate;
    - Working understanding of the legislation, implementing regulations, circulars and state and local policies impacting the award;
    - Sufficient staffing to ensure separation of duties;
    - Acceptable audit of its activities during the past year; and/or
    - Methods to resolve administrative findings resulting from monitoring, audit or other reviews.
- The entity has experienced a change in its key personnel or practices. The entity has a vacancy or during the past year replaced staff, in any of the following positions:
    - Program Director/Administrator;
    - Chief Financial Officer; and/or
    - Chief Program/Fiscal Monitor.
- Entity has a history of disallowed costs. The entity has an audit, monitoring report or other report questioning or disallowing costs associated with a program funded with federal, state or local funds; and/or
- Entities with no prior experience managing federal grants should be considered high risk.

In general, staff must use their best judgment while assigning risk to any entity considered for review.

10.05 Financial and Administrative Review Components

The following represents the minimum components to be included in a financial and administrative review:

Budgeting System - The reviewer should render an opinion on whether the entity has effective procedures for formulating and executing financial plans and for making necessary adjustments in response to variances between planned and actual results. In a financial and administrative review the following should be considered:

- Budget or plan prepared by the entity for the use of funds by month or quarter and by function, throughout the term of the grant/subgrant;
- Entity's budget identifies costs for one-stop operations;
- Method used by the entity to monitor planned versus actual costs;
- Types of actions taken when large variances between planned and actual costs occur or are expected to occur;
- Whether or not the entity has a control register for obligations or some other means for tracking planned and actual receipt of award funds from the granting agency and commitments made against such funds and the remaining balances not liquidated.

Memorandum of Understanding - The WIOA regulations require the Chief Elected Official Board and Local Workforce Development Board to collectively negotiate and maintain a written Memorandum of Understanding (MOU) with each required partner in the One-Stop system.

In financial and administrative review monitors should determine whether or not an active MOU for all required partners/programs according to WIOA Section 121(b) has been established. These include:

- Adults, Dislocated Workers, Youth;
- Youth Education
- Postsecondary Vocational Education

- Vocational Rehabilitation
- Title V Of The Older Americans Act
- Trade Adjustment Assistance
- Veterans Employment And Training Programs
- Community Services Block Grant
- Employment and Training Activities by the Department of Housing and Urban Development
- Unemployment Insurance
- Job Corps
- Bureau of Apprenticeship and Training
- Temporary Assistance for Needy Families
- Offender Re-Entry Programs by the Second Chance Act of 2007

MOUs must contain the provisions required by WIOA Section 121(c)(2) and Commerce Policy #3-13-00, and be signed by all required partners. These provisions include:

- Services each partner will provided through the One-Stop system, including the manner in which the services will be coordinated and delivered throughout the system;
- How the costs of such services and the operating costs of such system will be allocated among the partners (including the specific method for determining proportionate responsibility);
- Referral methods between the One-Stop Operator and the partner
- Methods to ensure the needs of workers and youth, and individuals with barriers to employment, including individuals with disabilities, are addressed in the provision of necessary and appropriate access to services, including access to technology and materials, made available through the One-Stop delivery system;
- Duration of the MOU;
- Procedures for amending the agreement during the duration of the memorandum; and
- Assurances that such memorandum shall be reviewed not less than once every 3-year period to ensure appropriate funding and delivery of services.

In a financial and administrative review, arrangements made by the one-stop operator should be considered to ensure all partners are bearing their fair share. All local required One-Stop partners must contribute infrastructure funding to the local system in accordance with WIOA Section 121(h). For those local areas that do not reach a consensus agreement through the MOU process, the State infrastructure funding mechanism described in WIOA Section 121(h)(2) shall be utilized. Copies of all or new MOUs must be submitted to Commerce for review.

Cost Allocation - In addition to the distribution of costs among partners, the one-stop operator must ensure costs directly assignable to the entity under review are allocated on allowable bases. These costs may be only for WIOA Adult, Dislocated Worker and Youth Programs or may include other programs operated by the entity. It must be determined if the entity is receiving only WIOA funds from one awarding agency or is multi-funded. A copy of the entity's cost allocation plan or indirect cost proposal should be obtained. A review of this document should be conducted to ensure the basis used is in compliance with OMB Uniform Guidance Cost Principles and these costs are distributed on an equitable basis according to Uniform Administrative Requirements. In a financial and administrative review an opinion should be rendered addressing the following:

- Number of fund sources the entity receives;
- Method(s) used to allocate staff salaries and benefits;

- Method(s) used to allocate operating costs;
- Whether or not the basis for allocation are allowable and reasonable; and
- Whether or not the basis is consistent for similar types of costs.

Cost Classification/Allowable Costs - Using information contained in the manual on allowable and unallowable costs, select various local area expenditures and determine if these meet the criteria for the category they are assigned. Costs such as staff salaries and operational costs have been historically inappropriately classified. Keep in mind the provisions providing for the classification of all allowable costs associated with awards for the primary purpose of delivering programmatic services as program costs. This includes costs ordinarily classified as administrative costs.

In a financial and administrative review it should be determined whether costs charged to the program are allowable. The LWDB may hire a qualified director and other administrative staff to assist in carrying out WIOA functions, however, the director and staff are subject to the limitations on the payment of salaries and bonuses described in Section 194. Additionally, guidance on the permissibility of allowable costs can be found in the OMB Uniform Guidance. Suggested areas of review are space costs (relationship of the landlord to the occupants, rental cost vs. use fee), fundraising, fines and penalties.

Financial Management System - LWDB or subrecipient are required to maintain fiscal accountability of grant funds. In a financial and administrative review an opinion should be rendered as to the adequacy of the entity's financial management system and to ensure the system includes, but is not limited to, the following:

- Written fiscal procedures,
- System of internal controls and
- Documentation of receipts and disbursements.

The entity must have sufficient source documentation to demonstrate WIOA funds expended are for allowable purposes. Obtain a copy of the entity's written fiscal procedures for review and determine if there is sufficient direction to staff to ensure WIOA funds are appropriately managed and controlled. In forming an opinion during a financial and administrative review the following should be considered:

- Information regarding how the chart of accounts is organized;
- Instruction to staff on recording transactions;
- Process for handling staff payroll-how reported time vs. actual time worked is verified and time card signature requirements;
- Participant timecards (if applicable);
- How payroll taxes and other deductions are treated;
- Travel rules for the organization and how travel advances (if applicable) are handled;
- How subsidiary records and official records are reconciled and who is authorized to perform the activity; and
- Instructions on the separation of duties for recording and approving transactions.

Bank Reconciliation - The bank statements and bank reconciliations for the review period should be examined to determine if proper reconciliations were done. Copies should be made of the review period documents as needed. In a financial and administrative review an opinion on the timeliness and accuracy of the reconciliation process should be formed, taking into consideration the following:

- Frequency of bank reconciliations (within two weeks of receipt of bank statement) to the general ledger;
- Reconciliation worksheets are signed and dated;
- Timeframe when outstanding payroll and contractor checks are written off;
- Canceled checks (including voided checks) are itemized and compared to the disbursement journal for date, amount and payee. If canceled checks are not provided by the bank, the canceled check register is compared to the disbursement journal); and
- There is a separation of duties between the different individuals who record disbursements and receipts, signs checks and reconciles the disbursement and receipts journals.

For an accounting system maintained on a cash basis, review worksheets for the last reporting period showing the adjustments made to obtain accrued figures in the general ledger and determine the following:

- Accruals are supported by the general ledger;
- Worksheet(s) agree with the report for the period;
- Accrued leave obligations are included in the computations; and
- Proper adjustments were made.

After having conducted all of the above tests, form a conclusion regarding the overall fiscal system and processes of the entity. The system should sufficiently address the following:

- Adequate audit trails for all disbursements;
- Disbursements documented properly to support costs are allowable, allocable, reasonable and necessary;
- Except for petty cash, all disbursements should be in a form other than cash (e.g., checks, electronic fund transfers, etc.);
- All disbursements are recorded accurately; and
- Internal controls are established and followed.

Cash Management - Subrecipients on an advance payment system must establish methods and procedures for minimizing the time between the receipt of WIOA funds and their disbursement. Identify the number of bank accounts (zero balance, clearing, payroll, other) with deposits of WIOA funds. In a financial and administrative review of all WIOA funds received and disbursed by the entity, determine the following:

- How the amount of cash requested is determined appropriate and who is authorized to make the request;
- How advances to subrecipients are determined and how requests for reimbursements are initiated;
- Timing of the request for funds;
- Time lapse from date of expenditure to date of request for reimbursement;
- If advances are based on immediate need, when are the requests for funds initiated;
- Time lapse from date of request to receipt of funds;
- Number of cash requests each month;
- Instances when there is a shortage of available funds or the presence of substantial funds in the WIOA account are not immediately needed;
- Method used to account for cash (e.g. cash control ledger or other means);
- How management ensures cash balances are not excessive.

As a result of this review, an opinion should be rendered relative to the adequacy of the cash management procedures relative to the following:

- System for monitoring receipts, disbursements and balances of funds;
- Compliance with the requirements to avoid excess cash on hand; and
- Procedures for the following:
    - Obtaining timely payment of amounts it is due;
    - Making timely but not premature payment of amounts owed;
    - Ensuring receipt of available purchase discounts; and
    - Avoiding late payment penalties.

As part of the financial and administrative review, briefly describe the cash management procedures and offer an opinion on its effectiveness.

Program Income - Identify program income as defined in WIOA regulations and determine if it has been accounted for and expended in accordance with those requirements. USDOL Regulations 20 CFR 667.200(a)(5) authorizes the addition of program income to funds already obligated under the grant after the cost of generating the income is deducted provided the cost is not charged to the WIOA program. In a financial and administrative review an opinion should be rendered considering the following:

- Program income as defined by the regulations is reported in the entity's books of account and on reports to its awarding agency;
- Program income is expended for allowable purposes under the grant under which it was earned;
- All income generated under fee-for-service activity is reported as program income;
- Interest income is all interest earned on WIOA deposits;
- Program income is identified and accounted for in program activities generating income;
- Revenue in excess of costs in contracts with nonprofit or governmental entities is recorded as program income; and
- Program income funds are liquidated before additional funds are requested for operation of the program.

Procurement - For Local areas this review must include a selection of at least 50 percent of contracts (but not less than five contracts) awarded for WIOA services. Obtain a copy of the entity's procurement and listing of subgrant/contract awards and purchases for the period under review. A selection should be made using the following guidelines and a review made to determine if the award or purchase was made in compliance with the appropriate procurement procedures. The procurements selected should be those obtained through a competitive or sole source process (customized/tailored procurements) and not contractor or off-the-shelf purchases. In a financial and administrative review, consider the following:

- Entity has a written code of conduct governing performance of employees involved in the procurement process;
- There is sufficient documentation to demonstrate the procurements were made on a competitive basis;
- If not competitive, the entity sufficiently justified the award;
- Purchases were not divided to stay within the small purchase limitation applicable to the entity;
- There is documentation a cost or price analysis was performed on each of the awards;
- Where applicable, procurements were sufficiently advertised;
- Entity has a dispute process;
- Entity determined all awardees were responsible;
- There is evidence demonstrated performance was considered in the making of awards;

- The awards/contracts contain a clear statement of work;
- The contracted costs are allowable;
- The contract provisions found at Appendix A of USDOL Regulations 29 CFR Part 95 and 29 CFR 97.36 are included in awards, where applicable. These include but are not limited to the following:
    - Remedies (for contracts in excess of small purchase threshold);
    - Termination for convenience or default (for contracts in excess of small purchase threshold);
    - Access to records (for contracts in excess of small purchase threshold);
    - Equal Employment Opportunity (EEO);
    - Clean Air Act/Federal Water Pollution Control Act (for contracts exceeding $100;000);
    - USDOL Regulations 29 CFR Part 98 Debarment Certification (for contracts exceeding $100;000); and
    - USDOL Regulations 29 CFR Part 93 Lobbying Certification (for contracts exceeding $100,000).
- Records are adequately maintained to document the significant history of each procurement action, including the basis for subrecipient selection or rejection, the rationale for the contracting method and the contract type, justification for lack of competition (when appropriate) and the basis for a fair price in accordance with the administrative requirements of USDOL Regulations 29 CFR 95.46 and 29 CRF 97.36(b)(9).

Equipment Management – Equipment is defined as tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit or any more restrictive definition imposed by the awarding agency. In a financial and administrative review, address the following:

- Equipment is clearly marked and inventoried by funding source.
- There are written procedures containing the following:
    - Requirements for the conduct of a physical inventory every year;
    - Methods for sale, disposition and maintenance of equipment; and
    - Requirements to account for the status of property at closeout.
- The equipment inventory contains at a minimum the following information:
    - Description of equipment;
    - Location and use;
    - Serial number;
    - Purchase price and date;
    - Title;
    - Acquisition date;
    - Condition;
    - Control system for loss; theft; or damage; and
    - Disposal date and sale price, if applicable.

Note: When looking at property disposition procedures, review for treatment of aggregate supplies of $5,000 or more or the local disposition procedures if more restrictive.

The requirements for use, management and disposal of grant-purchased equipment in USDOL Regulations are as follows:

Type of Entity	**USDOL Regulations**
Nonprofit and Commercial Organizations	29 CFR 95.34
Local Governments	29 CFR 97.32(c) through (e)

Managers should obtain copies of those regulations and also be familiar with the information found in Chapter 8, Property.

Subgrantee/Contractor Fiscal Oversight - In a financial and administrative review, consider the following to determine the adequacy of the process the LWDB uses to conduct oversight of its subrecipients and contractors:

- Written processes are in place for consistent review of program operations including one-stop management and youth activities;
- Maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts;
- Perform in accordance with the terms, conditions, and specifications of their contracts and purchase orders;
- A formal schedule exists for conducting monitoring reviews at least annually;
- LWDB or subrecipient is complying with any additional requirements set forth by the awarding agency regarding the conduct of the reviews;
- LWDB and eligible training providers are utilizing USDOL required template for required performance reporting of outcomes achieved by the core programs;
- All fiscal and administrative compliance requirements have been met;
- A timely process is in place to provide proper notification of any findings resulting from a review; and
- A written administrative process is in place to resolve findings resulting from reviews.
- Adequate steps are taken to ensure privacy safeguards required by applicable Federal laws are incorporated; and
- One-Stop Operators and partners are required to comply with applicable provisions of the Americans with Disabilities Act of 1990 and amendments.

Complaints/Grievances: Reviewers are reminded nondiscrimination and equal opportunity requirements and procedures, including complaint processing and compliance reviews, governed by the regulations implementing WIOA Section 188, codified at 29 CFR Part 37, are administered and enforced by the USDOL Civil Rights Center (20 CFR 667.275). Render an opinion on the entity's system and process for the resolution of complaints. The requirement for the maintenance of a complaints process is found at WIOA Sections 188 and 181 (c), 29 CFR Part 37 and 20 CFR 667.600 through 667.650. In a financial and administrative review, address the following:

- Entity's written procedure for addressing client and other interested party complaints/grievances related to the WIOA program;
- How any complaints filed or ongoing during the review period have been or are being addressed;
- Adequacy of the complaint resolution and appeals processes as defined in 20 CFR 667.600
- Entity's written affirmative action plan on file
- Whether or not EEO posters are prominently displayed in a location frequented by WIOA applicants/participants;
- Whether or not facilities are accessible to disabled persons seeking services under WIOA;
- Whether or not services are provided on an equitable basis among substantial segments of the population within the service area;

- Whether or not the entity's hiring process is accessible to qualified disabled applicants and what accommodations are made for this group; and
- Whether or not the entity has a verified policy to ensure all WIOA clients receive a copy of the complaint/grievance procedure at the time of intake.

Audits - States, local governments, institutions of higher education, hospitals and nonprofit organizations are subject to the requirements of OMB Uniform Guidance Audit Requirements for Federal Awards for the conduct of their own audits. WIOA regulations 2 CFR 200.501 require commercial organizations who expend more than $750,000 annually in federal financial assistance to have either a program-specific financial and compliance audit or an organization-wide audit in accordance with OMB Uniform Guidance Audit Requirements for Federal Awards. The OMB Uniform Guidance requires those audited to ensure subrecipients comply with the above requirements.

In a financial and administrative review, consider the entity's audit tracking process and render an opinion on whether or not it has complied with the requirements of OMB Uniform Guidance and State policy. In forming an opinion, consider the following:

- There is a system for identifying all of subcontracts subject to audit requirements;
- The system tracks when audits are to be conducted and issued;
- Entity has an oversight process to ensure its subrecipients procure timely audits in accordance with the requirements of the OMB Uniform Guidance regarding the selection and independence of the auditor.

Audit Resolution – The OMB Uniform Guidance requires the audited entity issue a response to audit findings within six months from the receipt of the audit report. In a financial and administrative review, consider the entity's resolution process and determine the following:

- Entity has a process for making a determination on findings identified in the audit report within six months of the audit's receipt;
- Entity has a process for follow-up on administrative findings to ensure corrective actions have been taken;
- Entity has an oversight process to ensure its subrecipients procure timely audits in accordance with the requirements of OMB Uniform Guidance regarding the selection and independence of the auditor; and
- For audit resolution, the procedures should incorporate timely written notice to the audited entity to include the following:
    - Identification of the findings;
    - Determination as to their allowance and disallowance;
    - Basis for each decision (regulations, laws, grant terms);
    - Process for informally resolving issues;
    - Timely appeals process; and
    - Impartial hearing process.

Test the system by sampling a representative number of subrecipient audits and render an opinion as to whether or not the above processes have been implemented by the entity.

Debt collection - While WIOA has no specific requirements for the collection of debts, 20 CFR 667.720(c) requires evidence to document aggressive debt collection has been undertaken before the USDOL Grant Officer

can consider a request for waiver of liability. It is in the best interest of the LWDB or subrecipient to establish standards and procedures for WIOA debt collection to demonstrate aggressive debt collection has been conducted for debts arising from audits, monitoring reports and investigations. In a financial and administrative review, consider the entity's process to determine the following:

- Process exists for identifying and tracking outstanding debts; and
- There is a process for debt collection to include the following:
    - Formal notification;
    - Timeframes;
    - Charging of interest when applicable; and
    - Criteria for requesting waivers of liability from the USDOL Grant Officer.

Closeout System - For the entity to comply with its awarding agency's federally mandated closeout requirements and timeframes, a process must be established for the timely submission of final expenditure reports by its lower-tiered subrecipients. Review the entity's process and render an opinion on the procedures it uses to compile its closeout report to the awarding agency. Obtain a copy of the last closeout report submitted by the entity to the awarding agency and determine if it was submitted in a timely manner. Consider if written closeout procedures and policies are established including post-closeout requirements and timeframes and a process for the timely submission of final expenditure reports by its lower-tiered subrecipients. Review the entity's process and render an opinion on the procedures it uses to compile its closeout report to the awarding agency. In a financial and administrative review, consider the following:

- Written closeout procedures and policies are established including post-closeout requirements for record retention and audit;
- Timeframes are established for the submission of closeout data by lower-tiered subrecipients; and
- Sanctions are established for lower-tiered entities failing to comply with the closeout requirements.

Chapter Eleven

Binding Agreements

In this chapter you will find the following:

- Required Parties
- General Components of Agreements
- Internal Review

11.00 MEMORANDUM OF UNDERSTANDING

A memorandum of understanding is a document that expresses mutual accord on an issue between two or more parties. Once signed, this agreement is generally recognized as binding, even if no legal claim could be based on the rights and obligations laid down in them. To be legally operative, a memorandum of understanding must:

- Identify the contracting parties
- Spell out the subject matter of the agreement and its objectives
- Summarize the essential terms of the agreement
- Be signed by the contracting parties.

Kansas Department of Commerce has adopted Commerce Policy #3-13-00 Memorandums of Understanding to define, set requirements, and establish a process for the required utilization of MOUs in the One-Stop delivery system in accordance with WIOA.

11.01 Required Parties

Memorandums of understanding must be negotiated with each required One-Stop partner.

11.02 General Components of Agreements

- Which services each partner will provide through the One-Stop system
- How the costs of the system will be allocated among the partners, and the specific method for determining proportionate responsibility
-

Memorandums of understanding are the primary means for coordinating the services of the One-Stop partners and may include, but are not limited to, issues such as:

- Which services will each partner provide through the One-Stop system
- How the costs of the system will be allocated among partners
- How the One-Stop operator will refer customers to the appropriate partner

Chapter Twelve

Contracting

In this chapter you will find the following:

- Legal Elements of Contracts
- General Components of Contracts
- Types of Contracts
- Internal Review

12.00 CONTRACTING

Agreements must satisfy the legal requirements to create contractual relationships. Contracts must contain certain components. All subcontracted services must be secured by a written contract. The proper contract form must be chosen to adequately describe the agreement.

12.01 Legal Elements of Contracts

Contracts must meet certain requirements to protect the subrecipient and ensure that the expected outcome is properly defined for all parties involved. The American Law Institute defines the four essential ingredients of a contract as follows:

1. *Manifestation of mutual assent* – One party accepting another party's offer creates the agreement the contract enforces.
2. *Consideration* – Each party exchanges something of value to them. The thing of value is the consideration, which is present only when the parties intend an exchange. A promise may be exchanged for a promise, a promise for an act or a promise for a forbearance to act.
3. *Legality of object* – Forming or performing the contract must not be illegal.
4. Under the law, not all persons have the ability (capacity) to make a valid contract. For various reasons, such as minority (under legal age), insanity or intoxication, an individual may have only limited or no contractual capacity.

Supreme Court decisions have upheld the validity of these four essential ingredients. Federal and state regulations entail an expectation contracts be in writing, implement acceptable measures for ensuring accountability and establish clear goals and obligations in unambiguous terms.

12.02 General Components of Contracts

Contracts are the first line of defense for protection of the integrity of public funds. While contracts vary widely in form, type, dollar level and complexity certain components should be present in all contracts used for WIOA program purposes. A table of contents should be included in larger contracts and chapters or sections numbered to ensure nothing is omitted. All elements described below must appear in contracts.

12.02a Signature/Cover Page

All contracts, including modifications, must be written and properly signed by the appropriate official(s) and must include the beginning and ending dates for the contract performance and payments. The signature or cover page must include at least the following:

- Purpose statement;
- Names, titles and addresses of responsible parties to the contract;
- Beginning and ending dates;
- Type of contract;
- Total obligated dollar amount of contract;
- Funding source; and
- Signatures and typed names and titles.

12.02b Definition of Key Terms

This clause of the contract must define terms, acronyms and terminology used throughout the contract. These terms may be general or specific to the funding agency or grant.

12.02c Compliance with Laws and Regulations

This clause requires compliance with applicable laws and regulations. This includes federal, state and local laws and regulations, Commerce policies and subrecipient policies. It should be noted this statement alone is not sufficient to protect the subrecipient in a legal dispute. The contract should outline the conditions and manner under which the contract may be terminated and the basis for settlement.

12.02d Termination for Default

This clause gives both parties the right to terminate the contract for either party's failure to perform its obligations under the contract. If the contractor does not perform the services required, the subrecipient may terminate. If the contractor does not pay the subrecipient, the contractor may terminate. As both situations represent breaches of contract, this clause of the contract must describe the legal remedies available to the parties, including possible sanctions and penalties as may be appropriate.

12.02e Termination for Convenience

This clause allows the subrecipient to terminate the contract without becoming liable for breach. It sets forth the procedures to be followed by the subrecipient upon receipt of the notice of termination and provides a right of appeal to an administrative board. It also provides for a unilateral termination settlement by the contracting authority if the parties cannot negotiate a settlement pursuant to the dispute process.

12.02f Change/Modifications

This clause describes the methods and circumstances required for contract modifications. The minimum acceptable clause provides a process for changing the contract in the event of funding increases or reductions.

12.02g Audit Rights and Requirements

This clause provides the subrecipient, Commerce and others with statutory audit to examine documents pertaining to contract performance during normal business hours. This enables the auditor/monitor to determine whether the contractor is properly performing its contractual obligations, especially in relation to payments received for services provided. It should be noted audit requirements are set forth in OMB Uniform Guidance and State audit policy 1-08;

12.02h Record Retention

This clause requires retention of the contractor's records in accordance with federal and state regulations. The clause should define the records that the contractor is required to retain, identify where they will be kept and make

provisions for turning them over to the subrecipient, if needed. (i.e., the contractor goes out of business and can no longer store them).

12.02i Provision Against Assignment

If one contracting party wishes to pledge all or a portion of its proceeds from a contract in return for a line of credit, loan or other financial consideration, the legal action involved in executing the pledge would be called assignment. The provision against assignment ensures the contractor will not assign its interest in the contract to another party without prior written approval from the subrecipient. The contractor is then responsible for performing an analysis to determine the financial strength of the subcontractor. Approval for assignment shall not be given to financially weak subcontractors.

12.02j Program Income

This clause ensures income earned from publicly funded programs will be used to further the program's objectives or returned to the funding source.

12.02k Disputes/Claims

This clause describes how disputes and/or claims between the contractor and the subrecipient may be resolved. State and local requirements should also be included in this element.

12.02l Duplicate Funding

This clause requires the contractor to allocate costs among benefited funding sources and prohibits the contractor from charging previously obligated costs against the contract budget. The subrecipient should inform contractors if it receives funds affecting the cost or performance of work. The subrecipient should have the right to renegotiate the contract relative to changed costs.

12.02m Subcontracting

This clause defines the circumstances, if any, under which the subrecipient may subcontract program activities, services or responsibilities. At a minimum, the clause should require prior written approval from the subrecipient.

12.02n Conflict of Interest

One Stop Operators must comply with Federal regulations, and procurement policies, relating to the calculation and use of gifts.[2] This clause requires the provisions of the subrecipient's Code of Conduct to its contractors. The statement should also require the contractor notify the subrecipient when any potential or actual conflict of interest situation exists.

12.02o Reporting

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[2] WIOA Section 121 (d)(4)

This clause of the contract must detail the appropriate reporting requirements, such as proper format and due dates for related reports for the agency.

12.02p Maintenance of Effort

This clause should require public funds be used only for activities in addition to those which would otherwise be available in the area in the absence of such funds. The level of effort required should be stipulated in the contract and should parallel the applicable regulatory requirements.

12.02q Patent, Copyrights and Rights in Data

The standard patent rights clause should be included in all award agreements. The clause should allow the subrecipient to retain the entire right, title and interest to each invention developed under the project, except the federal/state government shall be granted a "nonexclusive, nontransferable, irrevocable, paid-up license" to use the invention.

12.02r Statement of Work/Deliverables

Each contract must contain an adequate narrative description of the quantity and quality of work to be performed or goods to be received under the contract. This clause may refer to a negotiated statement of work/deliverables, based on the RFP or invitation for bid. At a minimum, the statement of work/deliverables must contain the following:

- Specific description of services or goods to be provided, the dates the contracted work is to begin and end, start and ending date of merchandise delivery, start-up and closeout dates (if any);
- Key elements of the service package (services only) to include who performs the service and in what manner. A description of processes such as outreach, recruitment, eligibility determination, assessment, career planning, counseling, placement, frequency of client contact, follow-up, etc., as applicable;
- Length of service activities (services only) - curriculum must include subject areas and number of hours/weeks of attendance and defined number and dates of each training/education cycle;
- Expected outcomes (training and education services only) and how outcomes will be measured and documented, if applicable;
- List of barriers (training and education services only) to be addressed, participant selection criteria and methods of removing barriers, if applicable;
- Expenditure schedule, if relevant;
- Requirement to maintain records of participant information; and
- Performance standards defining the minimum levels of performance according to the type of contract. Such minimum performance levels must be quantifiable and stated in unambiguous terms.

12.02s Payment and Delivery Provisions

This clause outlines when and how payments will be made to the subrecipient based on satisfactory program implementation. These provisions must include, at a minimum, the following:

- Maximum amount payable;
- Methods of payment/payment schedule;

- Definition of types of payments and invoicing procedures, such as format and due dates according to the type of contract;
- Provisions for advancing of funds; and
- Liquidation of advances and recovery in the event of nonperformance.

12.02t Debarment and Suspension Certification

Subrecipients must be certified in accordance with the regulatory citations in Exhibit 12-1 below. Certification is required for subcontracts (contractor or grant) exceeding the current Federal Small Purchase threshold) or for persons having critical influence over the contract (such as auditors).

12.02u Equal Opportunity and Nondiscrimination

As a condition of the award, the subrecipient must ensure it will comply fully with the following nondiscrimination and equal opportunity provisions:

- Titles VI and VII of the Civil Rights Act of 1964, including the Nontraditional Employment for Women Act of 1991;
- Section 504 of the Rehabilitation Act of 1973, as amended;
- The Age Discrimination Act of 1975, as amended;
- Title IX of the Education Amendments of 1972, as amended;
- Americans with Disabilities Act of 1990 (ADA), as amended; and
- All applicable regulations implementing those laws.

Subrecipients must ensure the treatment and evaluation of employees and applicants for employment are free from discrimination.

12.02v Drug-Free Workplace Certification

On November 18, 1988, Congress enacted the Drug-Free Workplace Act requiring federal agency subrecipients and grantees to certify they will provide a drug-free workplace as a precondition of receiving a contract or grant from a federal agency. Commerce requires the completion of this certification for all contracts exceeding the current federal Small Purchase Threshold. Although not required, subrecipients are encouraged to develop local policies requiring Drug-Free Certification for various categories of contractors. The appropriate regulatory citations are contained in Exhibit 12-1 below

12.02w Anti-Lobbying

This clause prohibits the subrecipient from using public funds to attempt to influence a politician to favor or oppose any federal, state or local legislation or appropriation. The subrecipient will comply with the requirements of Restrictions on Lobbying: Certification and Disclosure Requirements imposed by the appropriate citation in Exhibit 12-1 below.

Exhibit 12-1
Regulatory Citations for Federal Certifications

	Agriculture	Labor	Education	HHS
Drug-Free Workplace	7 CFR 3017	29 CFR 98	34 CFR 85, 668, 682	45 CFR 76
Debarment/Suspension	7 CFR 3017	29 CFR 98	34 CFR 82	45 CFR 76

12.02x Historically Underutilized Businesses

A portion of subcontracts shall be awarded to small, minority-owned and women-owned business firms, in accordance with state policy. Commerce encourages subrecipients to procure goods and services from labor surplus areas. Current listings of minority business sources are available by contacting the Office of Minority and Women Business Development:

Office of Minority and Women Business Development
Kansas Department of Commerce
1000 S.W. Jackson, Suite 100
Topeka, Kansas 66612-1354
workforcesvcs@kansasworks.com

12.02y Buy American Requirements None of the funds made available under title I or II or under the Wagner-Peyser Act (29 U.S.C. 49 et seq.) may be expended by an entity unless the entity agrees that in expending the funds the entity will comply with sections 8301 through 8303 of title 41, United States Code (commonly known as the "Buy American Act"). It is the sense of Congress that entities receiving this financial assistance should, in expending the assistance, purchase only American-made equipment and products.

If it has been finally determined by a court or Federal agency that any person intentionally affixed a label bearing a "Made in America" inscription, or any inscription with the same meaning, to any product sold in or shipped to the United States that is not made in the United States, the person shall be ineligible to receive any contract or subcontract made with funds made available under title I or II or under the Wagner-Peyser Act (29 U.S.C. 49 et seq.), pursuant to the debarment, suspension, and ineligibility procedures described in sections 9.400 through 9.409 of title 48, Code of Federal Regulations, as such sections were in effect on August 7, 1998, or pursuant to any successor regulations.

12.03 Types of Contracts

12.03a Cost Reimbursement Contracts

Cost reimbursement agreements provide reimbursement to the subrecipient for performing at a certain level of effort, regardless of the level of output achieved. The costs of individual line items are established during negotiation. Invoices, supported by documentation, are submitted for payment after costs are incurred. This type of contract is used under the following conditions:

- When the work desired cannot be precisely detailed as to permit the expectation of a common understanding of results; or
- Where it might be considered unwise to attempt to characterize or prescribe details of an outcome (such as research and development tasks or work experience programs).

These agreements are compensated on a level of effort basis. Payments are earned based on costs incurred and the subrecipient reports actual costs. The resources (personnel, space, travel) needed to undertake the work are listed, priced and allocated among the cost categories. The subrecipient bears the primary risk under this type of contract because the contract does not accomplish the following:

- Provide an incentive for service providers to control costs; and
- Ensure services and goods are provided in the most cost-effective manner.

Cost reimbursement contracts must be used for brokered OJT contracts, contracts between units of state and local governments and contracts with any LWDB's administrative entity and may be used with other types of subrecipients.

Elements Specific to Cost Reimbursement Contracts - Cost reimbursement contracts must provide for the following:

- Number of participants covered by the agreement, if applicable; and
- Line-item budget showing planned costs by cost category (the contract may refer to the line item budget in the negotiated RFP or invitation for bid).

12.03b Fixed Unit Price, Nonperformance Based Contracts

This form of agreement is used when the output or deliverable is clearly definable. This is the way private consumer purchases are made. The typical workforce application is tuition (Example: $1,000 per semester or $90 per credit hour) and child care ($25 per hour per child).

When class size arrangements have been negotiated, an attempt should be made and documented for a rate less than the full tuition rate. Credit should be given for duplication of costs where Pell grants may be involved. In these contracts, the provider of the service normally provides no guarantee of outcome. The participant may fail the tests, not complete the course or semester or not get the job. Nevertheless, the money is earned (in contrast to performance based delivery). Thus, the risk is primarily with the paying agency, not only in terms of receiving an ultimate benefit but also in terms of achieving reasonable pricing.

Elements Specific to Fixed-Price Contracts - The following elements must be present in fixed-price contracts:

- Contract must relate to the goals and target groups developed by the subrecipient;
- The reasonableness of cost/price standards applied to the contract must be in terms of other contracts let, the local market and contract specifications;
- If the price is not based on standard fees published in a catalog, a line item budget must be included enabling a pre-award determination of the cost reasonableness of the project as a whole. Analysis must be performed and documented to conclude the price is reasonable;
- If the subrecipient is a governmental or nonprofit entity, the contract must include language on program income which is sufficiently clear and procedurally adequate to communicate to the contractor the positive

obligation to identify all payments received in excess of costs, to return or segregate such excess revenues and to ensure any retained revenues are properly spent on the program; and
- If the contract authorizes interim payments, cost data must establish payments earned are less than the costs incurred to date.

Fixed unit-price contracts may be used for the following situations:

- Individual referrals;
- Purchases of merchandise, including training software packages;
- Child care services;
- Insurance services;
- Equipment maintenance;
- Leases; and
- Assessment services.

12.03c Fixed Unit Price, Performance Based Contracts

This type of agreement differs from fixed unit-price contracts by requiring the subrecipient to successfully reach certain goals or objectives. Unless there is satisfactory delivery of the pre-determined outcome or result (performance), compensation is not earned. Thus, the risk is primarily with the service provider. The agreement should contain a description of the nature of the work and results to be obtained with sufficient precision to evaluate the subrecipient's performance. The price valuation must be reasonable. The contract costs must be allocated across the standard cost categories when the subrecipient bills or reports their disbursements.

The subrecipient should give preference to this type of contract for staff capacity building training. Such training may be contracted through fixed unit price contracts with the approval of the subrecipient. In addition to meeting the requirements of fixed unit price contracts, performance based fixed unit price contracts require the following.

- Contract must require documentation of measurable achievements before payments are made. The requirement for verification of delivery must be stated clearly and consistently within the clauses of the contract;
- Contract should contain standard benchmark payment terms taking into consideration the total length of the program and the costs projected to be incurred by the subrecipient to reach the benchmark point;
- Contract must not provide for earned payments simply on the basis of enrollment or the time the participant has remained in the training program or without regard for demonstrated participant achievement;
- Agreement must provide for a method to reduce payment in cases where individuals do not complete the training but are placed successfully in an occupation specified or complete the training but are placed below the specified wage level;
- Payment points must be defined both by requirements for demonstrated participant achievement and by standard time requirements to achieve participant performance levels;
- Contract must describe curriculum components, curriculum length, specific skill acquisition standards referenced to payment points and the tests/measures criteria by which participant achievement will be determined;

- Contract may not provide for payment of the full completion price without participants demonstrating contractually required achievement. Proxies, such as placement, may not be used to justify completion payments short of full performance;
- Payment reductions allowed for less than full success (low wage, non-completion) must be reasonable in proportion to the value lost by the subrecipient;
- Contract may not allow placement payments based on an average of all participant wages; and
- Contract must provide for appropriate subrecipient control of the selection of program participants to avoid selection of trainees who already have in part or whole the skills required.

12.04 Internal Contract Review

Before any contract is executed it must be reviewed internally by the subrecipient to ensure its acceptability. The subrecipient must have written procedures and assigned responsibilities to accomplish this task. The review process should be documented and can be accomplished by the use of a review checklist. Authorized persons in all units involved in the process (fiscal operations, legal, administration, planning, monitoring, etc.) should review the contract relative to their functions and approve it.

Chapter Thirteen

Contract Closeouts

In this chapter you will find the following:

- Fiscal Activities
- Contract or grant Closeout Procedures

13.00 CONTRACT CLOSEOUTS

When there will no longer be a relationship with an administrative entity or subrecipient, the following forms are to be completed and submitted:

- Schedule of Unpaid Liabilities;
- Recipients Assignment of Refunds;
- Rebates & Credits;
- Property Listing;
- Final (Closeout) Inventory Certificate;
- Closeout Tax Certificate

13.01 Fiscal Activities

The fiscal activities associated with an award closeout are those any prudent accountant would do to ensure the financial information is accurate, intact and supports the financial reports submitted. If the organization followed generally accepted accounting principles, closing out the award will be a rechecking activity in the areas addressed below.

13.01a General Ledger

The final expenditure report should balance with the general ledger for the award. All asset and liability accounts should be zero or should represent amounts due to the organization or owed by the organization to others. For example, an account could have a balance of funds available. This balance should be offset by a liability -- accounts payable to the funding agency for instance -- to offset the condition. This situation could occur if the expense was properly accrued, liability established and funds assigned for payment. Where there are exceptions, these must be explainable and be resolved.

13.01b Depository Bank Account

If the organization used a separate bank account for the depositing of funds, the account should be closed, providing all funds from the awarding agency have been received and all program expenses have been paid. If additional funds or disbursements are expected, the account should be closed as soon as the transactions are completed. The final bank statement will reflect a zero balance.

13.01c Fidelity Bond

The fidelity bond should be canceled as soon as the last transaction has taken place with the depository bank account. The fidelity bond may be in place past the termination date of the award if it is anticipated additional funds from the awarding agency or future disbursements will be made. The additional coverage should be explained to the awarding agency.

13.01d Insurance

Depending on the award, there may be several insurance policies to be canceled. The general liability policy and participants' insurance should be canceled as soon as the activities of the award cease. It may be necessary for the

organization to bear the cost of additional premiums for a few months to complete the closeout. Continuation of the general liability policy will protect the organization against accidents occurring during the closeout period, if it extends past the award termination date.

13.01e Property

If the award permits the acquisition of property, property lists should be balanced with the general ledger and the final financial report. Depending on the type of award, Commerce will determine the disposition of the property.

13.01f Nonrenewable Awards

If the award being closed out is nonrenewable, the organization should cancel lease agreements, equipment rentals, telephone connections and any other monthly agreements in sufficient time to avoid charges beyond the award termination date. The organization will be liable for any costs past the program period.

13.02 Award Closeout

Each funding period of an award will be brought to a close. The closing process will vary by the type of award. Common among all closeouts is the objective. All cash received must be reconciled to allowable costs incurred and cash remaining, if any. The actual performance of the award must be compared to the performance standards established by the awarding agency (the performance aspect of the closeout will be addressed by appropriate program staff).

Commerce requires completion of a closeout package. The closeout package contained in this document consists of preprinted forms to be completed. The forms usually address both financial and programmatic results for the award period. The organization should check its award document or other instructions for specific items required for a complete closeout.

13.02a Final Financial Report

The final financial report should include all allowable costs incurred on behalf of the program. If the amount of funds received exceeds the total expenditures, a check should be submitted payable to the Department Commerce for the difference with the final financial report. If expenditures exceed the amount of funds received, the awarding agency should send the organization a check for the difference, provided authorized budget levels have not been exceeded.

13.03 Contract or Grant Closeout Procedures

This section provides direction to effectively close out grants/contracts and ensure a financial accounting and reconciliation of federal workforce funds are accomplished. Grants and contracts will be closed out conditionally only until such time as all audit conditions have been met. The LWDB or subrecipient will continue to assume liability for all areas of the grant or contract until the program is audited, the record retention obligation expires or USDOL determines the program is closed out.

The completed closeout package must be submitted to the following address no later than 30 calendar days after the expiration of the contract:

Kansas Department of Commerce
Fiscal Unit
1000 S.W. Jackson Street, Suite 100
Topeka, Kansas 66612-1354

Written requests for extensions should be made to the Commerce Chief Financial Officer (who will notify the F**ederal Grants Program Manager)** at least ten calendar days before the due date of the closeout package to allow sufficient time to review and respond to the request. To ensure an orderly closeout, for purposes of documentation for yearly audits and for program year end reports to USDOL, all LWDBs will submit a "last report" for each program year by year of appropriation (June 30) of funds and program along with a listing of funds drawn down by each year of appropriation of funds and program. This verification information is due no later than 45 calendar days after the end of the program year.

Section I: Completing the closeout package

A. *Transmittal of Closeout Documents* – A checklist to ensure all necessary closeout documents have been or will be submitted. If more space is needed, make note in the "remarks" section additional sheets are attached for this purpose.
B. *Final Financial Reports* – The Final Financial Report is an essential part of the closeout package. The expenditures should be reported on the same form(s) used to regularly report program expenditures. This monthly report should specify in the period being reported line, "Final Closeout."
C. *Statement of Final Accrued Expenditures and Payments* - Form to facilitate reconciling cash received to expenditures reported.
D. *Listing of Cash Received* - This information includes the date, title of funds, program year of the funds and amount of funds received. The statistics can be submitted in the format shown below.
E. *Assignment of Refunds, Rebates and Credits* –Must be completed and signed by the LWDB or subrecipient agreeing to remit to Commerce any refunds, rebates, credits or other amounts accruing or received, to the extent they were proper and allocable under the grant or contract.
F. *Release of Liability* - This form releases the State of Kansas and its officers, agents and employees from all liabilities, obligations and claims arising out of the grant or contract. This form must be completed and signed in accordance with instructions.
G. *Closeout Tax Certification* – LWDBs or subrecipients must complete and submit the Grant/Contract Closeout Tax Certification (included in this Fiscal Manual) to certify compliance with all requirements of the Internal Revenue Service and applicable state or local law, including obtaining required employer identification and account numbers, providing employees with W-2 forms and collecting, paying, depositing and reporting state and federal income tax, Social Security tax and unemployment tax.
H. *Property Accountability* - The Final (Closeout) Inventory Certificate (included in this Fiscal Manual) must be completed and be part of the closeout package if property obtained with federal funds was used. The closeout process does not require title transfer or disposition if a continuing relationship exists, but requires an up-to-date inventory of applicable items. The Property Listing is a cumulative, physical inventory of property purchased under the grant. Property management, title transfer and disposition procedures follow the conditions outlined in this manual. Title transfer can occur when Commerce exercises the right to transfer title of nonexpendable personal property having a unit acquisition cost of $5000 or more. Title transfer may be required upon termination of financial assistance or when the property is no longer needed.

Section II – Accounting for Program Refunds

A. Refunds on payments to contractors will be handled with either of the following methods:
   - On a grant or contract not yet closed out, any refunds will be applied to the current program and will reflect the reduction of expenditures in the effected costs categories on the current monthly report since the refund was not a repayment of costs questioned or disallowed because of an audit;
   - If the grant or contract has been closed, then amended financial reports will be submitted showing the reduction in the appropriate cost category. The revised closeout will include the appropriate adjusted forms, clearly delineating it is a revision, with a transmittal letter explaining the reason for the change along with the refund; and
   - Refunds shall be submitted according to Paragraph B below.

B. All refund checks will be made payable to the Kansas Department of Commerce, submitted to the following address:

Kansas Department of Commerce
Fiscal Unit
1000 S.W. Jackson Street, Suite 100
Topeka, Kansas 66612-1354

Refunds should not be made in cash. The refund should be converted into a money order or check and sent to the address above. Identify the purpose of the refund and appropriate amounts (i.e., excess cash, disallowed audit cost, program income, etc.). Identify the name of the submitter and program year under which the funds were expended or earned. Indicate the cost category(s) to which the refund pertains. For disallowed costs, as determined by an audit, identify the audit report number.

C. Other Items to Consider
   - Fidelity Bonds - If work was covered by a rider to a bond, request the proper financial adjustment be made and any premium refunds due be returned to the LWDB. Include this amount with refunds transmitted to the Department of Commerce at the address above.
   - Workers' Compensation or Other Insurance - Review for possible overpayment any expenditure made under this type of contract or agreement for workers' compensation, liability or any other insurance protection. Workers compensation policies with commercial companies are frequently based on estimated payroll figures, which could generate a refund when coverage is canceled and a payroll audit completed.
   - Closeout of Agreements - LWDBs or subrecipients are responsible for the closeout of a subrecipient's claims (if applicable). Since these reports and costs will be incorporated in closeout documents submitted to Commerce, the LWDB or subrecipient should request each contractor to submit appropriate final reports, a final invoice and any outstanding claims, as soon as possible at the end of the agreement.
   - Subrecipients must retain and make available to representatives of the U.S. Comptroller General, the U.S. Secretary of Labor, Commerce or other authorized persons all records associated with the contract or grant for a period specified in this manual after final payment or resolution of outstanding audits.

D. Unilateral Closeout
   - The LWDB is required to submit a completed closeout package no later than 45 calendar days after the end of the program year. If the entity fails to meet the closeout due date for submittal of the package, Commerce may approve an extension of time for an additional 15 days. If the entity fails to meet this time frame, Commerce may initiate, through official communication with the entity, a process to close the grant or contract unilaterally. In this process, all unaudited expenditures will

be considered disallowed and reimbursement to Commerce will be demanded through an official Funding and Determination for the grant or contract in question. This determination may be appealed based upon procedures outlined by Commerce in the grant or contract document and outlined in the Findings and Determination document.

TRANSMITTAL OF CLOSEOUT DOCUMENTS

Subrecipient _____ Funds Title _____

Address _____ Contract/Grant # _____

_____ *(If Applicable)*

_____ Program Year _____

Contract or Grant Period From: _____ To: _____

With respect to the above agreement number and time period, the following documents are being submitted for closeout purposes. Check appropriate boxes and explain under "Remarks" the reason for non-submittal unless the item does not apply. In this case, enter N/A in the "Enclosed" column.

Will Be Sent Separately by: (Date)	Unable to Furnish	Enclosed	Document
			1. Final Financial Report
			2. Final Report on Match
			3. Statement of Final Accrued Expenditures & Payments
			4. Schedule of Unpaid Liabilities
			5. Recipient's Assignment of Refunds, Rebates & Credits
			6. Recipient Release
			7. Property Listing
			8. Final (Closeout) Inventory Certificate
			9. Closeout Tax Certificate
			10. Other Documents (Specify)

Remarks:

Prepared By: _____ Telephone No. _____

Title: _____

I certify that to the best of my knowledge, the data contained herein is correct.

_____ _____ _____

(Typed Name & Signature of Authorized Representative) *(Title)* *(Date)*

STATEMENT OF
FINAL ACCRUED EXPENDITURES AND PAYMENTS

Subrecipient Name	Check applicable agreement and enter appropriate number if applicable
Subrecipient Address	Grant ☐
Area Code and Telephone Number	Contract ☐
	Other ☐

1. ACCUMULATED ACCRUED EXPENDITURE/PAYMENTS FROM _____ TO _____

A. Accrued Expenditures Incurred $ _____

B. Less Cash Received from State $ _____

2. NET DIFFERENCE

-- Use Line 2A when accrued expenditures and payments equal — A. $ _____ *Enter "None"*

-- Use Line 2B or 2C for expired Grants & Contracts — B. $ _____ *Due Subrecipient*

C. $ _____ *Due State*

-- Use Line 2D for expired fund sources renewed for program Allocations — D. $ _____ *Transfer to New Program Year Grant*

3. STATEMENT OF CERTIFICATION

THE AMOUNTS CLAIMED AS ACCRUED EXPENDITURES ON THIS STATEMENT CONSTITUTE ALLOWABLE COSTS IN ACCORDANCE WITH THE TERMS OF THE APPLICABLE AGREEMENT.

_____ Authorized Signature Date

4. FOR STATE USE

PROJECT OFFICER CERTIFICATION		FISCAL REVIEW	
A. Recommendation Performance Satisfactory For Payment Purposes		C. Blanket Document Number(s) D. Amount to be Paid	
B. Signature	Date	E. Examiner's Signature	Date

Instructions
Statement of Final Accrued Expenditures and Payments

Enter name of LWDB or subrecipient. Check type of agreement applying to funds being closed out.

1. The beginning and ending dates during which these funds were dispersed.
    - Total expenditures accumulated for the contract/grant period.
    - Total funds received under the contract/grant period.
2. The Net Difference between 1(A) and 1(B) is needed to complete this part of the form.
    - 1(A) = 1(B) and no additional cash transactions are necessary.
    - 1(A) is more than 1(B) [1(A)>1(B)] and more funds are needed to clear WIOA accounts.
    - 1(A) is less than 1(B) [1(A)<1(B)] and there is excess cash-on-hand and a refund needs to be made to Commerce.
    - The amount to be used to transfer funds forward into a new program year and approval has been given by Commerce to utilize this blank.
3. Signature of authorized representative.

STATE OF KANSAS
DPEARTMENT OF COMMERCE
ASSIGNMENT OF REFUNDS, REBATES AND CREDITS

Subrecipient Name	_____	**Fund Source/Program Year**
Address	_____	
	_____	
City, State and Zip	_____	

Pursuant to the terms of the Grant/Contract _____and in consideration of costs and of costs and payment of fee, as provided in the said grant/contract and any assignment there under, the _____ (subrecipient name and address) does hereby:

1. Assign, transfer, set over and release to the State of Kansas, (hereinafter called the Government), all rights, title and interest to all refunds, rebates, credits or other amounts (including any interest thereon) arising out of the performance of the said grant/contract, together with all the rights of action accrued or which may hereafter accrue there under.

2. Agree to take whatever action may be necessary to effect prompt collection of all such refunds, rebates, credits or other amounts (including any interest thereon) due or which may become due and to forward promptly to the State of Kansas, Department of Commerce, checks (made payable to the Department of Commerce) for any proceeds so collected. The reasonable costs of such action to effect collection shall constitute allowable costs when approved by the Assistant Secretary for Employment and Training and may be applied to reduce any amounts otherwise payable to the Government under the terms thereof.

3. Agree to cooperate fully with the Government as to any claim or suit in connection with such refunds, rebates, credits or other amount due (including any interest thereon): to execute any protest, pleading, application, power of attorney or other papers in connection therewith; and to permit the Government to represent it at any hearing, trial or other proceeding arising out of such claim or suit.

This assignment has been executed this _____ day of _____, 20 _____.

Subrecipient Signature: _____

Typed Name and Title: _____

CERTIFICATE
(Applicable to non-political organizations)

I, _____, certify I am the _____
(Official title)

of the corporation named in the foregoing assignment; that_____, who signed on behalf of the Subrecipient was then _____of said corporation; that said assignment was duly signed for and behalf of said corporation by authority of its governing body and is within the Scope of its corporate powers.

Signature _____Date _____

(CORPORATE SEAL)

Instructions
Assignment of Refunds, Rebates and Credits

Submit with original signature and enter the following information in consecutive blanks on the form:

1. Funds Source/Program Year of funds being closed out.
2. Name of LWDB or subrecipient.
3. Date assignment form is executed.
4. Typed name and title of authorized representative.
5. Signature of authorized representative.

State of Kansas
Department of Commerce

Release of Liability

Pursuant to the terms of grant/contract _____ and in consideration of

$_____ Dollars (Total of Amounts Paid and Payable) which has been or is to be paid under the said grant/contract to:

Name: _____

Address: _____

_____

Hereinafter called the subrecipient or to its assignees, if any, the subrecipient, upon payment of said sum by the State of Kansas, hereinafter called the Government, does remise, release and discharge the Government, its officers and employees, of and from all liabilities, obligations, claim and demands whatsoever under or arising from the said grant, except:

Specified claims in stated amounts or in estimated amounts where the amounts are not susceptible of exact statement by the subrecipient, as follows: (If not, so state)

This release has been executed this _____ day of _____, 20 _____

Subrecipient Signature: _____

Typed Name and Title: _____

CERTIFICATE
(Applicable to non-political organizations)

I, _____, certify I am the _____
(Official title)

of the corporation named in the foregoing assignment; that_____, who signed on behalf of the Subrecipient was then _____of said corporation; that said assignment was duly signed for and behalf of said corporation by authority of its governing body and is within the Scope of its corporate powers.

Signature _____Date _____

(CORPORATE SEAL)

Instructions
Release of Liability

Submit with original signature and enter the following information in consecutive blanks on the form:

1. Funds Source/Program Year.
2. Total amounts paid and payable. The amount must reflect the total allowable costs incurred and must agree with the total amount shown on the final financial reports and the Schedule of Unpaid Liabilities.
3. Name of LWDB or subrecipient.
4. Numbered paragraph 1. If there are claims pending list each outstanding claimant by name, address and amount due. The Schedule of Unpaid Liabilities should be substituted for this requirement by reference here. If no claims are pending, enter none.
5. Typed name and title of authorized representative.
6. Signature of authorized representative.

GRANT/CONTRACT CLOSEOUT TAX CERTIFICATION

In the performance of Grant/Contract _____, I hereby certify I have complied with requirements of the law and the appropriate law and regulations regarding the obtaining of employer identification/account numbers; collection, payment, deposit and reporting of Federal, State and local taxes; and the provision of W-2 forms to employees/enrollees, (formerly employed under the grant), W-2 forms will be furnished as specified in Circular E, Employer's Tax Guide.

Authorized Signature: _____

Name of Subrecipient: _____

Address: _____

_____

Federal Employers Identification Number (FEIN): _____

Fund Source/Program Year _____

State of Kansas
Department of Commerce

FINAL (CLOSEOUT) INVENTORY CERTIFICATE

1. SUBRECIPIENT CERTIFICATION

A. Grant/Contract with Property

I do hereby certify as _____ of _____
(title) *(subrecipient name)*

the requirement established in the Workforce Services Fiscal Manual in acquisition and maintenance of property management has been adhered to and the attached listing is to be considered as the Final inventory and lists all government property for which I am accountable and is correct in every respect, which is hereby submitted complete with supporting documents.

SIGNATURE: _____	**DATE:** _____
TYPE NAME AND TITLE: _____	

B. Grant/Contract without Property

I do hereby certify as _____ of _____
(title) *(subrecipient name)*

no government property was furnished or acquired under the terms and conditions of this contract.

SIGNATURE: _____	**DATE:** _____
TYPE NAME AND TITLE: _____	

2. SUBRECIPIENT CERTIFICATION - GRANT/CONTRACT RENEWAL

NOTE: If a renewal contract/grant has been approved, the following statement must be signed in addition to the final inventory certification above.

I further certify the government property identified above has been approved for use in an on-going or follow-up grant/contract. The number of the on-going for follow-up grant/contract is _____

SIGNATURE: _____	**DATE:** _____
TYPE NAME AND TITLE: _____	

INSTRUCTIONS
FINAL (CLOSEOUT) INVENTORY CERTIFICATE

1. Fund Source/Program Year - Specify the Program funds used in obtaining property and being closed out.

   1.A AGREEMENT WITH PROPERTY - If property is reported, the authorized official must sign to certify the Property Listing is correct.

   1.B. AGREEMENT WITHOUT PROPERTY - If 2A is not applicable the authorized official must sign to certify no reportable property was acquired under the agreement.

2. FOLLOW-UP AGREEMENT - If the LWDB or subrecipient is requesting to use the property identified on the Property Listing as part of an on-going or follow-up agreement, the authorized official must sign.

Page ____ of _____

STATE OF KANSAS
DEPARTMENT OF COMMERCE

PROPERTY LISTING

1. Name and Address _____ 2. Fund Source _____

_____ 3. Period _____

_____ 4. Grant/Contract No. _____

								Unit Acquisition Cost		
Item No.	Identification Number	Description	Location	Date of Acquisition	Condition	Unit	Quantity	State	Non-State	Total Cost

Instructions
Property Listing

1. Name and address.

2. Fund Source for the period.

3. Period of the grant/contract.

4. Grant/contract number, if applicable.

Item No. - Enter item in numerical sequence (i.e.; 1, 2, 3, 4, etc.)

Identification Number - Enter identification number, such as manufacturer's model number or other identification number.

Description - Describe the property (i.e., computer, fax machine, digital camera, etc.). *Location* - Enter address of the property location (if different than the address shown above). *Date of Acquisition* – Enter date property was purchased (may be earlier than installation date).

Condition Code - Use the condition code corresponding to the description listed on the Chart of Disposal

Condition Codes below. (i.e., used property in good condition would receive a code 4).

Unit – Enter cost per _(i.e., each, dozen, set, etc.)

Quantity - Enter number of units per item (i.e., 1, 2, 3, 4, etc.)

Unit Acquisition Cost - Enter original unit cost of the item and identify percentage charged to WIOA vs. non-WIOA funds.

Total Cost - Enter total value of all units for this line item.

DISPOSAL CONDITIONS CODES

Code	Brief Definition	Expanded Definition
1	Unused-good	Unused property that usable without repairs and identical or interchangeable with new items from normal supply sources.
2	Unused-fair	Unused property that is usable without repairs, but is deteriorated or damaged to the extent that utility is somewhat impaired.
3	Unused-poor	Unused property that is useable without repairs, but is considerably deteriorated or damaged. Enough utility remains to classify the property better than salvage.
4	Used-good	Used property that is useable without repairs and most of its useful life remains.
5	Used-fair	Used property that is usable without repairs, but somewhat worn or deteriorated and may soon require repairs.
6	Used-poor	Used property that may be used without repairs, but is considerably worn or deteriorated to the degree that remaining utility is limited or major repairs will soon be required.
7	Repair required-good	Required repairs are minor and should not exceed 15 percent of the original acquisition cost
8	Repair required-fair	Required repairs are considerable and are estimated to range from 16 to 40 percent of
9	Repair required-poor	Required repairs are major because property is badly damaged, worn or deteriorated and are estimated to range from 41 to 65 percent of original acquisition cost.
10	Salvage	Property has cumulative value in excess of its basic material content, but repair or rehabilitation to use for the originally intended purpose is clearly impractical. Repair for any use would exceed 65 percent of the original
11	Scrap	Material that has not value except for its basic material content.

Workforce Services Funds Received

Date of Request	Title of Funds	Program Year	Amounts Received

Chapter Fourteen

Cost Allocation

In this chapter you will find the following:

- Definitions
- Allocable Costs
- Fundamental Bases for Cost Allocation
- Cost Pool Allocation Process
- Essential Elements of a Cost Allocation Plan
- Projections
- Characteristics of Acceptable Allocation Bases
- Characteristics of Unacceptable Allocation Bases
- Unacceptable Allocation Bases
- Suggested Bases for Cost Allocation
- Allocation Methods
- Governmental Subrecipients
- Nonprofit Agencies

14.00 COST ALLOCATION

Federal/state regulations mandate consistency in cost allocation. A cost must be treated in a like manner each time it occurs and for every funding source without prejudice to the type of funding.

14.01 Definitions

Administrative Costs – Expenditures incurred by State boards and local boards, pass-through entities, local grant subawardees, and One-Stop Operators in the performance of administrative functions and in carrying out activities under Title 1 that are not related to the direct provision of workforce investment services (including services to participants and employers). Such costs include both personnel and nonpersonnel costs and both direct and indirect costs associated with overall management. Administration is also an object or line item of expenditure within an agency's budget.

Allocated or Indirect Services - Central services benefiting operating agencies but are not billed to the agencies on a fee-for-service or similar basis. These costs are allocated to benefited agencies on some reasonable basis.

Base - The accumulated direct costs (normally either total direct salaries and wages or total direct costs exclusive of any extraordinary or distorting expenditure) used to distribute indirect costs to individual federal awards. The direct cost base selected should result in each award bearing a fair share of the indirect costs in reasonable relation to the benefits received from the costs.

Base Period - In the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation to activities performed in the period. The base period normally should coincide with the governmental unit's fiscal year, but in any event, shall be so selected as to avoid equities in the allocation of costs.

Billed Central Services - Central services billed to benefited agencies and/or programs on an individual fee-for-service or similar basis.

Capital Expenditure - The cost of the asset including the cost to put it in place. Capital expenditure for equipment means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in-transit insurance, freight and installation may be included in or excluded from, capital expenditure cost in accordance with the governmental unit's regular accounting practices.

Central Service Cost Allocation Plan - Documentation identifying, accumulating and allocating or developing billing rates based on the allowable costs of services provided by a governmental unit on a centralized basis to its departments and agencies. The costs of these services may be allocated or billed to users.

Cognizant Agency - The federal agency responsible for reviewing, negotiating and approving cost allocation plans or indirect cost proposals developed under the applicable circulars on behalf of all federal agencies. OMB publishes a listing of cognizant agencies.

Cost Allocation - The distribution or sharing of a cost or expenditure benefiting more than one effort or program objective. Cost allocation allows programs to distribute costs among cost categories within a funding source or across multiple funding sources benefiting from the expenditure.

Cost Allocation Plan - Central service cost allocation plan, public assistance cost allocation plan and indirect cost rate proposal. Each of these terms is discussed in detail in the OMB Uniform Guidance.

Cost Pools - Intermediate cost objectives or temporary accounts used to aggregate costs not readily assigned to final cost objectives (also addressed as cost groupings in OMB Uniform Guidance).

Costs - Expenditures or expenses are amounts determined on cash, accrual or other basis acceptable to the federal awarding or cognizant agency. It does not include transfers to a general or similar fund.

Final Cost Objectives - Cost categories as identified in the contract. These are the minimum number of final cost objectives the LWDB or subrecipient must establish to meet the federal reporting requirements. An allocation base is the method of documentation used to measure the extent of benefits received when allocating joint costs among multiple cost objectives.

Final Rate - An indirect rate applicable to a specified past period based on the actual allowable costs of the period. A final audited rate is not subject to adjustment.

Fixed Rate - An indirect cost rate with the same characteristics as a predetermined rate, except the difference between the estimated costs and the actual, allowable costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.

Indirect Cost Rate - A device for determining, in a reasonable manner, the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.

Indirect Cost Rate Proposal - Documentation prepared by a governmental unit or component thereof to substantiate its request for the establishment of an indirect cost rate.

Predetermined Rate - An indirect cost rate applicable to a specified current or future period -- usually the governmental unit's fiscal year. This rate is based on an estimate of the costs to be incurred during the period. Except under unusual circumstances, a predetermined rate is not subject to adjustment. Due to legal constraints, predetermined rates may not be used by governmental units not submitting and negotiating the rate with the cognizant agency. In view of the potential advantages offered by this procedure, negotiation of predetermined rates for indirect costs for a period of two to four years should be the norm in those situations where the cost experience and other pertinent facts available are deemed sufficient to enable the parties involved to reach an informed judgment as to the probable level of indirect costs during the ensuing accounting periods.

Provisional Rate - A temporary indirect cost rate applicable to a specified period to be used for funding, interim reimbursement and reporting indirect costs on federal awards pending the establishment of a "final" rate for the period.

14.02 Allocable Costs

All costs are allocable to a particular cost objective, such as a grant, project, service or other activity in accordance with the relative benefits received. Costs are allocable to a government award if the treatment is consistent with other costs incurred for the same purpose, in like circumstances and with the following conditions:

- Incurred specifically for the contract;

- Benefits the award and can be distributed in reasonable proportion to the benefits received;
- Is a reasonable cost necessary to the overall operation of the organization although a direct relationship to any particular cost objective cannot be shown; and
- Is an allowable cost in accordance with federal, state and local policies, rules and regulations and not in direct conflict with any contractual provisions?

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

14.03 Fundamental Basis for Cost Allocation

Costs are classified for the purpose of cost allocation. The three types of costs are as follows:

1. *Indirect Costs* - Indirect costs are costs incurred for common or joint objectives not readily identified with a particular cost objective. Indirect costs are those remaining to be allocated among cost objectives relative to the benefit received. A cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to an award as a direct cost.

2. *Assignable Direct Costs* - Assignable direct costs are those identified specifically with a particular final cost objective (i.e., specific award, project, service or other direct activity of an organization as well as a particular cost category). Costs identified specifically with awards are direct costs of the awards and are to be assigned directly;

3. *Unassignable Direct Costs* - Costs can be identified with a specific cost category but not by a specific title. These costs may be pooled and subsequently allocated based on an accepted measure of benefits received. This method may be more appropriate than directly assigning these costs to final cost objectives.

14.04 Cost Pool Allocation Process

The cost pool allocation process is as follows:

Step 1: A cost allocation plan is written. An allocation base should be described in the cost allocation plan. The allocation base should be reflective of benefits received.

Step 2: Shared costs are incurred. The final cost objective for these expenses is not readily identifiable so the costs are booked to an intermediate cost objective, a pool.

Step 3: Costs are allocated. At various times when the basis for allocation is realized and known (i.e., participants served) the costs are allocated on the determined basis.

Step 4: Projections are made. The results of distributing the pooled costs are projected at least quarterly. This should provide the LWDB or subrecipient with feedback on (projected) cost category and budget compliance.

14.05 Essential Elements of a Cost Allocation Plan

The following are essential elements of a cost allocation plan:

- Organizational Information.
    - Statement of Function and Benefit to include a description of the various types of services provided, relevance to the various programs, to include all Commerce and non-Commerce revenue sources and cost objectives.
    - Organization chart to identify all departments and personnel of the subrecipient, including names and titles.
- Copy of Entity's Budgets.
- Description of Shared Items of Expense - Include all pooled costs to be allocated. The goods or services included in the various cost pools should be described. All entities should also be described in relation to goods or services received or provided through the plan.
- Allocation requirements:
    - Basis and method to be used in distributing the costs;
    - Justification for the basis and method used; and
    - Description of supporting documentation to be maintained.
- Shared Costs to be Incurred and Pooled - Many types of cost pools are acceptable if established and managed properly in the entity's accounting system. Examples include but are not limited to the following:
    - Administrative Cost Pools - Allocating shared administrative costs to each federal or state program based on each program's share of total direct administrative costs is acceptable;
    - Indirect Cost Pools - Shared costs administrative in nature benefiting the entity as a whole and not a specific program. Examples of such costs include printing and reproduction costs, procurement of administrative goods and services, accounting, salaries and travel costs for the executive director and related staff, audit expenses and limited legal and consultant fees. Readily assignable direct costs are not allowable inclusions in the indirect cost pool because their inclusion would distort the assessment of indirect costs.
    - Training-Related and Supportive Services Cost Pool - One example of a cost pool of this type is initial intake. Front-line staff may conduct initial intake for multiple programs. All unassignable training-related and supportive service costs may be initially pooled and charged temporarily to a cost pool account. These costs include the salary and fringes of the line staff and the portion of the intake manager's salary spent on determining eligibility for the various programs or supportive services, materials, telephones and other related costs required to carry out the initial intake function. In this case, the costs are charged back to the appropriate titles. The costs are distributed based on an approved formula allocating costs based on benefits received by each program.
    - Training Cost Pools - A similar type of cost pool may be operated in the direct training cost category. An example is objective assessment for eligible applicants referred to multiple programs. Allocation basis may be the number of actual assessments completed for each program or the number of persons enrolled into each program during the period.
    - Pools for Supplies Expense (supply expense may be a subset of the administrative cost pool) - The cost pools/groupings should be established to permit the allocation of each grouping on the basis of benefits provided to the major functions. Each grouping should constitute a pool of expenditures of like character in terms of the functions they benefit and in terms of the allocation base to best measures the relative benefits provided to each function.

  Note: Costs should be classified by appropriate cost category and pooled, then allocated among titles.

- Certification the plan was prepared in compliance with the following:
    - OMB Uniform Guidance;

- Only allowable costs are contained in the plan;
- Plan treats similar costs consistently among the various federal awards and between federal and nonfederal awards/activities; and
- Plan has been evaluated and adjusted on an annual basis as necessary.

Note: A sample certification is below. The italicized phrases may be interchanged as appropriate. The rest of the certification should remain the same.

Certification
Cost Allocation Plan, Central Service Plan or Indirect Cost Plan

This is to certify I have reviewed the cost allocation plan submitted herewith and to the best of my knowledge and belief:

a. All costs included in this plan to establish cost allocations, billings or final indirect cost rates for *[identify period covered by plan]* are allowable in accordance with the requirements of OMB Circular A-21, A-87 or A-122, entitled *[identify appropriate title for specific OMB Circulars]* and the federal award(s) to which they apply. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan, central service plan or indirect cost plan.

b. All costs included in this plan are properly allocable to federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the awards to which they are allocated in accordance with applicable requirements. Further, the same costs have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the federal and state governments will be notified of any accounting changes affecting the predetermined rate.

I hereby declare the foregoing is true and correct.

[Identify name of Governmental unit, nonprofit organization or institution of higher education]

Name of Official: _____ Signature: _____

Title: _____ Date of Execution: _____

14.06 Projections

Year-end projections of expenditures are to be prepared at least quarterly so the LWDB or subrecipient may ensure the cost pool is serving its purpose and current practices will maintain budget and cost category compliance. Projections are a characteristic of good internal control. They provide management with essential information. The basis for allocations may not be changed erratically and shifting costs to overcome funding deficiencies or avoid restrictions is prohibited.

14.07 Characteristics of Acceptable Basis

14.07a Causal Relationships: Allocation Basis are Cost Drivers

The preferred approach to determine an allocation basis is to search for causal factors when the cost is incurred. Costs should be analyzed according to separate homogeneous pools based on the factors causing the cost to be incurred. This process results in determining "cost drivers", which are the activities causing costs to be incurred. Cost drivers are the basis for allocating overhead costs associated with the activity.

LWDBs and subrecipients are encouraged to employ cost management systems to plan, identify, manage and reduce costs. This is contrasted with a traditional cost accounting system, which is historical in nature and concerned with reporting costs already occurred. An important objective to a cost management system is to identify and eliminate non-value-added costs. A non-value-added cost is a cost or activity able to be eliminated without any deterioration of performance, functionality, quality or perceived value. Examples of non-value-added costs are moving expenses or excessive storage expenses

14.07b Consistency

The base should be consistently applied over time. It is not appropriate to change the base for allocating pooled costs from quarter to quarter.

14.07c Generally Accepted Accounting Principle - Matching Principle

The base should also be drawn from the same period in which the costs to be allocated have been incurred (i.e., it is not appropriate to use last year's participant data as the basis for allocating this year's expenditures).

14.07d Generally Accepted Accounting Principle - Materiality Principle

Effort should be proportionate to the benefits derived. The complexity of the base and the time and effort to construct the pool and allocate the costs should not exceed the materiality of the costs involved. The base should be simple enough to be an efficient accounting method while still attaining a fair distribution of costs.

Whenever possible, use existing information in the financial or participant record keeping and reporting systems rather than creating a separate data base to be used only for allocating costs.

14.08 Characteristics of Unacceptable Allocation Basis

The following are characteristics of an unacceptable allocation basis:

- Distorts the final results;
- Does not represent actual effort or cost expended;
- Not used consistently over time and with variations in funding; or
- Does not have an integral relationship to the types of costs being allocated.

14.09 Acceptable Allocation Basis

The following are characteristics of an acceptable allocation basis:

- Plans, budgets or estimates future effort or cost;
- Relative funds are available to allocate unassigned direct costs;
- Funds are allotted by program to allocated pooled administrative costs;
- Job descriptions correspond to the allocation of staff costs;
- Fixed or predetermined number of staff hours are assigned to an activity to allocate staff costs;
- Participant levels are planned to allocate participant-related costs; and
- Results from prior periods are used to allocate current period costs (except development).

14.10 Suggested Basis for Allocation

The following listing of acceptable basis should be used on a "best fit" basis. Certain situations will require a more detailed allocation basis when the pool has broader characteristics:

Accounting	✓	Number of transactions
	✓	Direct labor hrs
	✓	Allowable survey methods, i.e., time studies.
Auditing	✓	Direct audit hrs
	✓	Expenditures audited
Budgeting	✓	Direct labor hrs
Consumable Supplies	✓	Total direct costs
	✓	Total labor hrs.
Counselor	✓	Direct labor hrs.
	✓	Number of participants Counseled
Data processing	✓	System usage
	✓	Direct labor hrs.
Disbursing service	✓	Number of checks issued
	✓	Direct labor hrs.
Fidelity Bond	✓	Number of bonded employees
Freight	✓	Number of items shipped
	✓	Cost of goods
Health Services	✓	Number of employees
Intake	✓	Current period enrollments
Legal Services	✓	Direct hrs
Motor Pool Costs	✓	Miles driven
	✓	Days used
Office Machines & Equipment Maintenance	✓	Direct machine hrs.
	✓	Direct labor hrs
Office Space	✓	Square ft. of space occupied
	✓	Staff salary distribution
Payroll Services	✓	Number of employees
Personnel Services	✓	Number of employees
Postage	✓	Direct usage
	✓	Acceptable survey methods
Printing / Reproduction	✓	Direct labor hrs
	✓	Job basis
	✓	Pages printed
Procurement Services	✓	Number of transactions processed
	✓	Direct hrs of purchasing agent's time
Retirement System Admin.	✓	Payroll
	✓	Number of employees contributing
Telephone	✓	Actual usage
Travel	✓	Mileage
	✓	Actual expenses
	✓	Direct labor hrs.
Utilities	✓	Square ft. of space occupied
	✓	Staff salary distribution

14.11 Allocation Methods

14.11a Direct Allocation Method

Some organizations treat all costs as direct costs and generally classify costs as follows:

- General administration and general expenses;
- Fundraising; or
- Other direct functions (including projects performed under government contracts).

Joint costs, such as depreciation, rental costs, operation and maintenance of facilities, telephone expenses and similar costs are prorated individually as direct costs to each category and to each contract or other activity base most appropriate to the particular cost being prorated. This method is acceptable provided each joint cost is prorated using a base which accurately measures the benefits provided to each award or other activity. Bases must be established in accordance with reasonable criteria and be supported by current data.

14.11b Allocation of Indirect Costs and Interpolation of Indirect Cost Rates

Where an organization has only one major function or where all its major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures.

Where an organization has several major functions benefiting from its indirect costs in varying degrees, allocation of indirect costs may require the accumulation of such costs into separate cost groupings, which are allocated individually to benefiting functions. This allocation is assessed by means of a basis which best measures the relative degree of benefit as documented for a designated base period. The base period for the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation with work performed in the period. The base period normally coincides with the organization's fiscal year. The indirect costs allocated to each function are then distributed to individual awards and other activities included in the function by means of an indirect cost rate(s). Both the direct cost and the indirect costs shall exclude capital expenditures and unallowable costs.

The determination of what constitutes an organization's major functions will depend on the purpose of the organization, the type of services it renders, its clients and members and the amount of effort the organization devotes to activities such as fund raising, public information and membership activities.

Specific methods for allocating indirect costs and computing indirect cost rates, along with the conditions under which each method should be used, are described below.

14.11c Simplified Allocation Method

When an organization's major programs benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by the following:

- Separating the organization's total costs for the base period as either direct or indirect;
- Dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base such as the following:

- Total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.);
- Direct salaries and wages; or
- Another base which results in an equitable distribution.

The result of this process is an indirect cost rate used to distribute indirect costs to individual awards. The rate should be expressed as the percentage of the total amount of the allocable indirect costs as determined by the base period research. This method is most compatible where an organization has only one major function (i.e., training) which incorporates a number of individual funding awards.

Both direct and indirect costs shall exclude capital expenditures and unallowable costs. However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable. Unallowable costs are not allowed in the cost pool/numerator. Unallowable pooled costs should be allocated separately through the multiple allocation base method to prevent allocation of unallowable costs to programs prohibiting these types of costs.

14.11d Multiple Allocation Base Method

When an organization's indirect costs benefit its major functions in varying degrees, such costs shall be accumulated into separate cost groupings. Each grouping shall then be allocated individually to benefiting functions by means of a base which best measures the relative benefits.

The groupings shall be established to permit the allocation of each grouping on the basis of benefits provided to the major functions. Each grouping should constitute a pool of expenses with similar characteristic (i.e., administrative) in terms of the functions they benefit and in terms of the allocation base best measuring the relative benefits provided to each function. The number of separate groupings should be held within practical limits, taking into consideration the materiality of the amounts involved and degree of precision desired.

Actual conditions must be taken into account in selecting the base to be used in allocating the expenses. When an allocation can be made by assignment of a cost grouping directly to the function benefited, the allocation shall be made in this manner. When the expenses in a grouping are more general in nature, the allocation should be made through the use of a selected base to produce results equitable to both the government and the organization.

In general, any cost element or cost related factor associated with the organization's work is potentially adaptable for use as an allocation base provided as follows:

- It can readily be expressed in terms of dollars or other quantitative measures (i.e., total direct costs, direct salaries and wages, staff hours applied, square feet used, hours of usage, number of documents processed, population served, etc.); and
- It is common to the benefiting functions during the base period.

The separate grouping of indirect costs allocated to each major function shall be aggregated and treated as a common pool for the function. The costs in the common pool shall then be distributed to individual awards included in the function through the use of a single indirect rate.

NOTE: Indirect costs not recovered because of cost limitations may be used as stand-in costs.

14.12 Governmental Subrecipients

Responsibility for approving the cost allocation plans of most units of local government has been assigned by OMB to cognizant federal agencies. The cognizant agency should review the entity's rate for its relevancy to programs funded through Commerce.

14.13 Nonprofit Organizations

Indirect cost rate proposals are required when a nonprofit organization has more than one source of funding and elects to recover indirect costs through the use of an indirect rate. For assistance in preparing indirect cost rate proposals, nonprofit organizations should consult the OMB Uniform Guidance Appendices III-VII. It is the responsibility of the nonprofit organization to determine all costs allowable and appropriate for programs funded through Commerce. No proposal to establish indirect (F&A) cost rates must be acceptable unless such costs have been certified by the non-profit organization using the Certificate of Indirect (F&A) Costs set forth in Appendix IV Section j. The certificate must be signed on behalf of the organization by an individual at a level no lower than Vice President or Chief Financial Officer for the organization. Nonprofit organizations are strongly encouraged to retain authority for approving any indirect cost rate to be used by their subrecipients. Indirect cost proposals should be reviewed to determine the following:

- Distribution of indirect or unassignable costs is based on a method reasonably indicative of the amount of services provided to federally supported activities and all other activities of the department;
- Services provided are necessary to the successful conduct of the grant programs;
- Level of costs incurred is reasonable; and
- Costs claimed are otherwise allowable in accordance with the applicable regulations.

Chapter Fifteen

Program Income, Related Income and Matching Requirements

In this chapter you will find the following:

- Program Income
- Cost Matching/Sharing
- Stand-in Costs

15.00 PROGRAM INCOME, RELATED INCOME AND MATCHING REQUIREMENTS

15.01 Program Income

The concept of program income stems from the federal government's basic theory of funding; the government will pay the cost of providing services. Any income received by an organization, in excess of costs, should be used to defray the government's share of the program cost.

15.01a Definition of Program Income

The OMB Uniform Guidance sets uniform administrative requirements for grants with state and local governments, as well as for nonprofit organizations. Both define program income as gross income received by the grantee or subgrantee directly generated by a grant-supported activity or earned only as a result of the grant agreement during the grant period. The Uniform Grant and Contract Management Standards apply this definition to entities receiving state funds.

Gross income means revenues earned before any deduction for the costs incurred to generate the income. The concept of gross income incorporates culmination of an earnings process. If a receipt would not usually be considered revenue it cannot be program income. For this reason, program income does not include rebates, credits, discounts or refunds.

NOTE: OMB Uniform Guidance includes royalties and license fees for copyrighted material as program income to nonprofit organizations, but exempts organizations from the reporting and use requirements imposed on it.

Directly generated by a grant supported activity means the income received as a direct result of performing a federally-funded activity. For this reason, the definition includes fees received for services performed, fees received from the use or rental of real or personal property acquired with grant funds and fees from the sale of commodities or items fabricated under a grant agreement. Income indirectly generated by a grant-supported activity is not considered program income. For this reason, program income does not include interest earned on rebates, credits, discounts, refunds or advances of federal funds. Also excluded is income from royalties and license fees for copyrighted material.

NOTE: Both interest earned on advances and royalties may be considered program income if so identified in the grant agreement or federal regulations. Also see note above at the end of the paragraph starting with "Gross income…"

During the grant period means the time between the effective date of the award and the ending date of the award, as reflected in the contract. As such, any income earned before the effective date of the award or after the ending date of the award is not program income. However, organizations are not released of liability for properly reporting and using program income, if it is earned during the grant period.

Program income should be incidental to the achievement of local training goals. Program income should not be derived from activities where the goal is product development, economic development or speculative profit on the open market. For example, Child Care Management System (CCMS) training for child care workers could appropriately include workers from a non-CCMS child care contractor for a fee, provided no CCMS contractors were excluded. However, it would be inappropriate to train, for a fee, solely non-CCMS childcare contractors.

Costs, incident to the generation of program income, may be deducted from gross income in determining program income, if authorized by federal/state regulations. However, such costs may not also be charged to the grant.

15.01b Uses of Program Income

Program income must be used to support the particular program generating it. The subrecipient must observe the most restrictive administrative cost limitation of the supporting funding. The cost principles of the OMB Uniform Guidance 2 CFR Part 220, 225, or 230 (as appropriate to the type of entity) must be applied to the expenditure of program income. Program income shall be classified as either "administrative" or "program" expenditures. Program income shall be used and accounted for by one of the following methods:

- *Deduction* - Ordinarily, program income shall be deducted from total allowable costs in the current period to determine the net allowable costs. Federal regulations and/or Commerce policy may authorize an extended period for the use of program income. In this case, the total funds committed to the project remains constant; program income reduces the federal/state share of the contribution.
- *Addition* - Federal regulations and/or Commerce may authorize program income to be added to the funds committed to the grant agreement. The program income shall be used for the purposes and under the conditions of the contract. In this case, the total funds committed to the project are increased by the amount of program income; the federal/state share of the contribution remains constant.
- *Cost Sharing or Matching* - When authorized by federal regulations and/or Commerce, program income may be used to meet the cost sharing or matching requirement of the grant agreement.

Program income must be reported on the monthly expenditure report form. In the event program income is not accounted for properly or expended correctly, the funds must be returned to Commerce.

15.02 Cost Matching

Cost matching is where the subrecipient shares in the cost of a federal/state program. Matching represents the portion of the project or program costs not borne by the federal/state government and contributed by the subrecipient from other funds. Matching requirements may be met by contributing cash or in-kind goods or services, depending on the program's particular regulatory requirements. Thus far, Commerce has no WIOA programs requiring matching and state funds may be used for matching federal programs.

In-kind contributions are non-cash in nature, such as goods and/or services, real or personal property and/or its use. Generally, in-kind contributions will be received by the subrecipient from a third party and then contributed to the program by the subrecipient. Cash and in-kind contributions may be provided from other nonfederal funding sources or donated by other public/private nonfederal sources, institutions, organizations or individuals. Both cash and in-kind contributions may be contributed from non-governmental grants and other governmental grants, fund-raising activities of LWDB members and other activities.

15.02a Participation in Matching Programs - Basic Considerations

The following should be considered before making a commitment to share in the cost of a program:

- The subrecipient must be able to separately budget and account for the total project costs, both federal and nonfederal. If this is not possible, then there is no way to prove matching has actually occurred; and

- Various federal rules and regulations setting forth financial and accounting standards must be considered to determine if the subrecipient's contributions toward matching will be allowable.

15.02b Basic Standards for Cost Matching

The following are basic standards for cost matching which must be met:

- Matching contributions must be documented and verifiable in the subrecipient's accounting records and are subject to audit. Matching expenditures must be based on costs or values established in accordance with applicable federal/state cost principles;
- Matching contribution may only be used once for a federal program. The total matching contribution may be distributed to multiple programs. However, the total allocation may not exceed the original value of the total matching contribution;
- Matching contribution must be directly related to and necessary for, the accomplishment of program objectives;
- Matching contributions must consist of the type of charges allowable under applicable cost principles. An unallowable cost cannot be used as matching share;
- Matching contributions must be provided for and defined (cash or in-kind) in the subrecipient's contract; and
- Temporarily restricted contributions (as defined by generally accepted accounting principles) may be counted toward matching prior to the expiration of the restriction provided the subrecipient reasonably expects the restriction to be met.

15.02c Qualifications and Exceptions

Except as provided by federal statute or regulations, a matching requirement may not be met by costs borne by another federal grant. Costs financed by program income shall not count towards satisfying a matching requirement unless expressly permitted in the terms of the contract agreement or unless the subrecipient has obtained approval to do so from Commerce.

Governmental organizations, using indirect cost rates, may obtain matching credit for indirect costs applicable to in-kind contributions only if the organization establishes a special rate for allocating to individual projects or programs the value of the indirect in-kind contributions.

A third party in-kind contribution to a fixed-price contract may count towards satisfying a cost sharing or matching requirement only if it results in an increase in the services or property provided under the contract (without additional cost to the subrecipient) or a cost savings to the subrecipient.

15.02d Valuation of In-Kind Contributions

The following is a valuation of specific in-kind contributions:

- *Services* - Records must demonstrate how the value placed on third party in-kind contributions was derived. Fair market value of donated services shall be computed as follows:
    - Rates for volunteers shall be consistent with those regular rates paid for similar work in other activities of the organization. In cases where the kinds of skills involved are not found in the other

activities of the organization, the rates used shall be consistent with those paid for similar work in the labor market in which the organization competed for such skills; and

- When an employer donates the services of an employee, these services shall be valued at the employee's regular rate of pay (exclusive of fringe benefits and indirect costs) provided the services are in the same skill for which the employee is normally paid. If the services are not in the same skill for which the employee is normally paid, fair market value shall be computed as stated above.

Third party in-kind contributions count towards satisfying a matching requirement only if the payments would have been allowable costs had the entity receiving the contributions paid for them.

- *Goods and Space* - If a third party donates supplies the contribution will be valued at the market value of the supplies at the time of donation. If the third party donates the use of equipment or space in a building the contribution will be valued at the fair rental rate for equipment or space of similar age, condition and location. Valuations should be reasonable and supported by documentation.
- *Expendable Personal Property* - Donated expendable personal property includes expendable equipment, office supplies, workshop and/or classroom supplies and other property needed to operate the program. All expendable personal property shall be valued at the fair market value of the goods at the time of the donation.
- *Nonexpendable Personal Property* - Donated nonexpendable personal property includes equipment which fair market value at the time of donation meets or exceeds the organization's capitalization policy. If the equipment donated would have been allowed as a direct program charge, the subrecipient may count the fair market value of the equipment as a matching cost. Otherwise, the amount counted towards meeting a matching requirement is equal to the amount allowable as depreciation or use charge.

15.02e Consequences of Failure to Meet Matching Requirements

Failure to meet and/or document the matching could result in the disallowance of costs and/or cancellation of the contract. When matching is required, errors could ultimately result in the loss of the federal share. This requires the subrecipient to be able to properly value in-kind contributions and budget for the matching share. Proper accounting for matching contributions ensures documentation of cost and consideration for permissibility.

15.03 Stand-in Costs

Stand-in costs are costs paid from nonfederal sources a subrecipient proposes to substitute for federal costs disallowed as a result of an audit or other review. In order to be considered as valid substitutions, the costs must meet the following conditions:

- Reported by the subrecipient as uncharged program costs in the same program year the disallowed costs were incurred;
- Incurred in compliance with laws, regulations and contractual provisions governing the funding source; and
- Will not result in a violation of the applicable cost limitations.

To be considered in a proposal to substitute stand-in costs, the costs must meet the following conditions:

- Reported as uncharged program costs;
- Included within the scope of the audit; and
- Accounted for in the auditee's financial system.

GLOSSARY OF TERMS

An understanding of the following terminology will increase the resource value of this document for the user. In addition to the following terminology, the chapters of this manual provide subject or program specific terminology/definitions:

ABE - Adult Basic Education.

Accrediting/Accreditation - Public certification issued by the State of Kansas to an educational institution or program upon meeting established qualifications and educational standards.

Account - A financial record in which the results of similar financial transactions are accumulated; tracks increases, decreases and balances.

Accounting Controls - The organizational policies and procedures concerned with safeguarding an organization's assets and ensuring the reliability of financial information.

Accrual-Basis Accounting - A system of accounting in which revenues and expenses are recorded as they are earned and incurred, not necessarily when the cash is received or paid.

Accrued Expenditures - Charges incurred during a given period requiring the provision of funds for goods and other tangible property received and services performed by employees, subrecipients, contractors and other payees; plus other amounts owed under programs for which no current services or performance is required.

Accrued Income - The sum of earnings during a given period from services performed and goods and other tangible property delivered to purchasers, plus amounts owed to the recipient of federal funds for which no current services or performance is required.

Accrued Liability - An obligation for benefits received but not yet paid.

Acquisition Cost - The net invoice unit price of an item of equipment (or the present value of the minimum lease payments of lease-purchase property) including the cost of any modifications, attachments, accessories or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in-transit insurance, freight and installation shall be included in or excluded from unit acquisition cost in accordance with the organization's regular written accounting practices.

Administrative Costs - Expenditures incurred by State boards or local boards, pass-through entities, local grant subawardees, local fiscal agents or local grant subrecipients, and One-Stop Operators in the performance of administrative functions and in carrying out activities under Title 1 that are not related to the direct provision of workforce investment services (including services to participants and employers). Such costs include both personnel and nonpersonnel costs and both direct and indirect costs associated with overall management. Administration is also an object or line item of expenditure within an agency's budget.

Advance - Payment made from Commerce upon request before outlays are made by the LWDB or subrecipient or through the use of predetermined payment schedules.

Allocable Cost - The costs assignable or chargeable to multiple cost objectives in accordance with the relative benefits received.

Allocated or Indirect Services - Central services benefiting operating agencies but are not billed to the agencies on a fee-for-service or similar basis. These costs are allocated to benefited agencies on some reasonable basis.

Allocation – The process of assigning costs which benefit multiple cost objectives.

Allotment - The amount of program funds available for distribution to subrecipients; the amount of program funds made available to subrecipients by Commerce.

Allowable Cost - The cost associated with an award meeting the following conditions:

- Is necessary and reasonable for proper administration of the program;
- Is authorized or not prohibited under any laws or regulations;
- Conforms to any limitations set forth in any applicable regulations;
- Is consistent with policies and procedures applying to the award;
- Is accorded consistent treatment;
- Is not included as a cost or matching requirement of any other award; and
- Is adequately documented.

Audit Client - The person or organization requesting the audit. Depending on the circumstances, the client may be the auditing organization, the auditee or an independent third party.

Audit Report - A report issued by an independent certified public accountant or accounting firm expressing an opinion about the fairness of the presentation of the organization's financial statements in accordance with generally accepted accounting principles.

Audit Standard - The authentic description of essential characteristics of audits reflecting current thought and practice.

Auditee - An organization to be audited.

Auditing - A systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between the assertions and established criteria and communicating the results of the process to interested users.

Auditing Organization - A unit or function carrying out audits through its employees. This organization may be a department of the auditee, a client or an independent third party.

Auditor - The individual or firm who carries out the audit.

Award - Financial assistance providing support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money or property in lieu of money by the federal or state government. The term *award* does not include the following:

- Technical assistance providing services instead of money;

- Other assistance in the form of loans, loan guarantees, interest subsidies or insurance;
- Direct payments of any kind to individuals; or
- Contracts required to be entered into and administered under procurement laws and regulations.

Awarding agency – All references made to the awarding agency refer to the Kansas Department of Commerce.

Bank Reconciliation - The process of systematically comparing the cash balance as reported by the bank with the cash balance in the general ledger and explaining any differences.

Base - The accumulated direct costs (normally either total direct salaries and wages or total direct costs exclusive of any extraordinary or distorting expenditure) used to distribute indirect costs to individual federal awards. The direct cost base selected should result in each award bearing a fair share of the indirect costs in reasonable relation to the benefits received from the costs.

Base Period - In the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation to activities performed in the period. The base period normally should coincide with the governmental unit's fiscal year, but in any event, shall be so selected as to avoid equities in the allocation of costs.

Basket purchase - The cumulative amount paid for the purchase of multiple equipment items and/or supplies with individual unit acquisition costs.

Billed Central Services - Central services billed to benefited agencies and/or programs on an individual fee-for-service or similar basis.

Budget - An estimate of expected revenues and planned expenditure levels.

CFR - Code of Federal Regulations.

Capacity Building - The systematic improvement of job functions, skills, knowledge and expertise of all one-stop/workforce center partners, especially front-line staff who serve employers and job seekers directly. Capacity building includes curricula development, appropriate training, technical assistance, staff development and other related activities.

Capital Expenditure - The cost of the asset including the cost to put it in place. Capital expenditure for equipment means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in-transit insurance, freight and installation may be included in or excluded from, capital expenditure cost in accordance with the governmental unit's regular accounting practices.

Capital Lease – In generally accepted accounting principles, a capital lease that effectively transfers ownership of an asset to the lessee.

Capitalization – In accounting, the process of establishing an asset in the accounting records for a relatively high unit-cost item whose service or useful life extends over more than one year. Subrecipients shall use the lower of $5,000 or the threshold established in their accounting procedures.

Cash-Basis Accounting - A system of accounting in which revenues and expenses are recorded only when cash is received or paid.

Cash Contributions - Cash outlay, including the outlay of money contributed by third parties.

Central Service Cost Allocation Plan - Documentation identifying, accumulating and allocating or developing billing rates based on the allowable costs of services provided by a governmental unit on a centralized basis to its departments and agencies. The costs of these services may be allocated or billed to users.

Certification - The procedure/action by a duly authorized body of determining, verifying or attesting in writing, to the qualifications of personnel, processes and procedures of items in accordance with applicable requirements.

Characteristic - A property to identify or differentiate between entities and can be described or measured to determine conformance or nonconformance to requirements.

Chart of Accounts - A listing of all accounts within an accounting system.

Closeout - The process by which Commerce determines all applicable administrative actions and all required work of the contract has been completed. A closeout is a pre-audit accounting of the expenditures during the specified contract period.

Cognizant Agency - The federal agency responsible for reviewing, negotiating and approving cost allocation plans or indirect cost proposals developed under Uniform Guidance on behalf of all federal agencies. OMB publishes a listing of cognizant agencies.

Collaterally Secured - Funds in excess of the current FDIC maximum insurance coverage amount at a bank secured or guaranteed by additional security, such as Treasury Bills, deposited as collateral to provide assurance of performance.

Commercial Organizations - Private for-profit entity.

Community-Based Organization - A private nonprofit organization (which may include a faith-based organization) that is representative of a community or a significant segment of a community and that has demonstrated expertise and effectiveness in the field of workforce development by providing job training and employment related services.

Compensatory Control - In an internal control system which acts to mitigate the effects possible by a lack of proper separation of duties.

Compliance - An affirmative indication or judgment the supplier of a product or service has met the requirements of the relevant specifications, contract or regulation; the state of meeting the requirements.

Computing Device – A machine used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or peripherals) for printing, transmitting and receiving, or storing electronic information.

Conformance - An affirmative indication or judgment a product or service has met the requirements of the relevant specifications, contract or regulation.

Contract – The legal document that a non-Federal entity uses to purchase property or services used to carry out its duties under as authorized under WIOA. Federally issued awards or subawards are not considered a contract.

Contractor - A subrecipient receiving federal or state funds allocated or awarded to carry out or administer a program. It is the substance of the award that determines how it should be treated, even though the pass-through entity or non-Federal entity receiving the award may call it by a different name. If a pass-through entity makes an award that it calls a "contract", but which meets the criteria under Uniform Guidance to be a subaward to a recipient, the non-Federal entity must comply with the provisions of the Uniform Guidance relevant to subawards, regardless of the name used by the pass-through entity to refer to the award agreement. Likewise, any Federal award that meet this same criteria under Uniform Guidance 200.330 for the non-Federal entity to be considered a contractor, regardless of whether or not the non-Federal entity providing the funds calls it a "vendor agreement" or a "subcontract", the non-Federal entity must comply with the provisions of the Uniform Guidance relevant to a contractor. It is important to note Contractors are not Subrecipients.

Cooperative Agreement – A legal instrument of financial assistance between a Federal awarding agency or pass-through entity and a non-Federal entity that: 1) is principally used to transfer anything of value from the Federal awarding agency or pass-through entity to the non-Federal entity in order to carry out a public purpose authorized by a law of the United States, and 2) provides for substantial involvement between the agreeing parties in carrying out the activity contemplated by the Federal Award. A cooperative agreement must be consistent with 31 U.S.C. 6101, 6302-6305 and 15 U.S.C. 3710a requirements, and Uniform Guidance definitions.

Core Programs – Adult, dislocated worker, and youth programs; adult education and literacy programs; Wagner-Peyser Act employment services; Rehabilitation Act of 1973 vocational rehabilitation services

Corrective Action - Action taken to eliminate the root cause(s) and symptom(s) of an existing undesirable deviation or nonconformity to prevent recurrence.

*Cos*t - An accrued expense.

Cost Allocation - The distribution or sharing of a cost or expenditure benefiting more than one effort or program objective. Cost allocation allows programs to distribute costs among cost categories within a funding source or across multiple funding sources benefiting from the expenditure.

Cost Allocation Plan - Central service cost allocation plan, public assistance cost allocation plan and indirect cost rate proposal. Each of these terms is discussed in detail in the OMB Uniform Guidance 2 CFR Part 225.

Cost Category - Cost objective. Examples include, but are not limited to, administration, direct training and basic readjustment.

Cost Pools - Intermediate cost objectives or temporary accounts used to aggregate costs not readily assigned to final cost objectives (also addressed as cost groupings in the OMB Uniform Guidelines).

Cost Reimbursement Contract - A method of contracting in which actual spending of money by an organization for approved purposes according to the award obligates the awarding agency to reimburse the organization for allowable spending.

Cost Sharing or Matching - The portion of the project or program costs not borne by the federal government.

Costs - Expenditures or expenses are amounts determined on cash, accrual or other basis acceptable to the federal awarding or cognizant agency. It does not include transfers to a general or similar fund.

Date of Completion - The date on which all work under an award or contract is completed or the date on the award or contract document or any supplement or amendment thereto, on which Commerce sponsorship ends.

Debarment - An action taken by an authoritative body in accordance with regulations to exclude a person or entity from participating in covered transactions; the process of being excluded from receiving federal and/or state funds.

Deobligation - The unilateral, voluntary or involuntary processes of decreasing a subrecipient's allotment of program funds.

Deviation - A nonconformance or departure of a characteristic from specified produce, process or system requirements.

Direct Cost - Any cost able to be identified specifically with a particular final cost objective.

Disallowed Costs - Those charges to an award the federal or state awarding agency determines to be unallowable, in accordance with the applicable federal cost principles or other terms and conditions contained in the award.

Equipment - Tangible nonexpendable property having a useful life of more than one year and a unit acquisition cost of $5,000 or more per unit; includes lease-purchase equipment.

Excess Property - Property no longer required for its needs or the discharge of its responsibilities.

Exempt property – Property acquired with federal or state cost participation where the awarding agency has statutory authority to vest title to the subrecipient without further obligation to the federal or state government.

Expendable personal property (supplies) – All tangible personal property other than equipment, as defined above.

Federal Awarding Agency - Federal agency providing a monetary award.

Federal Share - The percentage paid with federal funds of the property's acquisitions costs and any

improvement expenditures of real property, equipment or supplies.

Federally-owned Property - Property purchased directly by the federal government and furnished to the subrecipient (i.e., property transferred from JTPA).

Final Cost Objectives - Cost categories as identified in the contract. These are the minimum number of final cost objectives the LWDB or subrecipient must establish to meet the federal reporting requirements. An allocation base is the method of documentation used to measure the extent of benefits received when allocating joint costs among multiple cost objectives.

Final Rate - An indirect rate applicable to a specified past period based on the actual allowable costs of the period. A final audited rate is not subject to adjustment.

Finding - A conclusion of importance based on observation(s).

Fixed Rate - An indirect cost rate with the same characteristics as a predetermined rate, except the difference between the estimated costs and the actual, allowable costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.

Follow-up Audit or Monitoring Review - A review whose purpose and scope are limited to verifying corrective action has been accomplished as scheduled and to determine if the corrective action is sufficient to prevent future recurrence.

Fund Accounting - An accounting system involving the use of a group of self-balancing accounts, called funds, for each activity of the organization.

Funding Period - The period of time when federal funding is available for obligation by Commerce.

General Ledger - A book of accounts where information from transactions recorded in journals is posted, classified and summarized.

Grantee – see *Recipient*.

Guidelines - Documented instructions considered good practice but are not mandatory.

Idle Capacity - The unused capacity of facilities or other capital assets.

Idle Facility - Unused facilities excess to the organization's current needs.

Improper Payment – Any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. An improper payment includes any payment: to an ineligible party, for an ineligible good or service, duplicate payment, for a good or service not received (except for such payments where authorized by law), that does not account for credit for applicable discount, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

In-Demand Industry Sector or Occupation – an industry sector that has a substantial current or potential impact on the State, regional, or local economy and that contributes to the growth or stability of other supporting businesses, or the growth of other industry sectors OR an occupation that currently has or is projected to have a number of positions in an industry sector so as to have a significant impact on the State, regional, or local economy. Determinations of whether an industry sector or occupation is in-demand shall be made by the State board or local

board, as appropriate, using State and regional business and labor market projections, including the use of labor market information.

Indirect Cost - Costs incurred for a common or joint purpose benefiting more than one cost objective or activity and not directly identified with a single, final cost objective.

Indirect Cost Rate - A device for determining, in a reasonable manner, the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.

Indirect Cost Rate Proposal - Documentation prepared by a governmental unit or component thereof to substantiate its request for the establishment of an indirect cost rate.

Information Technology Systems – Computing devices, ancillary equipment, software, firmware, and similar procedures, service (including support services), and related resources.

Inspection - Activities such as measuring, examining and testing to gauge one or more characteristics of a product, service or entity and the comparison of these with specified requirements to determine conformity.

Internal Controls – A process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of reporting for internal and external use, and compliance with applicable laws and regulations. This includes the organization's policies and procedures and all coordinated measures undertaken to check the accuracy of accounting data, promote efficiency of operations, safeguard assets and encourage adherence to prescribed policies.

Inventory - An itemized listing of the property of the organization.

Lapse (of an allotment) - An untimely action or failure to act resulting in the loss of an allotment to all eligible subrecipients (i.e., action prohibiting the deobligation and subsequent reallotment of program funds).

Lease-purchase – An arrangement qualifying as a capital lease under generally accepted accounting principles.

Minority Business Enterprise) - A business of which at least 50 percent is owned by minority group members. For qualifying publicly owned businesses, at least 51 percent of the stock must be owned by minority group members. For the purposes of this definition, minority group members are Black non-Hispanic, Hispanic, American Indian/Alaskan Native and Asian Pacific Islanders. Female owners or female-oriented businesses are also considered to qualify as minority business enterprises.

Monitoring - Systematic, periodic review of subrecipient records, documents and activities to ensure compliance with rules and contractual obligations.

Non-Federal Entity – In the DOL, Non-Federal entity means a state, local government, Indian tribe, institution of higher education (IHE), for-profit entity, foreign public entity, foreign organization or nonprofit organization that carries out a Federal award as a recipient or subrecipient. (See 2 CFR 200.69)

Nonprofit organization - Any corporation, trust, association, cooperative or other organization which meets the following conditions:

- Operated primarily for scientific, educational, service, charitable or similar purposes in the public interest;
- Not organized primarily for-profit; and
- Uses its net proceeds to maintain, improve and/or expand its operations.

OJT (On-the-job training) - Time limited job placement, usually subsidized, which included job training for a specific job.

OIG - Office of Inspector General of the U.S. Department of Labor

OMB - Office of Management and Budget.

Objective Evidence - Verifiable qualitative or quantitative observations, information, records or statements of fact pertaining to the quality of an item or service or to the existence and implementation of a quality system element.

Obligation - The amount of orders placed, contracts and grants awarded, services received and similar transactions during a given period requiring payment by the recipient of federal funds during the same or 90 days into the future period.

Observation - An item of objective data found during a monitoring review.

Operating Lease – In generally accepted accounting principles, a lease that does not transfer ownership to the lessee.

Outlays or Expenditures - Charges made to the project or program. These may be reported on a cash or accrual basis.

- For reports prepared on a cash basis, outlays are the sum of cash disbursements for the following:
    - Direct charges for goods and services;
    - Indirect expenses charged;
    - Value of third party in-kind contributions applied; and
    - Cash advances and payments made.
- For reports prepared on an accrual basis, outlays are the sum of cash disbursements for the following:
    - Direct charges of goods and services;
    - Indirect expenses incurred;
    - Value of in-kind contributions applied;
    - Net increase (or decrease) in the amounts owed by the recipient of federal funds for goods and other property received;
    - Services performed by employees, subrecipients, contractors and other payees; and
    - Other amounts becoming owed under programs for which no current services or performance is required.

Pass-Through Entity – A non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program. A non-Federal entity may be both a pass-through entity and a subrecipient.

Participant - An individual enrolled in a program of service.

Performance-Based Contracting - A method of contracting in which successful completion of certain benchmarks by the enrolled population obligates the awarding agency to make certain predetermined payments.

Personal Property - Property of any kind except real property. It may be tangible (having physical existence) or intangible (having no physical existence, such as copyrights, patents or securities).

Policy - A particular course of action determined by an authoritative body o established a course of conduct.

Predetermined Rate - An indirect cost rate applicable to a specified current or future period -- usually the governmental unit's fiscal year. This rate is based on an estimate of the costs to be incurred during the period. Except under unusual circumstances, a predetermined rate is not subject to adjustment. Due to legal constraints, predetermined rates may not be used by governmental units not submitting and negotiating the rate with the cognizant agency. In view of the potential advantages offered by this procedure, negotiation of predetermined rates for indirect costs for a period of two to four years should be the norm in those situations where the cost experience and other pertinent facts available are deemed sufficient to enable the parties involved to reach an informed judgment as to the probable level of indirect costs during the ensuing accounting periods.

Prior Approval - Securing written permission from Commerce in advance of noncompetitive procurements exceeding $25,000.00 in the aggregate. The written response must be maintained in the procurement file. In the DOL, approval of the budget as awarded does not constitute prior approval of those items requiring prior approval, including those items the Federal Awarding agency specifies as requiring prior approval. See §200.407 for more information about prior approval. (See 2 CFR 200.8)

Prior Review and Concurrence - The review process utilized by Commerce to document its efforts to help ensure compliance with procurement requirements. Involves securing written permission from Commerce in advance of equipment purchases.

Procedure - A document specifying methods for performing an activity and identifying the position responsible for its performance.

Process Quality Audit - An analysis of elements of a process, appraisal of completeness, correctness of conditions and probable effectiveness.

Product Quality Audit - A quantitative assessment of conformance to required product characteristics.

Program Income - Gross income earned or directly generated by a supported activity or as a result of the award. Program income should be incidental and include, but not be limited to, the following:

- Income from fees for services performed;
- Use or rental of real or personal property acquired under federally-funded projects;
- Sale of commodities or items fabricated under an award;
- License fees and royalties on patents and copyrights; and
- Interest on loans made with award funds.

Program Year - The 12-month period during which an award's objectives are to be met (does not necessarily coincide with a calendar year or fiscal year).

Project Costs - All allowable costs, as set forth in the applicable federal cost principles, incurred during the program period and the value of the contributions made by third parties in accomplishing the objectives of the award.

Property - Unless otherwise stated, real property and equipment.

Provisional Rate - A temporary indirect cost rate applicable to a specified period to be used for funding, interim reimbursement and reporting indirect costs on federal awards pending the establishment of a "final" rate for the period.

Quality Assurance - All those planned and systematic actions necessary to provide adequate confidence a product or service will satisfy given requirements.

Quality Audit - A systematic independent examination and evaluation to determine whether quality activities and results comply with planned arrangements and whether these arrangements are implemented effectively and are suitable to achieving objectives.

Quality Control - The operational techniques and activities used to fulfill requirements for quality.

Quality System Audit - A documented activity performed to verify, by examination and evaluation of objective data, applicable elements of the quality system are suitable and have been developed, documented and effectively implemented in accordance with specified requirements.

Questioned Cost - In the DOL, in addition to the guidance contained in 2 CFR 200.84, a *Questioned cost* means a cost that is questioned by an auditor, Federal Project Officer, Grant Officer, or other authorized Awarding agency representative because of an audit finding:

(a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
(b) Where the costs, at the time of the audit, are not supported by adequate documentation; or
(c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

Recipient – A non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out an activity under a Federal program. This term does not include subrecipients.

Reallotment - The process of allotting funds which may have been made available from deobligations.

Real Property - Land, structures and appurtenances including any improvements thereto, but excludes movable machinery and equipment.

Reasonable and Necessary Cost - A cost not exceeding, in its nature or amount, the cost incurred by a prudent person under the same circumstances at the time the decision was made to incur the cost.

Recipient - Any organization receiving financial assistance directly from federal awarding agencies to carry out a project or program. The term includes public and private institutions, institutions of higher learning, hospitals and quasi-public and private nonprofit organizations. *Recipient* is also known as *Grantee*.

Service Provider - A public agency, private nonprofit organization or private-for-profit entity delivering educational, training, employment or supportive services to participants of any program administered through Commerce.

Specification - The document prescribing the requirements to which the product or service must conform.
Standard - The documented result of a particular standardization effort approved by a recognized authority.
Standards - Refers to the Uniform Grants Management Standards, dated January 1998.

Stand-In Costs - Costs shall be paid from nonfederal sources that a subrecipient proposes to substitute for federal costs disallowed as a result of an audit or other review. In order to be considered as valid substitutions the costs must meet the following requirements:

- Allowable by federal and/or state law governing the particular award;
- Reported by the grantee as uncharged program costs under the same title and in the same program year in which the disallowed costs were incurred;
- Incurred in compliance with laws, regulations and contractual provisions governing the grant or award;
- Not a result of a violation of the applicable cost limitations; and
- Included in scope of applicable audit.

Standing Committee – A committee designated and directed by the local board for the purpose of providing information and assisting with: the One-Stop Delivery System, the provision of services to youth, and the provision of services to individuals with disabilities and applicable issues of regulatory compliance.

State Plan – A unified State plan under WIOA Section 102 or a combined State plan under WIOA Section 103.

Subaward - An award of financial assistance in the form of money or property in lieu of money, made under an award by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. Payments to a contractor or an individual that is a beneficiary of a Federal program are not subawards.

Subcontract - A written legal agreement between a subrecipient and a person, organization or other entity for the purpose of providing federal funds to perform a portion of the subrecipient's goals and objectives.

Subcontractor - Any entity contracting with an LWDB, Commerce or a subrecipient receiving WIOA funds to carry out or administer a program.

Subgrantee – see *Subrecipient.*

Subrecipient - Any organization receiving federal or state financial assistance directly from a recipient to carry out a project or program. The term includes public and private institutions, institutions of higher learning, hospitals and quasi-public and private nonprofit organizations. *Subrecipient* is also known as a *Subgrantee*. Distinguishing characteristics of a subrecipient are:

- Determines eligibility for assistance;
- Performance is measured against meeting the objectives of the program;
- Responsible for programmatic decision-making;
- Responsible for applicable program compliance requirements; and
- Uses funds passed through to carry out or administer a program of the sub-entity as compared to providing goods or services for a program of the pass-through entity.

Subsidized Employment - Employment for which the employer is reimbursed for a portion of the client's wages.

Supplies - All personal property excluding equipment and intangible property, generally consumable in less than one year. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or $5,000, regardless of the length of its useful life.

Technical Assistance - The sharing of information, dissemination and training on program models and job functions, peer-to-peer networking and program solving; guides and interactive communication technologies.

Third Party In-kind Contributions - The value of non-cash contributions provided by nonfederal third parties. Third party in-kind contributions may be in the form of real property, equipment, supplies or other expendable property and the value of goods and services directly benefiting and specifically identifiable to the project or program.

Trial Balance - A listing of all accounts, generally not classified, for one or more of a subrecipient's funds. The listing shows, at a minimum, the account name and displays the account balance as a debit or a credit. The trial balance contains only two totals: one representing the sum of debits and the other, the sum of credits.

UAC - Unit Acquisition Cost (see Acquisition Cost above).

UGMS - Uniform Grant Management Standards, dated January 1998.

Unallowable Costs - Charges to an award the awarding agency determines to be unacceptable, in accordance with applicable cost principles or other conditions contained in the award.

Vendor - This term was eliminated by the Uniform Guidance in favor of "contractor". When a non-Federal entity provides funds from a Federal award to a non-Federal entity, the non-Federal entity receiving these funds may either be a subrecipient or a contractor. The term "contractor" is used for purposes of consistency and clarity to replace areas in previous guidance that referred to "vendors", though substantively in the previous guidance, these two terms have always had the same meaning.

Verification - The act of reviewing, inspecting, testing, checking, auditing or otherwise establishing and documenting whether items, processes, services or documents conform to specified requirements.

Workforce Development System – A system that makes available the core programs, the other One-Stop partner programs, and any other programs providing employment and training services as identified by a State board or local board.