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FINANCIAL MANAGEMENT GUIDE
PENNSYLVANIA DEPARTMENT OF LABOR &
INDUSTRY

This FINANCIAL MANAGEMENT GUIDE is transitional and operational workforce system guidance designed to strengthen fiscal accountability and provide information for analysis, monitoring, and evaluation as it pertains to the Workforce Innovation and Opportunity Act.

This GUIDE supports the Department's Oversight and Monitoring Policy.

FINANCIAL MANAGEMENT GUIDE

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FINANCIAL MANAGEMENT GUIDE

INTRODUCTION

ABOUT THE COMMONWEALTH'S WORKFORCE DEVELOPMENT SYSTEM

The Commonwealth of PA has designated 23 local workforce development areas. Local governance begins with the chief elected official(s) who is financially liable for the funds that are allocated by the Department through a grant agreement to a local area. The chief elected official(s) is also responsible for appointing local workforce development board members, approving the local board's local workforce plan and budget, and serving as the local grant recipient or designating an entity to serve as a fiscal agent.

Local workforce development boards are responsible for defining and overseeing strategies, goals, objectives, and benchmarks for the use of grant funds. They are also responsible for conducting outreach with the education institutions and the many chambers, councils, business associations and community partners in their local workforce development areas.

Staff to each of these local workforce development boards:

- Provide local oversight and administration of grant activities, performance, and funds;
- In most instances, assists in the development of contracts and identifies targeted employer groups and high-priority occupations, wage expectations, and reimbursement rates;
- Develop monitoring tools for their use in maintaining quality assurance and measuring usage compliance of grant funds, activities and services;
- Coordinate with PA CareerLink® teams to ensure successful implementation of the grant and provide performance reports and recommendations; and
- Conduct outreach with various community, economic development and education partners, as well as disseminate information through a variety of local media outlets.

Pennsylvania's one-stop delivery system is known as the PA CareerLink® system which is charged with enhancing the range, integration, and quality of workforce development services available to job seekers and businesses through a coordinated approach among partner agencies. Services may be delivered at full-service physical centers, known as comprehensive PA CareerLink® centers, and may also be accessed through physical or virtual sites, known as affiliate centers or satellite sites, that have focused and targeted services.

Each local workforce development board provides policy, oversight and strategic direction to the PA CareerLink® system through its PA CareerLink® operator(s).

Workforce Innovation and Opportunity Act

The Workforce Innovation and Opportunity Act (WIOA) was signed into law on July 22, 2014. This landmark legislation is designed to improve the public workforce system by helping jobseekers, especially those with barriers to employment, access employment, education, training, and support services to succeed in the labor market and by matching employers with the skilled workers needed to compete in the global economy. WIOA supersedes the Workforce Investment Act of 1998 and amends the Wagner-Peyser Act and the Rehabilitation Act of 1973.

OMB Uniform Guidance

On February 10, 2014, the U.S. Department of Labor (USDOL) Employment and Training Administration (ETA) issued Training and Employment Notice (TEN) No. 20-13, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Final Rule*, which was informed by the workforce community of the Office of Management and Budget's (OMB) consolidation and publication of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Final Rule* issued on December 26, 2013. The Uniform Guidance is commonly referred to as "The Super Circular" or "Uniform Guidance" as it consolidates eight (8) OMB circulars into one (1). This final guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and T-122 (which have been placed in OMB guidance); Circulars A-89, A-102, and A-133; and the guidance in Circular A-50 on Single Audit Act follow-up.

The Uniform Guidance, found at 2 CFR 200 et al:

- Focuses on performance over compliance for accountability;
- Encourages efficient use of information technology and shared services;
- Provides for consistent and transparent treatment of costs; and
- Limits allowable costs to make the best use of federal funds. The language is strengthened in certain areas such as conferences, morale, relocations, and student activities to appropriately limit allowable costs under federal awards.

PA Financial Management Guidance

This financial management guidance (FMG) integrates applicable elements of the new workforce statute, its proposed regulations, and the uniform guidance as a part of Pennsylvania's Department of Labor & Industry (Department or L&I) initial implementation of WIOA series. The FMG is an attachment to the Department's financial management policy.

Note: Changes to this document will occur once final WIOA regulations (final rules) are released and as subsequent workforce system policies and guidance are issued.

One-Stop System Funding

- **One-Stop System Funding Guidelines.** The governor must provide local boards, chief elected officials and one-stop partners in the local workforce development area guidelines for the determination of equitable and stable methods of funding the costs of the PA CareerLink® one-stop system. The application of the governor's one-stop funding guidelines may begin on or before July 1, 2016; however, in order to provide the state and local workforce stakeholders with sufficient time and technical assistance, the Department has made the determination to extend the required application of such a formula.

Note: One-stop funding guidelines will be provided through future workforce system guidance.

- **One-Stop System Funding Mechanism.** The local board, chief elected officials, and one-stop partners in a local area fund the costs of the one-stop in the local area through methods agreed on by all parties as described in a local memorandum of understanding and consistent with WIOA and the governor's aforementioned one-stop funding guidelines. If consensus agreement on methods of sufficiently funding the costs of the one-stop system is not reached for a program year, the state's one-stop funding mechanism (governor's formula) must be applied to such local area for that program year and for each subsequent program year for which those entities and individuals fail to reach such agreement. In addition to the governor's one-stop infrastructure funding mechanism, the governor

must also determine the contribution of each one-stop partner to adequately fund the remaining one-stop system costs (i.e., other than infrastructure costs, to include operating costs).

As with the aforementioned governor's one-stop funding guidelines, the Department has made the determination to extend the required application of the governor's formula in order to provide workforce stakeholders with sufficient time and technical assistance to adequately transition to the new requirements of WIOA and the governor's guidance regarding one-stop funding.

Note: More information regarding the state one-stop funding mechanism will be provided through future workforce system guidance.

- **One-Stop System Funding Mechanism Appeal.** The governor will establish a process for required one-stop partners to appeal a determination regarding the portion of funds such partners must provide, i.e. the application of the governor's formula or the determination of partner contributions for other one-stop funding costs. The appeal process will ensure prompt resolution of such an appeal in order to ensure funds are distributed in a timely manner and consistent with WIOA Sec. 182(e).

Note: As the Department has provided an extension regarding many elements of WIOA one-stop funding transition commencement deadlines (as described above), guidance for such elements, and the associated appeal processes have not yet been issued. However, additional information on the one-stop funding mechanism appeal process is forthcoming and will be provided through future workforce system guidance.

One-Stop Operator Procurement

Workforce System Guidance No. 01-2015, Implementation of the Workforce Innovation and Opportunity Act – Transition Provisions issued July 9, 2015, provides initial guidance and actions required by the local board relating to the procurement of one-stop operators. Local boards must review the aforementioned document for the most up-to-date information regarding the commonwealth's transitional guidance pertaining to PA CareerLink® operator procurement.

Information regarding more comprehensive operator procurement guidance is currently being developed. The Department anticipates issuing a comprehensive policy in January 2017.

Chapter 1

Grantee or Fiscal Agent (if one has been designated)

INTRODUCTION

The role and responsibilities of a *grantee*, (or the “fiscal agent” if one has been designated by the chief elected official(s) to assist in the administration of grant funds), under the direction of the local workforce development board include, but are not limited to the following:

- Receive and manage all WIOA formula funds and other federal, state, or local funds allocated to the local workforce area;
- Disburse, account for, and report on all funds related to WIOA program operations including collection and disposition of program income generated by WIOA program activities pursuant to federal regulations;
- Maintain adequate systems of internal control over cash to ensure compliance with rules and regulations; and
- Ensure processes are in place to approve draw requests and issue funding to sub-recipients and contractors.
- Report performance under each award and adheres to requests for monitoring to ensure compliance.

The grantee’s/fiscal agent's role and responsibilities are defined in the areas of:

- Sub-award notification;
- Reporting;
- Reconciliation; and
- Monitoring.

SUB-AWARD NOTIFICATION

The grantee/fiscal agent must:

- Ensure contracts contain all required provisions and assurances which include CFDA title and number, award name and number, federal agency and pass-thru state agency, and funding availability timeframes;
- Maintain documentation in accordance with all established record-retention requirements;
- Ensure all contracts have a Statement/Scope of Work (SOW) that covers the service to be provided, measurable outcomes, and penalty provisions;
- Develop a pre-award risk assessment when issuing competitive grants and have framework in place to conduct risk assessment of the applicants;
- Evaluate each sub-recipient’s risk of non-compliance with federal and state laws, rules, and regulations and impose special terms and conditions of the award based upon the risk level;
- Determine the appropriate level of monitoring that the local board and fiscal agent must conduct to ensure funds are used for authorized purposes in compliance with federal and state laws, rules, and regulations; and
- Determine that the performance goals have been met.
- Follow rules of procurement when applicable.

FISCAL REPORTING

The grantee/fiscal agent must:

- Submit accurate and timely Financial Status Reports (FSRs), make corrections/adjustments where necessary, and ensure reporting mechanisms are uniform with sub-grantees; and
- Ensure expenditures are allocated against the appropriate cost categories, within cost limitations as specified in state and federal statutes and regulations, and in accordance with the state and local strategic plan.

FISCAL RECONCILIATION

The grantee/fiscal agent must:

- Reconcile records/reports in a timely manner and at least on a quarterly basis;
- Review and update, if necessary, its reconciliation process on an annual basis; and
- Ensure that the combined disbursements, receipts, accruals, obligations, and cash balance of sub-grantees and the grantee/fiscal agent match those reported to the commonwealth.

FISCAL MONITORING

The grantee/fiscal agent must:

- Oversee and monitor the fiscal activities of their local workforce development area, sub-recipients, and contractors;
- Communicate all fiscal-related audit findings, including any appropriate corrective action steps necessary for compliance, to the local board and sub-recipients in writing; and
- Provide technical assistance to the local board, the local board staff, and sub-recipients regarding financial issues.

CONTINUITY OF OPERATIONS/DISASTER PLAN

Under the Workforce System Policy [*Local Governance Policy*] No. 02-2015, local board and fiscal agent staff must be able to assist in carrying out the functions of the local board, and local elected officials.

Under the Workforce System Policy (WSP) No. 03-2015, *Financial Management Policy*, each grantee is required to have a written Disaster Recovery Plan and develop procedures to maintain operations and program compliance.

Management controls must be in place to ensure critical activities like reporting, signing of checks, and updating of financial records are completed timely. If only minimal fiscal duties can be achieved, specific compensating controls must be in place. Those grantees with smaller staffing levels must implement compensating controls.

In lieu of this situation, the Bureau of Workforce Development Administration strongly encourages grantees to develop, implement, and evaluate a Continuity of Operations/Disaster Plan policy to ensure administrative and operational requirements for federal awards can be sustained during emergency situations.

Suggested continuity practices:

- Grantees may add an email resource account. This mailbox will serve as a central location for correspondence. This will prove beneficial in the event of future transitions, vacations or other unforeseen absences as it will be accessible to multiple staff members.
- Implementation for calendar updates that corresponds to the grantees' email address on an ongoing basis with due dates and a timeline for reporting requirements. This will provide a central location for internal access to the BWDA's Fiscal reporting timeline.

Chapter 2

Financial Management Standards

INTRODUCTION

The financial management system (FMS) must provide information for federally required records and reports that are uniform in definition, accessible to authorized federal and state staff, and verifiable for monitoring, reporting, audit, program management, and evaluation purposes. In addition, the system must provide for internal control and accounting procedures that:

- Are in accordance with generally accepted accounting principles including:
 - Provision of information pertaining to sub-grant and grant awards, obligations, unobligated balances, assets, liabilities, expenditures, and income;
 - Effective internal controls to safeguard assets and assure their proper use;
 - Assessment of actual expenditures with budgeted amounts for each sub-grant and grant;
 - Source documentation to support accounting records;
 - Proper charging of costs and cost allocation.
- Are sufficient to:
 - Permit preparation of required reports;
 - Permit the tracing of funds to a level of expenditure adequate to establish that funds have not been spent unlawfully; and
 - Permit the tracing of program income, potential stand-in costs and other funds that are allowable.
- Are in compliance with applicable uniform cost principles included in appropriate OMB circulars for the type of entity receiving funds.

BONDING REQUIREMENTS

All persons authorized to receive and/or deposit grant funds allocated by the Department to a local workforce area or to issue financial documents, checks, or other instruments of payment for program costs must be bonded for protection against loss. The grantee must ensure that its sub-grantees are sufficiently bonded to safeguard the maximum amount of funds to be received at any one time. Each grantee's bonding amount is included in the FMS. The amount of coverage must be the higher of the following:

- \$100,000; or
- An amount equal to the highest advance reserved through check or drawdown during the immediately preceding grant year or planned for the present year. If a grantee needs to exceed this amount, such grantee must divide the request between two (2) or more drawdowns to ensure the bonding amount is not exceeded.

Grantees may request a waiver of these requirements in order to maintain lower bonding amounts already in place. However, the Department will consider requests for such waivers only for grantees who normally show a pattern of drawdowns that do not exceed the bonding amounts.

Note: All requests for a waiver must be in writing.

Supporting documentation for proof of bonding coverage, or a request for waiver must be submitted to the Department by June 30th of each year by email to RA-LIBWDA-FISCALOPS@pa.gov or by mail to:

Pennsylvania Department of Labor & Industry
Bureau of Workforce Development Administration
ATTN: Grants and Fiscal Services Division
651 Boas Street, Room 1200
Harrisburg, PA 17121

The Department may develop other methods or procedures for submitting information electronically. Such information will be conveyed to grantees as is applicable.

CASH MANAGEMENT STANDARDS

Cash-on-Hand Should Be Used Before Asking for More

Any cash available for disbursement for ETA-funded program purposes, whether from drawdowns, program income, rebates, etc., is considered to be ETA-funded grant cash-on-hand and should be used by the grantees and sub-grantees before they request additional funds. If program income is not spent until a later date, the cash associated with that program income must be disbursed before additional cash is requested. The cash proceeds from earned program income must be used immediately for whatever ETA-funded grant disbursement needs exist. Grantees and sub-grantees should not leave cash resulting from earned program income sitting idle.

The Commonwealth Workforce Development System (CWDS) Financial Management System allows grantees to make direct grant drawdowns via the Request for Funds (RFF) screen. The time between the RFF and disbursement from the PA Treasury is approximately seven (7) to fifteen (15) business days. **The Department recommends that cash-on-hand should be limited to the amount needed for immediate disbursement at all levels of the program.** For additional guidance, please refer to *USDOL One – Stop, Comprehensive Financial Management Technical Assistance Guide Part II: Federal Rules Intended to Minimize Sub-Recipient Cash-on-Hand and Timing Disbursements to Improve Cash Management*. The financial system established by each grantee and sub-grantee must also provide procedures for maintaining and monitoring the daily amount of cash-on-hand to efficiently manage the timing and control of disbursements. Grantees and sub-grantees must have cash control records that provide accurate and current (daily) cash information. A Cash Receipts/ Disbursements Journal, or its equivalent, must be maintained on the aggregate of funds by grant and title. Requests for cash must consider the daily cash-on-hand balance in order to avoid excess cash situations. Any cash available for disbursement for ETA-funded program purposes, whether from drawdowns, program income, rebates, etc., is considered to be ETA-funded grant cash-on-hand and should be used by the grantees and sub-grantees before they request additional funds. If program income is not spent until a later date, the cash associated with that program income must be disbursed before additional cash is requested. The cash proceeds from earned program income must be used immediately for whatever ETA-funded grant disbursement needs exist. Grantees and sub-grantees should not leave cash resulting from earned program income sitting idle.

CHECK SIGNATORY

In keeping with sound financial management and safeguarding of assets, all grantees must implement the following procedures:

- Co-signatory agents must be utilized on all checks drawn against these funds;
- A signature facsimile (such as a signature stamp or electronic signature) may be used in conjunction with proper internal controls for securing against unauthorized use;
- The payee of a check must not be a co-signatory agent on the same check; and
- For those organizations such as state agencies, municipalities, and corporations whose check signatory policy is not in compliance with this policy, the Department may grant exceptions upon a written request of a waiver detailing the present policy and an explanation as to why co-signatories are not feasible.

COMPUTER BACK-UP

As a component of records retention, each grantee is required to have a written Disaster Recovery Plan in case of computer and/or data failure. This plan must also include provisions for grantees' computerized systems located at PA CareerLink® centers. As substantial amounts of information are now being maintained on computerized systems, developing a back-up process in case of local or system failure is critical. This process must include, at a minimum, such items as periodic back-up of data, a system to recover data when a computer malfunction occurs, and annual testing of the process. Grantees must also consider off-site, back-up data storage. The goal of the computer back-up system will be to ensure timely recovery from the event and the ability to maintain a continuous operation.

INCIDENT REPORTING PROCEDURES

Any known or suspected incidents of fraud, abuse, or waste must be reported immediately to BWDA Grants & Fiscal Services Division Chief. Additionally, any activity that raises questions concerning possible illegal expenditures or other unlawful activities must be reported immediately.

To follow is a list of activities that must be reported to the USDOL Office of the Inspector General, USDOL-ETA Regional Office (Philadelphia) and the BWDA Grants & Fiscal Services Division using the OIG 1-156, Incident Report Form for **initial incident** reporting of:

- Fraud, misfeasance, nonfeasance or malfeasance;
- Misapplication of funds;
- Gross mismanagement and misconduct;
- Criminal activity; and/or
- Waste.

There are two (2) ways to report fraud, abuse, or waste, but the Department's preferred method is the OIG 1-156 Incident Report Form.

1. Incident Reporting System— Grantees must complete the USDOL Incident Report Form and submit it to the Department and USDOL Office of the Inspector General regarding all known or suspected cases

of fraud, abuse, or other criminal activities (Incident Report following the instructions provided) within one (1) workday of the discovery of the occurrence.

Submission of such an occurrence must be addressed to:

USDOL Office of Inspector General
Room S-5506
200 Constitution Avenue NW
Washington, DC 20210
Fax: 202-693-7020
Email: hotline@oig.dol.gov

and

PA Department of Labor & Industry
Bureau of Workforce Development Administration
ATTN: Grants and Grants and Fiscal Services Division Divisions
651 Boas Street, Room 1200
Harrisburg, PA 17121
Email: LI-BWDA-Grants-Fiscal@pa.gov

2. DOL Hotline— Office of Inspector General: 1-800-347-3756

INTERNAL CONTROLS

The objectives of internal controls, pertaining to the compliance requirements for federal programs, are as follows:

- Transactions are properly recorded and accounted for in order to:
 - Permit the preparation of reliable financial statements and federal reports;
 - Maintain accountability over assets; and
 - Demonstrate compliance with laws, regulations, and other compliance requirements.
- Transactions are executed in compliance with:
 - Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a federal program; and
 - Any other laws and regulations that are identified in the compliance supplements.
- Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

An “internal control” is a mechanism put in place to safeguard cash, property, and other assets to ensure they are used solely for authorized purposes.

Effective control and accountability must be maintained for all grant and sub-grant cash, real and personal property, and other assets. Internal controls are designed to provide safeguards for federal funds. For example, payments must not be authorized solely by an employee who also has the authority to sign checks. Internal controls for property often are inherent in the inventory system that tracks purchases and locations or use of property procured with grant funds. Grantees must adequately safeguard such property and assure that it is used solely for authorized ETA grant activities.

SPECIAL CONSIDERATION TO INCENTIVES IN THE FORM OF CASH EQUIVALENTS

Non-Cash Assets (Assets) refer to any item that holds immediate cash value, including but not limited to, gift cards, signed or certified checks, bus passes, gas cards, and bearer bonds. This may also include items purchased that hold no immediate cash value, that were acquired with the intent to issue them as incentives.

Local policies must include provisions detailing how the assets are purchased, including but not limited to, the following:

- Forms the assets may take, (i.e. gift cards, bus passes, check, or purchased Non-Cash Assets)
Note: Non-Cash Asset items with the intent to be issued as incentives must receive prior approval from BWDA prior to purchase.
- How the need to purchase more is determined.
 - Items should be purchased based on inventory levels or estimated need.
 - Policy should clearly establish a maximum inventory count or value threshold with grounds to support the choice (i.e. the average month's usage or the estimated number of participants expected to reach an established goal).
- Where the assets will be purchased (the store locations, the authorized website, etc.)
- What approval process is used to authorize the purchase.
- Secure storage of Cash and Non-Cash Assets, including, where the assets are stored, who has access to them, and how they are distributed.
- Track individual assets including a log/journal/registry that identifies the following:
 - Listing the asset by number (if applicable), gift card number, or any other identifying feature.
 - The funding source it was purchased with (cards purchased with Federal funds must be applied to individuals eligible to receive funding from those sources.)
 - The issuing agent and the recipient of the asset.
 - Provisions that this log must be secured and treated as Personally Identifiable Information.
- Identify the procedures for distributing assets to the participants. This policy must include the following:
 - Blank samples (or examples that do not disclose actual participant information) of signature sheets, completion certificates, eligibility statements/certificates, or any other relevant forms that will be filled out while issuing assets.
 - Signature sheets verifying the participant's receipt of an asset must include 3 signatures, including the participant, the issuing agent, and a supervisor or authority that can verify the participant's eligibility and witness the receipt.
 - All completion certificates and/or eligibility statements must be independently verifiable with readily available documentation.
- Monitoring, including the schedule and procedures for monitoring, as well as a provision for random spot checks of balances and independent verification of the eligibility of recipients.

Local boards must consider the following when developing policies and procedures:

- Assets purchased with Federal funds are still considered to be part of those funds, and as such, they must be applied only to individuals eligible to receive funding from those sources.
- The LDWA and its staff are responsible for the safeguarding of all Federal funds allocated for the LDWA's use. In the event of theft or fraud, failing to establish and enforce policies to safeguard those funds will leave the LWDA and its staff responsible for any theft or fraud that takes place.
- Incentives and stipends must be listed as part of the LWDA budgets submitted to L&I. Therefore, it is highly recommended that each LWDA include this in its policy.
- All documentation authorizing or supporting the dispersal of assets for stipends, incentives, and supportive services must be retained in accordance with the Records Retention provisions of the Financial Management Guide, page 2-6.
- Assets and the associated logs associated with the stipends, incentives, and supportive services will be subject to remote and onsite monitoring and audit by BWDA Monitors, BWDA Fiscal Staff, and Federal Auditors. For this reason, it is critical that any records and source documentation be regularly reviewed and reconciled by LWDA fiscal staff and any discrepancies be resolved as quickly as possible.
- Procedures to review and update policies on a regular basis.

Note: This includes shared PA CareerLink® center and system activities.

One common indicator of weakness in an organization's internal controls is evidenced when a grantee has insufficient documentation to support transactions. Cost principles state effective control and accountability must be maintained for all grants and sub-grant cash, real and personal property, and other assets. Fiscal agents and grantees must ensure invoices provide sufficient documentation prior to requesting funds. Sufficient documentation for time must include dates, hours, and a description of the work performed. All documentation must be able to be traced back to a level of detail to ensure all funds have been spent lawfully.

Management controls must be in place to ensure, whenever possible, initiating of purchases, approval of payment, signing of checks, and updating of financial records are completed by different individuals.

At a minimum, separation must be achieved between:

- Initiation/approval of transactions;
- Preparation/approval of financial records; and
- Reconciliation/record keeping functions. If only minimal separation of fiscal duties can be achieved, specific compensating controls must be in place and adequately documented.

Those grantees with smaller staffing levels must implement compensating controls to ensure an adequate separation exists within its financial processes. The compensating control can be as simple as requiring additional reviews and approvals at different times during each process. For example, with the accounts payable process, a grantee with limited staff could implement a review step between the processing of the invoices, printing of the checks, and application of signatures.

Compensating controls require more involvement by other non-financial staff when adequate fiscal staff is not available to adequately separate duties. This may include local board members, administrative

support staff, or other individuals. Additionally, a formal approval process must be in place to verify the accuracy of the financial recording and reporting.

As an added measure to minimize conflicts of interest and to disclose third-party relationships, local board and fiscal agent staffs (includes non-profit organizations) are required to complete the Commonwealth of Pennsylvania State Ethics Commission, [SEC-1, Statement of Financial Interest](#), annually.

PROCEDURES RELATING TO COMPLIANCE WITH OMB CIRCULARS

WIOA mandates compliance with the appropriate uniform administrative requirements for grants and agreements applicable for the type of entity receiving funds as promulgated in the circulars or rules of the OMB. Therefore, if noncompliance with these circulars is determined:

- Corrective action will be required to ensure prompt compliance; and
- Failure to take the required corrective action may result in sanctions pursuant to federal and state laws, rules, regulations, and policies.

RECORDS RETENTION AND AUDIT PROVISIONS

The grantee must maintain records as required by law, regulations, or adopted policies relating to its performance under fully executed grant agreements and Notice of Obligation (NOO) and must permit the Department access to all records directly related to the administration of all records directly related to the administration of all grants under the grant agreement. The grantee must make available to the Department, or any duly authorized representative, any books, documents, papers, and records for the purpose of monitoring, audits, examination, excerpts, and transcriptions. Records must be maintained for a period of three (3) years from the date the commonwealth submits its final expenditure report to USDOL for the applicable funding period.

If any litigation is begun, or a claim is instituted involving the grant covered by the records prior to the expiration of the three (3) year retention period, the grantee must retain the records beyond the three (3) year period until instructed otherwise by the Department.

Grantees agree to maintain any statistical records required by the commonwealth and to produce statistical data at times and on forms prescribed by the commonwealth.

- If an audit was not conducted within a three (3) year period, Department approval must be obtained prior to disposal of any records; and
- Records relating to non-expendable personal property acquired with ETA must be retained for at least three (3) years after final disposition of the property.

Grantees are responsible for adequate safekeeping and record retention with any and all lower tiered entities (i.e., sub-grantees) that the grantee may have entered into with agreements, contracts, understandings, sub-grants, etc.

Example: If a participant is served solely with program year (PY) 2013 (13) funds, the record retention requirements for retaining participant information would be the same as for PY13 fiscal records. Meaning: The federal closeout of PY13 funds would be due September 2016, and the record retention process would continue through September 2019.

Example: If a participant is served with funds from multiple years, the record retention requirements for retaining participant information would be three (3) years from the final expenditure report submittal date from the latest year of funds used. Meaning: If the participant was served with funds from PY12 and PY13, then the federal closeout of PY13 funds would be due September 2016, and the record retention process would continue through September 2019.

Records must be retained and stored in a manner that will preserve their integrity and admissibility as evidence in any audit or other proceeding. The burden of production and authentication of the records is placed on the custodian of the records.

Additionally, records related to non-discrimination and equal opportunity provisions of WIOA must be retained for a period of not less than three (3) years from the close of the applicable PY. This includes the following:

- The records of applicants, registrants, eligible applicants/registrants, participants, exiters, employees, and applicants for employment; and
- Such other records as are required under part 29 CFR.37.39.

Records regarding complaints, and actions taken on the complaints, must be maintained for a period of not less than three (3) years from the date of resolution of the complaint.

TIME AND ATTENDANCE RECORDS

Grantees and sub-grantees are required to ensure that all staff involved in the administration of funds under the grant agreement with the Department maintain adequate source documents for time and attendance records.

The intent of USDOL and the Department is that WIOA program dollars be used for training and services to WIOA customers. Further, it is the goal of the Department that program funds are maximized at the PA CareerLink® level. It is understood that some functions at the local board and fiscal agent level are programmatic and will be expensed as such, but those instances should be the exception and not the supplementation of administrative caps.

Staff and related costs must be classified against the appropriate cost category or program activity based on the job duties actually being performed. If staff members perform duties related to more than one (1) category or activity, then the costs must be allocated on the basis of actual time worked or another equitable method.

Example: A PA CareerLink® site administrator spends four (4) to six (6) hours every week providing mentoring services to WIOA title I participants. The site administrator's salary and fringe benefits are classified as administration and program services based on a time sheet prepared on a biweekly basis. If the site administrator's time is wholly classified as administration, a time sheet would not be required; however, the job description should be sufficiently detailed to serve as documentation for the classification.

Note: A job description alone would not be sufficient to support the personnel compensation costs. Both 2 CFR Part 225 (A-87) and Part 230 (A- 122) contain requirements for activity reports or periodic certifications.

Staff members and participants must verify these records by their signatures and date as well as that of their immediate supervisor. **A local board staff executive director may utilize local board chair and/or a chief elected official to verify time and attendance records in lieu of having an immediate supervisor above the local board staff executive director.** Approval may be accomplished via fax or e-mail in addition to a hard copy signature. However, the fax or e-mail must include detail within the document of time worked. If a grantee or sub-grantee uses an approval policy that does not use signatures, such as a computerized approval process, there must be adequate detail describing this process in a written policy.

Subcontractors must establish and maintain time and attendance records for their staff and for participants in training. Grantees must monitor and review these sub-recipient records to ensure that the method used meets generally accepted accounting principles.

Time and attendance reports are records of how much time an employee spent at work.

Activity reports are records of staff member's activities during a work week that show how the employee's time was distributed among several activities, projects, and/or fund sources to substantiate between administrative and programmatic activities to ensure time reflects actual rather than planned activity.

Grantees and sub-grantees must maintain at a minimum the following:

- Written policies and procedures for employee time and attendance records;
- Documents necessary to substantiate that payroll are initiated through the submittal of time and attendance reports showing hours worked;
- Written procedures for how employees are to prepare activity reports:
 - To substantiate between administrative and programmatic activities;
 - To ensure time reflects actual rather than planned activity;
 - To account for all of an employee's work hours; and
- Written procedures on how employees and supervisors are to sign and date time sheets and how often.

UNCLAIMED CHECKS

Any checks written for the distribution of grant funds allocated by the Department to a local workforce area that are unclaimed are subject to the provisions of the Pennsylvania Disposition of Abandoned and Unclaimed Property Law, commonly known as the Escheats Law.

For the purposes of this law, the "holder" is the grantee. Any unclaimed checks remain payable to the payee whose name appears on said check. Grantees are also responsible for holding any unclaimed checks. These funds are presumed to be abandoned and unclaimed if such checks remain unclaimed by the owners for more than five (5) years. All unclaimed checks may be forwarded to the Bureau of Unclaimed Property after the first year such checks remain unclaimed. All unclaimed checks must be forwarded to the Bureau of Unclaimed Property after the end of the fifth year. Therefore, it is recommended that the grantee forward any unclaimed checks to the Bureau of Unclaimed Property prior to close-out of that year's program funds.

Payment or delivery of such property will relieve the holder of any liability in connection with such property. The appropriate address to forward the aforementioned occurrence is:

Pennsylvania Treasury
Bureau of Unclaimed Property
P. O. Box 1837
Harrisburg, PA 17105-1837

Additional information regarding unclaimed property is available by calling toll-free at (800) 222-2046.

ANNUAL AND QUARTERLY YTD BUDGET COMPARISONS

An assessment of actual expenditures with budgeted amounts for each sub-grant and grant ensures that funds are being directed in accordance to the local board's priorities and overall funding strategy. 29 CFR 97.20 requires a grantee to compare actual expenditures or outlays with budgeted amounts for each grant or sub grant.

Each local board must provide a budget for local area's formula funds, utilizing the standard budget template provided by the Department, by the last week of July for each new program year (e.g., a local areas submits PY16 WIOA formula fund budgets no later than July 30, 2016. Such budgets must be approved by the local board prior to submission).

As local formula funds are available for two-years, local areas must submit consecutive program year quarterly YTD budget comparisons (e.g., for the quarter ending June 30, 2014, local areas submit their budget to actual expenditures (actuals) for both the PY12 funds (which is the fourth quarter of funding availability for PY13)).

If actual expenditures deviate more than ten (10) percent over the budgeted amount, the local board must provide a brief narrative explaining the difference. Budgets may, with local board approval and if accompanied by a letter from the local board chair, be modified throughout the year. Once approved, please send this information to the fiscal resource account at: LI-BWDA-Grants-Fiscal@pa.gov.

AUDIT TRAILS AND SOURCE DOCUMENTATION

An audit trail consists of records that show each step in a business transaction. Source documentation, including a document's source, provides for a chronological evidence of the sequence of activities in the audit trail. Such source documentation may include, but is not limited to information compiled for reporting expenditures, spreadsheets identifying how costs were allocated, and invoices for payments. A complete and accurate audit trail provides to grantors, regulators, and auditors the validity of information regarding reported Financial Status Reports (FSRs) and requests for cash.

All grantees are required to maintain records in accordance with applicable federal statutes and regulations; state statutes, policies and procedures; and local policies and procedures.

Maintaining source documentation improves fraud detection, mitigates risk, and enhances the legitimacy of an entity's internal controls. Additionally, the opportunity for fraudulent activity is decreased when employees are made aware that their work is monitored and tracked.

Payroll and human resource records provide vital source documentation. At the sub-recipient level, maintaining valid timesheets, participant eligibility records, and pay-stubs optimizes proper oversight of the grant award(s). As noted earlier, a clear audit trail consists of source documents. These original documents include checks, invoices, personal activity sheets, time and effort certifications, and any

written record triggered by an accounting transaction. Maintaining an organized, easy-to-use filing system keeps these documents within easy reach at all times. If a grantee's sub-recipients are unorganized and records cannot be easily retrieved, the grantee is not providing adequate oversight of the award(s). It is the grantee's responsibility to maintain adequate source documentation at all levels. Therefore, it is critical to review and correct any deficient processes and procedures for all lower-tiered sub-recipients prior to entering into agreements with said sub-recipients.

What qualifies as sufficient source documentation?

The most reliable system is one where the grantee requires sub-recipients to provide all supporting documentation at the time a request for cash disbursement is made or at the time financial reports are submitted; however, this system may be considered labor intensive and not always practical. An alternative system is one where the grantee (fiscal agent) has controls in place to proactively and/or routinely audit and review source documentation prior to, or at the time of, when a cash request is made or a financial report is due.

Bureau of Workforce Development Administration (BWDA) Requirements:

- BWDA requires that grantees and fiscal agents that do not collect all source documentation from sub-recipients at the time of drawing funds or reporting expenditures and obligations must, develop and incorporate, into their written financial policies (as well as part of any sub-recipient agreement and/or terms of condition of lower-tiered awards) a procedure that requires the grantee/fiscal agent to submit all source documentation within five (5) business days which must include a narrative explanation and summary sheet of expenses (including accruals and obligations).
- Regardless of circumstance and/or method utilized, adequate and sufficient source documentation must be maintained at the grantee or fiscal agent level to ensure cash disbursement requests are lawful, reasonable, necessary, and allocable. This includes using financial status reports to document reported accruals, obligations, and proper cost category allocations. This level of source documentation (described above) must be available for any unannounced audit, special review, or monitoring by any appropriate commonwealth agency, USDOL, and other regulator personnel.

Examples of precursor source documentation that must be available, onsite, by the grantee or fiscal agent for any unannounced visit:

- A registry and payroll journal that is checked prior to a request for cash disbursement. Sub-recipients must be able to surrender all source documentation within five (5) business days. This would include personal activity reports by each employee with appropriate signatures, dates, and grants worked on; and
- A summary sheet or memorandum that explains a stack of shared or indirect costs that were allocated in accordance with the grantees or fiscal agent's approved cost allocation plan or indirect cost rate.

Acceptable forms of original, supporting documentation include the following:

- Invoice;
- RFP evaluation documentation;
- Written memorandum justifying a sole source procurement;
- Packing slip with item pricing;
- Order/Confirmation screen;
- Detailed receipts;

- Recurring monthly charges - Attach the original contract or service agreement with the first monthly service fee posts. A memo justifying the need for the service must be attached. Additional documentation for the monthly charges/fees must also be requested and provided to substantiate each charge exceeding the average monthly amount; and
- Internet Orders - Print and attach a copy of the order screen and/or confirmation screen. Substantiation should include the detailed items ordered, quantities, as well as pricing.

Note: Any activity **not** generating a document must be accompanied with a memorandum to document sufficient support of the cost.

Chapter 3

Funding Distribution and Provisions

INTRODUCTION

This chapter provides a discussion of the various funding mechanisms available to obtain funds. It contains the following sections:

- WIOA Adult, Youth, and Dislocated Worker Local Area Formula Funds;
- Program Income;
- Pell and Similar Grants;
- Training Reimbursements;
- Request for Funds; and
- Contractor Responsibility Program (CRP).

PROGRAM INCOME

[2 CFR 200.80 Program Income {Definition}]

[2 CFR 200.307 Program Income {Post Federal Award Requirements}]

Program income is defined at 2 CFR 200.80 as, gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance (see § 200.77 Period of performance). 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 Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. See also § 200.407 Prior written approval (prior approval).

A list of the types of income that are considered program income for purposes of WIOA grants is included. The following list addresses some of the differing types of program income that might be generated under such grants.

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

Example: The PA CareerLink® center provides pre-employment services for a number of private businesses. There is a per-head fee for these services. The fees are considered program income.

Example: The PA CareerLink® center provides these same pre-employment services for both private businesses and participants eligible under WIOA. The per-head fee is based on the total costs of the activity. The revenues realized from the fee charged to private businesses are considered program income.

- **User or Rental Fees.** Income from the use or rental of personal property acquired with grant funds.
- **Sale of Products.** Income from the sale of goods constructed under a grant agreement.

Example: As part of a course on small business development, materials are bought and used to manufacture small items. The proceeds from the sale of these items are considered program income. If the goods produced were written materials, the sales of materials would also be considered program income.

- **Revenues in Excess of Expenditures.** If a governmental or nonprofit organization earns or receives revenue in excess of its costs under a WIOA Title I program, that revenue is to be treated as program income. This provision does not apply to commercial for-profit entities.

Example: A nonprofit youth service provider has a fixed-price contract for the provision of placement services to out-of-school youth. Based on their performance, they have earned revenues that exceed the costs incurred by the organization in providing the services. These revenues are considered program income.

Interest Income [2 CFR 200.449, Interest]

Income earned from the interest paid on grant funds is treated differently for WIOA title I programs than for most other federal grant programs and ETA-funded required partner programs such as Wagner-Peyser programs. Both WIOA and the proposed regulations specify that interest earnings are to be treated as program income and are subject to the rules applying to program income referenced in 29 CFR 97.25 and 29 CFR 95.24. Such rules apply to all programs funded under title I of the WIOA including Adult, Youth, Dislocated Worker, Job Corps, Native American, Farmworker, and Veterans' programs. They do not apply to the non-WIOA title I programs funded under Wagner-Peyser, Unemployment Insurance, Older Americans, or the Trade Acts.

If an organization receives funds under both WIOA Title I programs and non-Title I programs, the grantee is responsible for identifying the proportionate share of any interest earnings attributable to each type of program.

Example: A nonprofit local board maintains an interest-bearing account for all grant revenues. The local board receives funding from both WIOA and non-WIOA ETA-funded grants. The interest earned on the WIOA revenues would be treated as program income and added to the total WIOA grant. The interest earned on non-WIOA ETA funds would not be considered as program income, but would be returned to the federal government in accordance with the requirements of 29 CFR 95.22(l).

Program Income Exclusions

The regulations at 29 CFR 97.25(a) lists the types of revenues that are not included as program income. These same revenues would also be excluded under 29 CFR Part 95.2(bb). Each is listed below, followed by an example to illustrate application of the rule.

- **Applicable Credits.** Reductions to grant costs as a result of refunds, rebates, credits, discounts, or the interest earned on them.

Example: The WIOA Adult title I service provider receives a year-end rebate based on volume purchasing of software. The rebate is not considered program income; however, the proper accounting for the rebate is a reduction to the line item costs for software.

- **Sale of Property.** Proceeds from the sale of personal property. The requirements for handling the revenues from the sale of property for which the grantee is accountable are covered at 29 CFR 97.32 and 29 CFR 95.30 through 95.37.

Example: The WIOA title I services provider disposes of a copier with a fair market value of \$8,000, following the requirements of Part 97 and state requirements. The revenues realized from the sale of the property are not considered program income. However, the calculated share of the proceeds from the sale must be returned to the awarding agency or in accordance with policies on acquisition and disposition.

- **Royalties.** Income from royalties and license fees for copyrighted material, patents, and inventions developed by a grantee or sub-grantee. This income is considered program income only if specifically identified as such in the grant agreement or federal agency regulations. Part 95 specifically excludes this income unless USDOL regulations or the grant agreement specify otherwise.

Payment of royalties using WIOA and other federally funded grants is an allowable cost under 2 CFR Part 230; however, prior to payment grantees and sub-grantees must receive written authorization from BWDA. It is recommended if grantees are considering using services and/or resources that necessitate the payment of royalties that BWDA be consulted for technical assistance.

USDOL policy is that federal funds may not be used to pay royalties for federally developed projects or works.

Example: The WIOA title I service provider writes a software application to computerize its case management system. The program is copyrighted and licensed to non-federally funded programs. The resulting revenues are not considered program income. The ETA maintains a royalty-free right for use and distribution of the materials.

- **Income Earned after the Grant Period Has Ended.** The grantee is not accountable for income expended after the grant period if the income was earned during the grant period. The grantee is not accountable for income earned after the end of the award period. However, the grantee must report program income expended after the grant period if the income was earned during the grant period.
- **Donations.** Donations and contributions are voluntarily given to the ETA-funded program. As they are not generated by the use of grant funds, such revenues do not constitute program income.
- **Profits of Commercial Organizations.** Profits earned by commercial, for-profit organizations are not considered program income. Care must be taken to minimize the amount of profit generated by grants.
- **Matching Funds.** Funds provided to satisfy the matching requirements of the ETA grants are not considered program income. Conversely, program income generated through the ETA-funded grants may not be used to satisfy any match requirements.
- **YouthBuild.** Under the YouthBuild program, the proceeds from the sale of buildings constructed or renovated using YouthBuild grant funds are specifically excluded as program income. YouthBuild grantees are encouraged to use such proceeds for long term sustainability of the YouthBuild effort.

Accounting for Revenue and Cost of Generating Program Income

Two methods are used in accounting for revenue and cost associated with generating program income, the net income method and the gross income method.

- **Net Income Method.** With the net income method approach, the costs incidental to the generation of program income are netted against or deducted from gross program income to determine the amount of net program income. The expenditures and revenues associated with performing the activity that generates program income are tracked separately in the accounting records. Periodically, revenues and expenses are netted to determine the amount of net program income. Net program income is then recorded in the appropriate program income account. 2 CFR 200.307 and Part 95 requires that the costs incidental to generation not be charged to the grant when using this method.

Example: A nonprofit WIOA youth service provider operates several training programs using fixed-unit-price, performance-based contracts. The expenditures incurred and revenues earned under each contract are accounted for separately. For each contract, expenditures and revenues are netted, and the net income resulting from each contract is then recorded as program income to the ETA.

Note: In some cases, the most efficient approach to account for program income is to net revenues against only part of the costs in order to determine net program income.

Example: The local area grantee uses its own staff to conduct a conference on case management that is attended by other local area grantees and WIOA-funded service providers. Staff costs of presenting or attendance are charged to the appropriate WIOA expense accounts. These costs would include staff costs for conference coordination and logistics, meeting room costs, etc. The local area grantee's additional costs for conducting the conference are accounted for separately and total \$5,000. Registration fees and other revenues are also accounted for separately and total \$6,000. The conference produces net program income of \$1,000, which is recorded in the WIOA grant account.

- **Gross Income Method.** With this method, all gross revenues derived from program income activities are accounted for as program income. In turn, the grantee's share of the allocable costs associated with generating that revenue is charged to the appropriate program activities and/or cost categories. In the accounting records, the entire amount of gross revenues would be recorded in the program income account for the funding period. The funding period to which the program income is assigned is the same funding period to which the corresponding expenditures are charged. Expenditures incurred in generating the program income are charged to the appropriate cost categories and/or program activity.

Example: The grantee funds a small business development course for WIOA Dislocated Worker participants on a cost reimbursement basis. The participants prepare business plans and engage in the manufacture or production of items for sale to the public. ETA is billed for the cost of training, for tools that will be retained by the participants, and for parts that are used in production. The sub-recipient charges all these costs to the appropriate cost categories/program activity based on the sub-grant requirements. All the revenue collected from the sales is ETA funded program income to the sub-recipient, is recorded as program income in the books of account, and is to be used to provide additional ETA-funded services under the sub-recipient agreement.

Accounting for the Expenditure of Program Income

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

additional services may be separately accounted for in the program income account, or already recorded expenditures may be transferred to the program income account.

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

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

- **Transfer of Expenditures.** When using this approach, expenditures are initially recorded in the accounts of the original agreement and are subsequently transferred to the program income account to offset the amount of program income earned. The result is that the program income is accounted for as fully expended while expenditures charged under the sub-grant agreement are reduced by the amount of expenditures that have now been applied to program income.

Example: During the grant period, a service provider has recorded \$1,000 in program income. To expend the program income within the grant period, the service provider transfers \$1,000 in expenditures already incurred under the sub-grant from the appropriate cost categories to the program income account and reduces sub-grant expenditures in the corresponding cost categories by that same amount. This has the effect of freeing up the \$1,000 to be used for additional expenditures under the sub-grant.

Uses of Program Income

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

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

A local area may use program income to cover administrative costs even if the income was generated by program dollars as long as the income is allocated to the funding stream from which it was generated. WIOA regulations and 29 CFR 95.24(a) specify that program income is to be added to the total grant award and used to provide the same services as the original grant. 29 CFR Parts 95 and 97 do not include any additional requirements for earned program income that is not expended within the grant period.

Both 29 CFR 95 (non-governmental organizations) and 29 CFR 97 (governmental organizations) require program income to be expended in conformance with the terms and conditions of the grant including provisions related to the period of performance or fund availability. The ETA thus requires program income to be wholly expended within the three-year period of availability for WIOA formula grants or the

period of performance specified in an individual grant agreement. Any program income funds remaining would be used to reduce the reported grant expenditures at closeout.

Example: \$1,000,000 grant with 10% admin limit or \$100,000 admin. However, program income of \$200,000 is earned. The total grant is now \$1,200,000; Admin of \$120,000 is allowable.

PA CareerLink® Program Income

Program income earned at a PA CareerLink® center as a result of shared activities or shared costs is attributable to all partners participating in the cost or activity. If program income is earned at a PA CareerLink® center as a result of shared costs or activities, then that income must be distributed to all partner organizations that participated in the activity or cost. The program income must be allocated in the same proportion as the shared costs. Program income must be expended on allowable grant activities and is subject to the requirements discussed in this chapter related to earnings and expenditures. *The earning, allocation, and use of program income must be addressed in the Resource Sharing Agreement.* Partners may agree to use program income to reduce their share of costs or resources needed to fund the costs if that is allowable under the partners' authorizing statutes and regulations. WIOA grantees and sub-grantees are reminded that they must use the addition method in expending program income.

Reporting of Program Income on the RSAB & FSR

In the past, the FSR Program Income fields have used two entry boxes. These two entry boxes, "Undisbursed Program Income" and "Disbursed Program Income" produced a calculation representing the "Program Income Realized." This has been changed to mimic the ETA Form 9130, Quarterly Financial Report, in which there are three (3) categories.

The Undisbursed Program Income label now reads, "Total Federal Program Income Earned," and the Disbursed Program Income label now reads, "Program Income Expended." Finally, the label Program Income Realized now reads, "Unexpended Program Income."

The Program Income Earned entry box minus the Program Income Expended entry box will produce the automatic calculation for Unexpended Program Income. Grantees and fiscal agents must also enter the Program Income Earned in the Current Reporting Period entry box that will cumulate in the Cumulative box. Grantees and fiscal agents must enter the Program Income Expended in the Current Reporting Period entry box that will cumulate in the Cumulative box. The Program Income Earned cumulative box minus the Program Income Expended cumulative entry box will automatically result in the calculation of the Unexpended Program Income.

Instructions:

- **Total Federal Program Income Earned.** Enter the total amount of program income earned as the result of allowable grant activity. The addition method for recording and reporting program income is required for all ETA programs/grants. For additional reference, program income is defined in the applicable program regulations, as well as 29 CFR 95.24 and 29 CFR 97.25. Either gross or net program income may be reported. If gross program income is reported, the costs for generating the income must be included in the accrued expenditures. If net program income is reported, the costs for generating the income are subtracted from the total income earned before entering the net amount in the Total Federal Program Income Earned entry box. If no program income is earned, a zero must be entered.
- **Program Income Expended.** Enter the total cumulative amount of accrued expenditures incurred against the program income earned in the Total Federal Program Income Earned entry box.

Note: Program income is to be expended during the same grant period in which it is earned.

- **Unexpended Program Income.** This entry is an automatic calculation. HARD EDIT - Unexpended Program Income must equal Total Federal Program Income Earned minus Program Income Expended.

Grantees and fiscal agents must use cash-on-hand first prior to making requests for cash draws. Fiscal agents must utilize the comment box to address program income details.

Table 3-1. Translating Program Income from the RSAB-FSR to the FSR:

This table reflects income allocation under the Workforce Innovation and Opportunity Act. The example below illustrates the natural progression for program income reporting.

Chapter 3, Table 1: Program Income Allocation from RSAB-FSR to the FSR						
PA CareerLink® Resource Sharing Allocation – Budget (RSAB)			PA CareerLink® Anytown Office			
Reporting Period			June 2017			
CURRENT (QUARTERLY) BY PARTNERS						
	WIOA Title I programs	Wagner-Peyser	OVR	DHS	Other	Totals
	55%	25%	10%	10%	0%	100%
Program Income Earned	\$550	\$250	\$100	\$100	\$ 0	\$1,000
Program Income Expended	\$275	\$125	\$50	\$50	\$ 0	\$500
Unexpended Program Income	\$275	\$125	\$50	\$50	\$ 0	\$500
CURRENT (QUARTERLY) BY WIOA TITLE I PROGRAMS						
		Adult	DW	Youth		Totals
		37%	38%	25%		100%
Program Income Earned		\$203.50	\$209.00	\$137.50		\$550
Program Income Expended		\$101.75	\$19.00	\$12.50		\$133
Unexpended Program Income		\$101.75	\$104.50	\$68.75		\$275
CUMULATIVE BY PARTNERS						
	WIOA Title I programs	Wagner-Peyser	OVR	DHS	Other	Totals
	55%	25%	10%	10%	0%	100%
Program Income Earned	\$1,100	\$500	\$200	\$200	\$ 0	\$2,000
Program Income Expended	\$550	\$250	\$100	\$100	\$ 0	\$1,000
Unexpended Program Income	\$550	\$250	\$100	\$100	\$ 0	\$1,000
CUMULATIVE BY WIOA TITLE I PROGRAMS						
		Adult	DW	Youth		Totals
		37%	38%	25%		100%
Program Income Earned		\$407.00	\$418.00	\$275.00		\$1,100
Program Income Expended		\$203.50	\$209.00	\$137.50		\$550
Unexpended Program Income		\$203.50	\$209.00	\$137.50		\$550
<i>Program percentages are subject to change based upon methodology employed.</i>						

PELL AND SIMILAR GRANTS

The U.S. Department of Education intends the Pell grant to be the foundation of a student's financial aid to which other federal and non-federal funds are added. To guarantee the use of the Pell grant, students must first receive a determination of Pell eligibility. For this reason, local boards must work with Pell-eligible institutions in determining Pell eligibility and award amounts for potential WIOA participants who are or may be enrolled in Pell-eligible programs before federal and non-federal funds are expended.

Local boards are responsible for establishing procedures to:

- Identify all instances in which Pell grants can either reduce WIOA program costs or provide additional necessary services to participants;
- Use identified Pell grants to maximize WIOA program funds;
- Assure that institutions do not receive double payments and that the institution refunds WIOA program funds prior to issuing any other refunds; and
- Obtain prior participant approval for the release of confidential student aid information.

Procedures must be developed to determine both the participant's training-related needs and the proper mix of WIOA program and Pell funds with the goal of ensuring that the costs of the training program the participant selects are fully paid and that necessary supportive services are available so that the training can be completed successfully. This is necessary because Pell grants may be utilized for tuition, fees, room and board, books, supplies, and applicable living expenses such as transportation, childcare, special costs for students who are disabled, and various other miscellaneous living expenses.

Example: In the case where an individual needs assistance for tuition payment and supportive services, and only one funding source, such as Pell grants, may be used for the supportive services, WIOA funding may be used to pay for tuition costs. This should also avoid duplication of payments for the same services.

Worksheets must be maintained which sufficiently document the participant's income and expenses. To ensure that participants continue to be eligible for Pell funds, grantees are encouraged to review participant worksheets periodically and note changes in income.

TRAINING REIMBURSEMENTS

Grantees are responsible for ensuring that training reimbursements, whenever available, are used to offset WIOA-funded training costs. When the eligible training provider receives funds from Pell, Pennsylvania Higher Education Assistance Agency (PHEAA), or other similar grants, the WIOA grant must be properly reimbursed. Reimbursement is not required from the portion of Pell Grant assistance disbursed to WIOA participants for education-related expenses. However, reimbursement of tuition for WIOA participants receiving assistance is considered a refund of expenditures and must be accounted for in the grantee's financial records.

If the reimbursement is received after the closeout period of the agreement, those funds must be returned to BWDA. The grantee must indicate the agreement number and cost category for which the return of funds is being made.

In instances where Pell grant awards are used in conjunction with WIOA funds to directly pay the tuition costs of a participant, they would not be considered reimbursements and not required to be accounted for as such.

REQUEST FOR FUNDS (RFF)

A solicitation for funds must be completed and submitted in accordance with federal agency guidelines. Request for funds also means a properly and fully completed application requesting funds that is submitted by the sub-recipient in accordance with state guidelines. [31 CFR 205.3 (CMIA)]

There are multiple reasons that a grantee may submit a request for funds. If a grantee determines a need for additional funds in a particular funding stream, the grantee may request additional funds using the Request for Funds form. Please refer to the PA Department of Labor & Industry website for a downloadable version of this form. This form must be completed and submitted to:

Pennsylvania Department of Labor & Industry
Bureau of Workforce Development Administration
ATTN: Grants & Fiscal Services Division Chief
651 Boas Street, Room 1200
Harrisburg, PA 17121

Or send an email that contains the completed request to: RA-LIBWDA-FISCALOPS@pa.gov

Based on Departmental review of the request, grantees may be required to submit additional information. If the Department approves the request, a Notice of Obligation (NOO) will be issued to the grantee. Issuance of the NOO will serve as the official notification that the Request for Funds has been approved. Grantees will receive notification of any Request for Funds that is not approved. Standard administrative cost limitations will apply to all funds unless otherwise indicated.

The Department will review the each request and notify the local area of approval or disapproval.

Requesting Rapid Response Additional Assistance (RRAA)

Rapid Response additional assistance funds are one of the many types of funds that may be requested. To determine if the need for additional funds exist, local areas should request assistance from Rapid Response staff. The Department may issue RRAA funds to local areas for the following circumstances:

Insufficient Funds. Local boards may request these funds when WIOA Title I formula funds are insufficient to provide career services to dislocated workers. Such funds may be requested for the following:

- **Targeted Populations:** Funds are used in lieu of or as a bridge to applying for a NDWG due to a mass layoff or facility closing or natural disaster. Funds awarded are to be targeted to the workers who have been dislocated from the companies that have been certified by the Bureau of Workforce Partnership & Operations (BWPO) as Rapid Response dislocation events. The local area must identify the targeted companies on the Request for Funds form. The funds are to be used to serve the workers dislocated from the companies identified in the request. In multiple-county local areas, funds are not to be divided among the counties.

- **General Dislocated Worker Population:** Funds are used as additional assistance to a local area that has experienced a steady increase in the numbers of unemployed individuals due to natural disasters, plant closings, mass layoffs, or other events that have resulted in a lack of local funds to assist dislocated workers. The local area must describe the events that have led to the unexpected and increased demand for service by the dislocated workers in the local area. Expenditures and obligations in both Adult and Dislocated Worker Title I funds for current and past two program years must also be provided.

- **Trade/WIOA Co-Enrollment:** RRAA funds are to be used as part of BWPO's program to fully integrate the Trade Act and WIOA programs. All trade-impacted dislocated workers who require more than career services to obtain suitable employment are to be registered with the WIOA program using the RRAA funds awarded under this guidance. In this scenario, the funds may be used to provide staff-assisted career services such as individualized job search assistance, career guidance, assessment, case management, tracking, supportive services, and fees associated with securing licenses and certifications directly related to the training program approved by BWPO's Trade Services unit.

- **Layoff Aversion/Incumbent Worker Strategies:** The basis for issuing funds under this scenario is found in § 682.320 of the WIOA Final Regulations. WIOA provides states or their designees the opportunity to use Rapid Response funds to provide effective Rapid Response upon notification of a permanent closure or mass layoff, or a natural or other disaster resulting in a mass job dislocation. When LWDBs request RRAA funds under this scenario, they must link the project to one or more of the activities described in (a) through (d).
 - (a) In conjunction with other appropriate federal, state, and local agencies and officials, employer associations, technical councils or other industry business councils and labor organizations:
 - (1) Develop prospective strategies for addressing dislocation events that ensure rapid access to the broad range of allowable assistance;
 - (2) Identify strategies for the aversion of layoffs; and
 - (3) Develop and maintain mechanisms for the regular exchange of information relating to potential dislocations, available adjustment assistance, and the effectiveness of Rapid Response strategies.
 - (b) In collaboration with the appropriate state agencies, collect and analyze information related to economic dislocations, including potential closings and layoffs and all available resources in the agency for dislocated workers to provide an adequate basis for effective program management, review, and evaluation of Rapid Response and layoff aversion efforts.
 - (c) Participate in capacity-building activities, including providing information about innovative and successful strategies for serving dislocated workers with local areas serving smaller layoffs.
 - (d) Assist in devising and overseeing strategies for:
 - (1) Layoff aversion, such as pre-feasibility studies of avoiding a plant closure through an option for a company or group, including the workers, to purchase the plant or company and continue it in operation;

- (2) Incumbent Worker training, including employer loan programs for employee skill upgrading; and
 - (3) Linkages with economic development activities at the federal, state, and local levels, including the federal Department of Commerce programs and available state and local business retention and recruitment activities.
- **Statewide/Regional Projects:** RRAA funds are used to support statewide or regional initiatives to provide direct services to dislocated workers. In all cases, this will be a multi-LWDB initiative.

CONTRACTOR RESPONSIBILITY PROGRAM (CRP)

[OMB Circular A-102; [Management Directive 215.9, Contractor Responsibility Program](#); Department Policy]

Grantees are required to determine contractor responsibility prior to awarding a contract or approving a subcontract. In order to ensure that grantees contract with responsible and competent contractors and such contractors are not debarred or suspended, grantees must review the following List of Parties Excluded from Federal Procurement and the state debarment list.

List of Parties Excluded from Federal Procurement

- One of the terms of the grant agreement is that the grantees assures and certifies that it, all its sub-agreements, the grantee, any sub-grantees, and any suppliers are not under suspension or debarment by the commonwealth or any governmental entity, instrumentality, or authority, and if the grantee cannot so certify, then it agrees to submit, along with its grant application, a written explanation of why such certification cannot be made. OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*, is one of the provisions of the grant agreement.
- Grantees and sub-grantees are not to award funds to applicants that are debarred or suspended or otherwise excluded from or ineligible for participation in federal assistance program under Executive Order 12549, Debarment and Suspension. As a result, the List of Parties Excluded from Federal Procurement and Non-procurement Programs has been developed. This list provides an up-to-date source of information on those firms and individuals that have been suspended, debarred, or otherwise excluded from Federal Procurement and Non-procurement Program.
- Recently a new website was created that combines federal procurement systems and the Catalog of Federal Domestic Assistance into one system. The name for this site is the “System for Award Management (SAM).” Currently this system includes the functionalities from the Central Contractor Registry, Federal Agency Registration, Online Representations and Certifications Application, and the Excluded Parties List System. Through this website, it is possible to request and verify Dun & Bradstreet (D&B) identification numbers (DUNS numbers) for entities that enter into contracts or grants with the U.S. Federal Government. It is available via the Internet at www.sam.gov.

Pennsylvania State Debarment List

Access at https://www.dgs.internet.state.pa.us/debarment_list/

When a request for funds is transmitted in the CWDS Financial Management System (FMS), it is first sent to the commonwealth’s accounting system before being processed by the treasury. One reason for this

is to ensure that a grantee/contractor is not on the CRP list. A grantee's or contractor's name will appear on this list if they owe funds to any commonwealth agency. Therefore, before any request for funds are approved, the comptroller's office will verify that the requesting grantee/contractor is not on the CRP list. If a grantee/contractor is on the list, the request will not be approved until the comptroller's office receives a clearance certificate for the commonwealth agency with whom there is an outstanding obligation.

Grantees are advised to confirm that payments are deposited into their accounts within the 10-15 business days after the request is approved. If payments go beyond this timeframe, contact BWDA at (717) 783-8050 or the comptroller's office at (717) 783-9072. The comptroller will contact the treasury to obtain a date when the deposit will be made.

In addition, grantees should review the check deposits at their bank to lower the risk of overdrawing bank account.

Chapter 4

Accounting for Funds

INTRODUCTION

While a separate accounting system for each fund need not be established, each entity must maintain financial records that adequately identify the source and application of all funds. In addition, a cash-based accounting system must be capable of developing the accrued expenditure information needed to complete the required financial reports. **All WIOA funds must be reported on an accrual basis.** Therefore, sufficient documentation must be maintained to support the accrual information reported to BWDA according to the FSR reporting schedule.

WIOA costs shall be limited to allowable costs that:

- Are reasonable for the performance of the award in accordance with the OMB Circular and are directly related to the proper and efficient operation of the grant;
- Conform to any limitations or exclusions set forth in the OMB Circular;
- Are consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization;
- Are accorded consistent treatment;
- Are determined in accordance with Generally Accepted Accounting Principles (GAAP);
- Are not included as a cost of any other federally financed program (or used to meet matching requirements);
- Are adequately documented;
- Are net of all applicable credit;
- Are comparable to the charges for similar goods and services in the area;
- Are not a general expense required to carry out the overall responsibility of the government; and
- Are to be distributed based on function or activity of the benefiting grant(s).

RESTRICTIONS

Administrative Cost Limit

[20 CFR 683.205, 20 CFR 683.215]

Administration costs that exceed ten (10) percent of the amount formula allocated to a local area under WIOA are unallowable. Limits on administrative costs for other programs will be identified in the grant. Only the following title IB entities will incur costs that are to be reported as administrative costs:

- The state (as the grant recipient);
- The state workforce development board;
- Local workforce development boards;
- The local grant recipient (if funds are given directly to chief/local elected officials);
- A local grant sub-recipient and/or fiscal agent whose purpose is to assist in the administration of grant funds (i.e. often the designated grantee that acts on behalf of the chief/local elected officials);

- An entity that the local grant recipient local grant sub-recipient/fiscal agent sub-contracts with that serves as an intermediary or performs a preponderance of work that is administrative in nature; and
- The PA CareerLink® operator(s).

Administrative Functions

WIOA outlines the role local board and fiscal agent staffs play in the local workforce system. Local board staff carry out the strategies set forth by the board and have oversight of the local system in its administration of grant activities and performance. Similarly, the fiscal agent provides assistance to the local elected officials in the administration of funds.

Federal guidance prohibits local board staff and fiscal agent staff from the direct provision of services to allow them to focus on their purpose of the overall management of the system. Therefore, it is imperative that local board and fiscal agent staffs are cognizant of the functions they are providing to ensure they are not involved with the day-to-day operations of the PA CareerLink® system. In section three (3) below, the Department has identified various functions to assist local board and fiscal agent staffs in determining whether a function is either administrative or programmatic.

The costs of administration are those expenditures associated with performing the following overall general administrative functions as listed below:

- Accounting, budgeting, financial and cash management functions;
- Procurement and purchasing functions;
- Property management functions;
- Personnel management functions;
- Payroll functions;
- Coordination of the resolution of findings arising from audits, reviews, investigations, and incident reports;
- Audit functions;
- General legal services functions;
- Development of systems and procedures, including information systems, required for these administrative functions; and
- Oversight and monitoring of administrative functions.

Payments

[USDOL One-Stop Comprehensive Financial Management TAG]

- **Cash Forecasting.** Cash forecasting identifies specific needs within a specific time frame and should be required. Cash forecasting can be daily, weekly, on some other defined disbursement cycle, or as needed. The point is not to prescribe a specific cash forecast period but to gear the cycle to when cash is actually paid out at the bank. A valid clearance pattern is an acceptable method of cash forecasting. Please note that that it takes between 7 – 15 business days from the time a grantee submits a Request for Funds in CWDS to the time disbursement is made by the PA Treasury. Therefore, this information should be considered when cash forecasting.
- **Advance Method.** Most local area grantees and sub-recipients operate on a cash advance basis. To the maximum extent feasible, sub-recipients should be provided with advance payments. Consistent with the policy of maintaining minimum cash balances, the grantee is required to develop procedures for sub-recipients to submit requests for cash resources. Such procedures should not allow cash to be paid out in amounts that exceed immediate needs.

- **Reimbursement Method.** As stated in 29 CFR 97.21 and 29 CFR 95.22, reimbursement is the method of payment to be used when the grantee or sub-recipient is unwilling or unable to comply with the specified cash management practices. Under this method, payment is made after the costs have been incurred, and a request for repayment has been submitted to the awarding agency.
- **Working Capital Advance Method.** Working capital advance is the method for advancing funds to the grantee (particularly in instances where a new fiscal agent has been designated) or sub-recipient to cover its estimated disbursement needs for a given initial period and then providing reimbursement payments for subsequent periods. This method would not be used for grantees or sub-recipients that qualify for advances. However, this method can be used in place of the reimbursement method if the recipient determines that the sub-recipient lacks sufficient working capital. The amount of the initial advance should be geared to the sub-recipient disbursement cycle. After the initial period, the payments are approximately equal to the sub-recipient's unreimbursed program payments. After the initial advance, the awarding agency reimburses the sub-recipient for its actual cash disbursements. Generally, working capital advances can be made only when the advance method of payment is not available; such advances must be based on regulations and guidelines affecting the amount of the advance.

The following example shows how working capital advance payments are processed and presents other considerations:

Example: The grantee's policy is to limit working capital advances to the first week of disbursement needs. A grantee submits a schedule of disbursements to be paid out during the first week of operation. The total amount of the contract is \$136,000. The maximum limit on a working capital advance in this example is \$22,700 (cash needs for one week). An example of a disbursement schedule to determine the amount of working capital advance is as follows:

Staff salaries	\$12,500
Insurance	\$1,000
Rent	\$800
Equipment rental	\$4,800
Office supplies	\$400
<u>Training materials</u>	<u>\$3,200</u>
Working advance	\$22,700

After a working capital advance is issued, the grantee would be reimbursed for its actual cash disbursements. This advance is a one-time process designed to facilitate the start-up of projects that need and qualify for an advance. Working capital advances must also be liquidated to ensure that excess cash is not maintained by the sub-recipient. The method of liquidation may be specified by the awarding agency, provided that all advances are liquidated in a manner designed to minimize actual cash on hand at the grantee level. Some methods that might be used are reducing subsequent requests on a pro rata basis or reducing the first request by the amount of the advance. This method cannot be used if the reason for using it is the unwillingness or inability of the grantee to provide timely advances to the grantee to meet its actual cash disbursements. If a grantee is reluctant or unwilling to implement efficient and speedy cash management procedures, the grantee is disqualified from making working capital advances.

PARTIAL LISTING OF SELECTED ITEMS OF COST AND TREATMENT

The following is a list of selected costs and how they are to be treated under the grant. Grantees are urged to review grant agreement provisions and assurances as well as any terms and conditions associated with awards. **If a grantee is unsure how to treat a particular cost, the grantee must contact BWDA for instruction at (717) 783-8050 or submit an electronic request to LI-BWDA-Grants-Fiscal@pa.gov.**

Advertising and Public Relations Costs

- The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.
- The term public relations includes community relations and means those activities dedicated to maintaining the image of the non-profit organization or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.
- Grantees will want to be familiar with how their applicable OMB circular treats these costs. Costs associated with public outreach, community relations, or efforts to publicize the funded program(s) in order to generate participation are viewed by all circulars as allowable within certain limitations. However, any public relations costs that solely promote the organization or are not directly related to the program providing the funding are considered unallowable. The OMB circulars also contain specific requirements and prohibitions related to the use of advertising and advertising media. Determining the appropriateness of the cost and allowability for programs would also be a key requirement for PA CareerLink® operations. The OMB circulars are quite specific on the conditions under which public relations costs are allowable, and partner programs may have other restrictions in their particular authorizing legislation or regulations.

The only allowable advertising costs are those that are solely for:

- The recruitment of personnel;
- The procurement of goods and services;
- The disposal of scrap or surplus materials; or
- Other specific purposes necessary to meet the requirement of the award.

The only allowable public relations costs are:

- Costs specifically required by the award;
- Costs of communicating with the public and press pertaining to specific activities or accomplishments; or
- Costs of conducting general liaison with news media and government public relations officers to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern such as notices of contract/grant awards, financial matters, etc.

Unallowable advertising and public relations costs include the following:

- All advertising and public relations costs other than as specified above are not allowed under the applicable OMB circular;
- Costs of meetings, conventions, convocations, or other events related to other activities of the non-profit organization, including:
 - Costs of displays, demonstrations, and exhibits;

- Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and
- Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings.
- Costs of promotional items and memorabilia, including models, gifts, and souvenirs; and
- Costs of advertising and public relations designed solely to promote the non-profit organization.

Audit Costs and Related Services

The costs of audits required by the Single Audit Act, as implemented by OMB Uniform Guidance are allowable. Other audit costs are allowable if included in a cost allocation plan or indirect cost proposal or if specifically approved by the awarding agency as a direct cost to an award.

Bad Debts

Bad debts, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, related collection costs, and related legal costs are unallowable.

Back Payments

Back payments are payments to compensate an individual for services performed under WIOA that were previously compensated at a rate less than that found to be correct.

Example: An individual is traveling for WIOA purposes. The individual sends in a travel voucher and is paid. Later, the individual learns that there was an increase in the mileage rate that occurred after sending in the travel voucher that covers the time period of their travel. He/she is due the increase in recompense between the previous disbursement and what he/she would have been paid if the voucher had been submitted at the correct level.

Example: An individual finds that his/her hourly rate was entered incorrectly for time worked and that he/she is due a back payment for the balance.

Back payments to an individual for any purpose are unallowable unless they represent additional payments for WIOA services performed for which the individual was underpaid. Funds for any back payments must have been available for expenditure at the time the costs were incurred.

Buy American Act

[WIOA Section 505]

No funds may be expended by an entity unless it has agreed to comply with the Buy American Act (41 U.S.C. 10a *et. seq.*).

Collective Bargaining Agreements

[WIOA Section 181(b)(2)(B); 20 CFR 683.270(b)]

No program shall impair existing grants for services or collective bargaining agreements. No such activity that would be inconsistent with the terms of a collective bargaining agreement shall be undertaken unless the employer and the labor organization concur in writing with respect to any elements of the proposed activities which affect such agreement or either party fails to respond to written notification requesting its concurrence within 30 days of receipt thereof.

Compensation for Personal Services

Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under federal awards, including but not necessarily limited to wages, salary, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of the award, conform to the applicable OMB circulars, are reasonable for the services rendered, are applied consistently to both federal and non-federal activities, and are supported by sufficient documentation.

Conflict of Interest

[Uniform Guidance]

For costs that are associated with the awarding of financial assistance or procurement activities, which are determined to be an organizational or a personal conflict of interest or give the appearance of conflict of interest, the following conditions apply:

- No individual in a decision-making capacity, including local board members, shall engage in any activity, including participation in the selection, award, or administration of a sub-grant or grant supported by federal and state funds, if a conflict of interest, real or apparent, would be involved;
- No member of any council under WIOA shall cast a vote on the provision of services by that member (or any organization which that member directly represents) or vote on any matter that would provide direct financial benefit to that member. Local board members must abstain from voting on any matters which would provide direct financial benefit to that member, member's family, or place of business or which may appear to provide direct financial benefit to the same. However, neither membership on the local board nor the receipt of federal and state funds to provide training and related services shall be construed, by itself, to violate these provisions; and
- Funds that are paid to any non-governmental individual, institution, or organization to conduct an evaluation of any program under WIOA are unallowable costs when such individual, institution, or organization is associated with that program as a consultant or a technical advisor. An example might be to have an international organization evaluate its local chapter's performance for a local workforce development area.

Note: Non-Federal entities must disclose in writing any potential conflict of interest that might arise around how a non-federal entity expends funds under a federal award. Non-federal entities are mandated to disclose in a timely manner in writing to the federal awarding agency or pass-through entity all violations of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the federal award. Failure to make required disclosures can result in any of the remedies described in § 200.338 Remedies for noncompliance, including suspension or debarment.

Copyrights, Patents, and Royalties

[29 CFR 97.34; TEGL No. 31-04]

Under USDOL regulations, the federal government has a license or the right to freely use the patented or copyrighted material produced or developed under a grant, sub-grant, or a contract under a grant or sub-grant funded by USDOL, unless the USDOL specifically waives this right. Therefore, sub-recipients of USDOL funds are not allowed to pay a royalty for use of such products.

Contingency Provisions

Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are

unallowable. The term “contingency reserve” excludes self-insurance reserves, pension plan reserves, and post-retirement health and other benefit reserves computed using acceptable actuarial cost methods.

Costs Resulting From Organized Campaigns

[WIOA Section 117(d)(3)(B)(iii); OMB Circular A-87, Attachment B 21]

A local board may solicit and accept grants and donations from sources other than federal funds made available under WIOA. However, the costs of the solicitation are not an allowable cost under WIOA. Costs resulting from organized campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are not allowable as costs under WIOA. Capital received must therefore be offset by the costs incurred.

Note: BWDA encourages local boards to review, monitor, and evaluate the cost benefit ratio of these activities as part of their oversight responsibilities.

Costs of Local Boards

Costs of local boards and other councils, committees, or advisory councils are allowable to the extent that they are incurred for reasonable costs of official business of carrying out WIOA program management or administrative activities.

Debarment or Suspension

[29 CFR 98]

If an entity was debarred or suspended before the grant agreement was fully executed, costs associated with the grant agreement will be disallowed. However, agencies and participants may continue covered agreements in existence at the time of the debarment or suspension. Such agreements will not be extended or renewed until after the debarment or suspension is ended.

Failure to comply with terms of a commonwealth agency contract or subcontract, such as willful failure to perform in accordance with the terms of one or more contracts or a history of failure to perform or unsatisfactory performance of one or more contracts, will lead to debarment or suspension from future awards.

Depreciation

[Uniform Guidance]

Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. The non-federal entity may be compensated for the use of its buildings, capital improvements, equipment, and software projects in accordance with GAAP provided that they are needed and used in the non-federal entity’s activities and are properly allocated to federal awards. Such compensation must be made by computing depreciation.

Depreciation and use allowances are means of allocating the cost of fixed assets (e.g. buildings and equipment) to the time periods benefitting from their use. The specifics regarding the calculations of these amounts can be found in the Uniform Guidance, including what may and may not be included. In general, they are based on the acquisition cost of the asset.

The computation of depreciation includes the total period of useful service of the asset. Use allowances are generally computed based on a percentage of the allowable acquisition cost, up to two percent (2%) annually for buildings and improvements and up to six and two-thirds percent annually for equipment. Depreciation can be used by a grant recipient or PA CareerLink® partner, for example, to recover a portion of their costs for the acquisition of a building through a capital lease, or for capital improvements or other

such costs that would not otherwise be allowable as a direct cost to the grant. Depreciation may also be used to recover a portion of the costs of equipment which was not authorized to be purchased outright under the grant.

Note: The grant can only be charged depreciation or a use allowance for the portion of the useful life of the asset that benefits and falls within the grant period, but not for the portion that extends beyond. When depreciation and use allowances are used, they must be supported by adequate property and financial records.

Example: The LWDB/fiscal agent approves the acquisition of a title I provider phone system and file server and incorporates a Buyout Provision in acquisition terms. The equipment has a useful life of six (6) years. The contract between the LWDB/fiscal agent and the title I provider runs for two (2) years. If the LWDB/fiscal agent doesn't renew the contract with the title I provider, the provider can purchase or buyout the equipment for the depreciated amount identified under year 3.

Item	Unit Cost	Units	Total Cost	BUYOUT PROVISIONS						
				YR1	YR2	YR3	YR4	YR5	YR6	YR7
				20%	20%	20%	20%	20%	20%	
Phone System	\$ 1,000.00	32	\$ 32,000.00	\$ 25,600.00	\$ 20,480.00	\$ 16,384.00	\$ 13,107.20	\$ 10,485.76	\$ 8,388.61	Donated
File Server	\$ 12,500.00	1	\$ 12,500.00	\$ 10,000.00	\$ 8,000.00	\$ 6,400.00	\$ 5,120.00	\$ 4,096.00	\$ 3,276.80	Donated
			\$ 44,500.00	\$ 35,600.00	\$ 28,480.00	\$ 22,784.00	\$ 18,227.20	\$ 14,581.76	\$ 11,665.41	

The grant can only be charged depreciation for the portion of the useful life of the asset that benefits and falls within the grant period.
 In the event that the grantee does not exercise its option to extend the grant, the subgrantee may buyout the equipment using the schedule above or return the equipment to the grantee. After the 6th year, the title to equipment will vest with the subgrantee.

Donations and Contributions

Contributions or donations rendered. Contributions or donations, including cash, property, and services are unallowable with WIOA funds.

Drug-Free Workplace

[29 CFR 98]

All entities must adhere to drug-free workplace requirements for costs to be allowable. This requirement must also be included in all local workforce development area subcontracts.

Duplicate and Overlapping Payments of Services

[WIOA Section 195(2)]

Funds provided under WIOA shall only be used for activities in addition to those which would otherwise be available in the area in the absence of such funds. Local boards shall establish coordination procedures and safeguards to ensure that WIOA funds are used in addition to funds otherwise available in the area and are coordinated with these funding sources.

Education Curricula

[WIOA Section 129(b)(4)]

No WIOA funds shall be used to develop or implement education curricula for school systems in the commonwealth.

Employee Health and Welfare Costs

[2 CFR 200.437]

This section eliminates the existing allowance for “morale” cost. Allowable health and welfare costs must be in accordance with the non-federal entity’s documented policies for the improvement of working conditions and must be used for employer-employee relations, employee health, and employee performance.

Such costs will be equitably apportioned to all activities of the non- federal entity. Income generated from any of these activities will be credited to the cost thereof unless such income has been irrevocably sent to employee welfare organizations.

Employment Generating Activities

[WIOA Section 181(e); 20 CFR 683.245]

No funds shall be used for employment generating activities, economic development activities, investment in revolving loan funds, capitalization of businesses, or investment in grant bidding resource centers or similar activities that are not directly related to training for eligible individuals. This does not preclude funds for normal employer outreach and job development activities which are allowable.

Entertainment Costs

[OMB Circular A-122]

Costs of entertainment, including amusement, diversion, social activities, and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

Failure to Participate in Training

No participant in a training program under WIOA shall receive payments for training activities in which he/she fails to participate without good cause. Good cause should be defined in local procurement policy and procedures.

Fees and Profits

WIOA allows the following:

- Fees-for-services when customized services to employers are offered (Section 134(e)(1));
- Fees to be charged sufficient to recover costs applicable to processing of requests for records requested by the public (Section 185(c)(4)(C)); and
- Services, facilities, or equipment to be used on a fee-for-service basis to provide employment and training activities to incumbent workers (Section 195(13)).

For sub-recipients only, the BWDA requires that grant negotiators consider several factors when establishing fair and reasonable profit or program income. These factors may include degree of risk, complexity of the task, past contractor performance, and local market conditions. Although there is no specified margin of profit under WIOA, BWDA recommends that the provision for profit or other increments above cost not exceed a maximum of ten percent (10%) of the total amount of the award. Excluding supplies, all for-profit contracts requiring written bids or sole source procurements also require local board approval. Adequate documentation must be maintained to support earned profit. *[2 CFR 200.323, Contract cost and price]*

- Can a local board or a fiscal agent (Non-Profit 501(c)(3) acting on behalf of a local board and the chief elected officials enter into an agreement with a service provider (for-profit) that allows said service provider to budget for profit? Answer: Yes.

- Can a local board or a fiscal agent (as a county) acting on behalf of a local board and the chief elected officials enter into an agreement with a service provider (for-profit) that allows said service provider to budget for profit? Answer: Yes.

Procurement transactions under WIOA between local boards and units of state or local governments shall be conducted only on a cost-reimbursable basis. [*WIOA Section 184(a)(3)(B)*]

Fees for Placement

[*WIOA Section 195(5)*]

No person or organization may charge an individual a fee for the placement or referral of such individual in or to a workforce investment activity under WIOA.

Fees from Participants

Local boards are prohibited from charging participants a fee for training or require any payments towards the cost of training. The only exception is a situation in which the cost of the training exceeds the local area's maximum training amount.

Example: If the local board has established a maximum ITA payment of \$8,000 per customer, but the customer is interested in a course costing \$9,000, the difference may be borne by the customer. However, given the same maximum ITA payment level, if the desired training was \$5,000, no part of the training cost should be required from the participant.

Fines and Penalties

Fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the grantee to comply with, laws, rules, and regulations are unallowable.

Fraud and Abuse

[*WIOA Section 117(c)(3)*]

Costs associated with any activity included under the definition of fraud or abuse are not permissible.

Note: The governor may decertify a local board for fraud or abuse at any time after providing notice and an opportunity for comment.

Fund Raising and Investment Management Costs

[*2 CFR 200.442*]

Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable.

Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are unallowable.

Fund raising and investment activities shall be allocated an appropriate share of indirect costs.

Note: The costs of certain activities are not allowable as charges to federal awards. However, even though these costs are unallowable for purposes of computing charges to federal awards, they nonetheless must be treated as direct costs for purposes of determining indirect cost rates and be allocated their share of the organization's indirect costs if they represent activities which:

- Include the salaries of personnel;

- Occupy space; and
- Benefit from the organization's indirect costs.

Goods or Services for Personal Use

[2 CFR 200.445]

Costs of goods or services for personal use of the organization's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

Idle Facilities and Idle Capacity

Idle facilities and idle capacity as used in this section have the meanings set forth below:

- “Facilities” means land and buildings or any portion thereof, equipment individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the grantee.
- “Idle facilities” means completely unused facilities that are excess to the grantee’s organization’s current needs.
- “Idle capacity” means the unused capacity of partially used facilities. It is the difference between (a) that which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays; and (b) the extent to which the facility was actually used to meet demands during the accounting period. A multi-shift basis should be used to meet demands during the account period. A multi-shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved.
- “Cost of idle facilities or idle capacity” means cost such as maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, property taxes, and deprivation or use allowances.

The costs of idle facilities are unallowable except to the extent that:

- They are necessary to meet fluctuations in workload; or
- Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subparagraph, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.

The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary or was originally reasonable and is not subject to reduction or elimination by use on other federal awards, subletting, renting, or sale in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.

Incentive Payments

Programs are prohibited from paying cash incentives to participants if receipt of cash would adversely affect participants’ eligibility for other programs or services.

Incumbent Worker Wages

[WIOA Section 181(b)(1); 20 CFR 683.250(a)(1)]

Incumbent Worker wages during participation in economic development activities provided through a statewide workforce development system are prohibited.

Interest Costs

Interest costs associated with capital leases and other lease-purchase arrangements are allowable so long as they are reasonable and allocable to the grant pursuant to the specific criteria identified in applicable cost principles. Lease-purchase arrangements for real property, however, are unallowable under WIOA programs. Permissible lease costs of real property are limited to operating leases, not capital leases. The cost principles now require capital expenditures be expensed in the period in which it is acquired. This may impact the allowability of interest charges.

Lease-Purchase Agreements

[USDOL One-Stop Comprehensive Financial Management TAG, Chapter II-4]

Lease-purchase agreements are allowable costs as long as the cost is equal to or less expensive than rental.

Legal Expenses

[OMB Uniform Guidance]

Legal expenses for prosecutions of claims against the federal government are unallowable. Legal expenses required in the administration of federal programs are allowable. The circular makes legal and related costs unallowable for either defending against claims made by the federal government or prosecuting claims against the government. As such, once a final management decision letter is issued by the agency (for example, a disallowance letter), all legal and related costs are unallowable from that point forward. Therefore, expenses incurred in the establishment and maintenance of a grievance system, including costs of hearing and appeals, which are not directly related to the provision of services to participants or otherwise allocable to the program cost objectives/categories may be unallowable. Settlement costs are allowable to the extent that such costs included in the settlement would have been allowable if charged to a WIOA program at the time they were incurred. Costs include, but are not limited to, administrative and clerical expenses; the cost of legal services, whether performed by in-house or private counsel; the costs of the services of accountants, consultants, or others retained by the organization for assistance; and costs of employees, officers and trustees, and any similar costs incurred before, during, and after commencement of a judicial or administrative proceeding that bears a direct relationship to the proceedings.

Lobby

[OMB Uniform Guidance]

No funds provided under WIOA may be used in any way to attempt to influence in any manner a member of Congress or state or local legislators to favor or oppose any legislation or appropriation by such Congress or state or local legislators.

Local Board Member Compensation

Local board members are recruited to serve as volunteers to support workforce development in their local community. It would be contrary to the intent and spirit of the law to provide financial remuneration for their services. Therefore, this would be considered an unallowable cost. However, members shall be entitled to receive an allowance for expenses incurred in the performance of duties.

Maintenance of Effort

[WIOA Section 181(b)(3); 20 CFR 683.270]

No participant shall be employed or job opening filled when any other individual is on layoff from the same or substantially equivalent job, when the employer has terminated the employment of any regular employee or otherwise reduced its work force with the intention of filling the vacancy so created by hiring a participant whose wages are subsidized under WIOA.

- Displacement of employed workers (WIOA Section 181(b)(2)(A)). No currently employed worker shall be displaced by any participant, including partial displacement, such as by a reduction in the hours of non-overtime work, wages, or employment benefits.
- Infringement on a promotional line (WIOA Section 181(b)(3)). Costs associated with a job created in a promotional line that infringes in any way upon the promotional opportunities of currently employed individuals are unallowable.

Memberships, Subscriptions, and Professional Activity Costs

- Costs of the non-profit organization's membership in business, technical, and professional organizations are allowable.
- Costs of the non-profit organization's subscriptions to business, professional and technical periodicals are allowable.
- Costs of membership in any civic, community, or social organization are allowable as a direct cost with prior approval by the federal cognizant agency.
- Costs of membership in any country club, social club or organization, dining club or organization, or discount club are unallowable.
- Cost Principles for State, Local, and Indian Tribal Governments [OMB Circular A-87]

Misuse of Funds

[WIOA Section 117(d)(3)(B)(i)(I)]

Misuse of funds shall not be permitted. Local boards and grantees shall not permit their sub-recipients to abuse the requirements set forth in WIOA, the regulations, and/or the directives issued by the governor.

- The chief elected official in a LWDA shall serve as the LWDA grant recipient and shall be liable for any misuse of the grant funds unless the chief elected official reaches an agreement with the governor for the governor to act as the local grant recipient and bear such liability.
- In local workforce development areas with more than one unit of general local government, the chief elected officials must execute a written agreement that specifies the respective roles and liability of each individual chief elected official as a representative of his/her jurisdiction.

Nepotism

[20 CFR 683.200(g)]

Costs associated with any activity defined as nepotism are unallowable. No local board may hire a person in an administrative capacity or staff position funded under WIOA if a member of that person's immediate family is also employed in a decision-making capacity for the local board from which that local board obtains its funds. To the extent that an applicable state or local legal requirement regarding nepotism is more restrictive than this provision, such state or local requirement shall be followed.

Occupations Not In Demand

[WIOA Section 134(d)(4)(G)(iii); 20 CFR 681.460, 681.540, 682.200(f), 683.210, 683.340]

For WIOA Adult and Dislocated Worker funds, ITA training funds under WIOA shall not be spent to train individuals in occupations that are not in demand in the area served or in another area to which the participant is willing to relocate. Youth training funds shall not be spent to train individuals in occupations that are not in demand.

On-the-Job Training (OJT)

[WIOA Section 195(4)]

Contracts shall not be entered into with employers who have exhibited a pattern of failing to provide On-the-Job participants with continued long-term regular employment.

Payments and Working Conditions

[WIOA Sections 181(a)(1) and 181(b)(4&5); 20 CFR 683.275, 683.280 and 683.290]

To be allowable, costs associated with the payment of wages and working conditions of both staff and participants must comply with applicable federal and state requirements. Such requirements include, but are not limited to:

- The Fair Labor Standards Act;
- The Davis-Bacon Act;
- The Occupational Safety and Health Act of 1970;
- Federal and State Child Labor Laws; and
- Workers' Compensation Laws.

Political Activities

[WIOA Section 195(6)]

The Commonwealth of Pennsylvania shall not provide financial assistance for any program operated under WIOA that involves political activities.

- No participant may engage in partisan or nonpartisan political activities during hours for which the participant is paid with WIOA funds;
- No participant may, at any time, engage in partisan or nonpartisan political activities in which such participant represents himself/herself as a spokesperson of WIOA program;
- Local boards shall develop reasonable safeguards to ensure that participants placed in any position do not involve political activities; and
- All local board who are state or local government employees are required to comply with the appropriate provisions of Sections 1501-1508 of Title V of the U.S.C. regarding Political Activity (formerly the Hatch Act).

Pre-Award Costs (Pre-Agreement Costs)

[OMB Circulars A-21, A-87, A-122]

Pre-award costs are those costs incurred prior to the effective date of the award directly pursuant to the negotiation and in anticipation of the award where such costs are necessary to comply with the proposed delivery schedule or period of performance. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with the written approval of the awarding agency.

Prior Approval Requests

[Uniform Guidance and Part 2900 at section 2900.3]

In addition to the guidance set forth in 2 CFR 200.308(c) for federal awards from the Department of Labor, the non-federal entity must request prior approval actions at least 30 days prior to the effective date of the requested action.

Public Service Employment

[WIOA Section 195(10); 20 CFR 683.250]

No funds made available under this Act may be used for public service employment except to provide disaster relief employment.

Questioned Cost

[Uniform Guidance and Part 2900 at section 2900.3]

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:

- Which resulted from a violation or possible violation of a statute, a regulation, or the terms and conditions of a federal award, including funds used to match federal funds;
- Where the costs, at the time of the audit, are not supported by adequate documentation; or
- Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

Real Property

[20 CFR 683.235]

Acquisition of real property is unallowable without prior approval of BWDA.

Note: If federal funds were used to purchase the property, guidelines can be found in OMB Circulars A-21, A-87, and A-122 for use allowance and depreciation. No depreciation or use charge may be allowed on any assets that have been fully depreciated except in unusual circumstances and with prior approval of the cognizant federal agency.

Relocating Establishments

[WIOA Sections 181(d)(1) and 181(d)(2); 20 CFR 683.260]

No funds may be used, or proposed for use, to encourage or induce the relocation of an establishment, or parts thereof, that results in a loss of employment for any employee of such establishment at the original location and such original location is within the U.S.

If the relocation of such establishment, or part thereof, results in a loss of employment for any employee of such establishment at the original location and such original location is within the U.S., no funds provided under WIOA shall be used for customized or skill training, on-the-job training, or company-specific assessments of job applicants or employees for any establishment or part thereof that has relocated until 120 days after the date on which such establishment commences operations at the new location.

Sectarian Activities

[WIOA Section 188(a)(3); 20 CFR 683.255 and 683.285]

No funds under WIOA may be used to support any religious or anti-religious activity. In addition, costs associated with the employment or training of participants in the construction, operation, or maintenance

of any facility used or to be used for sectarian instruction, or as a place for religious worship are unallowable. The exception to this would be with respect to the maintenance of a facility that is not primarily or inherently devoted to sectarian instruction or religious worship in a case in which the organization operating the facility is part of a program or activity providing services to participants.

Start-Up Costs

Costs associated with the start-up of businesses are not considered allowable under the provisions of Section 181 (e) of WIOA. Start-up costs associated with entrepreneur training would also fall under this prohibition. This prohibition would also apply to the start-up costs of an agency that would provide services to WIOA clients. However, the purchase of equipment (with appropriate prior approval) will continue to be an allowable cost. Additional examples of unallowable activities are contained in WIOA and other program regulations.

Student Activity Costs

Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable unless specifically provided for in the federal award. In the Department of Labor, the provisions of 2 CFR 200.469 applies unless the activities meet a program requirement and have prior written approval from the federal awarding agency.

Sub-Grants

[WIOA Section 184]

Sub-grants with individuals (consultants), agencies, and organizations are an allowable cost/activity only when WIOA (and other federal) guidelines, Department policies as detailed in the Strategic Plan, and local policies on such sub-grants are met.

Trail Costs

[29 CFR 95]

Trail costs are costs incurred after a grant period has ended. USDOL concluded that funds may only be used for costs incurred during the grant funding period. Therefore, funds may not be allocated for any costs that may occur following the termination of the grant period.

USDOL guidance specifically states that all costs charged to federal grants must be allowable costs. In general, allowable costs are costs that are:

- Directly related to and necessary to carry out the approved activities,
- Reasonable,
- Allocable to sponsored agreements under the principles and methods provided in OMB Circulars; and
- Not specifically disallowed by the state or local laws or regulations. Accordingly, funds may not be expended after the grant expires.

A cost item received following the termination of the award period does not benefit the project even if the costs were legitimate at the time they were incurred. The cost principle does not allow for reserve or contingency provisions for future expenditures.

Organizations facing this issue may desire to adjust the employee's workers' compensation rates by splitting the workers' compensation pools and paying separate rates for professional staff versus participant employee staff. This may preclude or mitigate trail costs.

Union Organizing

[WIOA Section 181(b)(7)]

No funds under WIOA shall be used to assist, promote, or deter union organizing.

Use Allowance

[Uniform Guidance, 25 CFR 276, Appendix A, Part II]

Grantees may be compensated for the use of their own buildings, capital improvements, and equipment through *use allowances* or *depreciation*. However, a combination of the two methods may not be used in connection with a single class of fixed assets. *Use allowances* are the means of providing compensation in lieu of *depreciation* or other equivalent costs. Compensation for the use of buildings, other capital improvements, and equipment on hand may be made through *use allowances* only if the original purchase was not made with federal funds.

COST ALLOCATION GUIDELINES

Based on the cost principles established in the OMB Uniform Guidance, grantees support the indirect costs that they incurred by submitting an Indirect Cost Rate (ICR) proposal or a Cost Allocation Plan (CAP) to their federal cognizant agency. (Cost Allocation Plans will be discussed later in this chapter.) The proposals should be submitted no later than six months after the end of the entity's fiscal year. If USDOL provides the preponderance of funds to the organization, USDOL would normally be cognizant. The Division of Cost Determination is responsible for the review and approval of the proposals submitted to USDOL.

The cognizant agency is responsible for negotiating the indirect cost rate and for issuing the appropriate Negotiation Agreement. Unless specifically assigned by OMB, the federal agency with the preponderance of direct funding is normally the cognizant agency. However, BWDA must either:

- Accept the approved, federally-recognized, indirect cost rate negotiated between the sub-recipient and the federal government, or
- Negotiate an indirect cost rate with the sub-recipient, or
- Provide a de minimis 10% indirect cost rate.

Similarly, fiscal agents must be reviewing, negotiating, and approving sub-recipient cost allocation and/or indirect cost (rate) plans.

Types of Indirect Cost Rate Proposals (ICRPs)

- Predetermined rates. Rates established for the current or multiple future periods based on current costs (usually costs from the most recently ended fiscal year, known as the base period).
- Fixed rates with carry-forward provisions. Rates based on current costs in the same manner as predetermined rates. However, the difference between the base period indirect costs and the actual indirect cost recovery are carried forward as an adjustment to the rate computation for the subsequent period.

Note: A fixed-rate with carry-forward agreement cannot be extended as discussed under section 200.414 of the Uniform Guidance. If a non-federal entity with a fixed-rate with carry-forward agreement would like to take advantage of the flexibilities under the Uniform Guidance, it would need to first negotiate a final or predetermined rate, which could then be extended, subject to the approval of the cognizant agency.

Unrecovered indirect cost means the difference between the amount charged to the federal award and the amount which could have been charged to the federal award under the non-federal entity's approved negotiated indirect cost rate.

Prime grantees must negotiate allowable, allocable, and reasonable indirect costs with sub recipients. All grantees must submit a CAP to BWDA for review and acceptability:

- When changes to the allocation methodology have been made,
- When requested by BWDA personnel,
- Prior to the execution of a new Workforce Development Grant Agreement, and
- When the grantee seeks approval of an indirect cost rate.

This section is intended to provide general guidance on cost allocation principles, methods of allocating costs, usage of cost pools, development of CAPs, and allocation of personnel services costs to ensure that federally (specifically WIOA) funded costs are properly and equitably distributed to the benefiting cost objectives.

This section also addresses the cost allocation requirements for programs. Cost allocation as it relates to the shared costs of PA CareerLink® operations and the development of Memoranda of Understanding (MOUs) and Resource Sharing Agreements (RSAs) is discussed in Chapter 7.

Allocability is one of the basic cost principles used in determining whether costs are allowable to WIOA-funded programs. Allocability is a measure of the extent to which a cost benefits the ETA grant program in general and its cost objectives in particular. To the extent that a cost does not benefit the program, the cost cannot be charged to the federal grant.

Elements of Cost and their Allocability

Organizations are required to follow the cost principles contained in the OMB Uniform Guidance. The cost principles include guidance on distinguishing between direct and indirect costs. Beyond the general guidance provided in the cost principles, there is no universal rule for classifying certain costs as either direct or indirect under every accounting system. Costs are normally classified as direct or indirect based on their relationship to a particular cost objective. Generally, a direct cost can be traced to a particular cost objective whereas an indirect cost is incurred for multiple cost objectives and is charged to an intermediate cost objective pending allocation. A cost may be direct with respect to some specific service or function but indirect with respect to the grant or ultimate cost objective.

This guide groups costs into three categories for purposes of discussing cost allocation and cost pooling. A brief description of each of these categories follows.

- **Direct Costs.** Direct costs may be specifically identified with and assigned to a final cost objective such as a cost category. Direct costs are charged directly to a final cost objective such as a cost category or grant and do not require any further allocation or breakdown by funding source or cost category.

Example: The salary cost of a staff person performing case management duties only for WIOA Title IB Adult participants is directly assignable to the program cost category under the Adult formula grant. It is fully chargeable to WIOA Title IB Adult programs because the case manager is serving adult participants only.

Example: The staff person in the above example performed case management duties for both National Dislocated Worker Grant (NDWG) participants and WIOA Adult participants and documented the

hours spent on each program on a time sheet. The salary costs would be a direct cost to both NDWG and to the WIOA title IB Adult based on the documented timesheet hours.

Salaries of administrative and clerical staff can be treated as a direct cost if all of the following conditions are met:

- Administrative or clerical services are integral to a project or activity;
 - Individuals involved can be specifically identified with the project or activity;
 - Such cost are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
 - The costs are not also covered as indirect cost.
- **Shared Costs.** Shared costs are costs that cannot be readily assigned to a final cost objective but which are directly charged to an intermediate cost objective or cost pool and subsequently allocated to final cost objectives. These costs are incurred for a common or joint purpose benefiting more than one cost objective. These costs are similar to the general indirect costs in that it is easier to assign or allocate them based on some measure of benefit received than to assign them directly to final cost objectives.

Example: Three (3) staff members provide case management services to participants in the WIOA program without regard to whether the participants are Adult or Dislocated Worker participants, and it is difficult to identify time spent by participant. The case manager's costs are directly assigned to the program cost category but are not readily assignable by type of participant. The case manager's costs could be directly charged to a cost pool established to accumulate such costs and later distributed to the appropriate grant using an appropriate allocation method, such as the relative number of participants enrolled.

- **Indirect Costs.** These costs may originate in the recipient's or sub-recipient's own organization or in other departments that supply goods, services, or facilities to the WIOA funded program. Most often, however, general indirect costs are costs that are incurred to support the overall operation of the organization and for which a direct relationship to a particular WIOA-funded program cannot be shown without effort disproportionate to the results achieved. Indirect costs are charged back to the program using an indirect cost plan (or a CAP) or rate.

Example: The grantee is a department within the city, and the city treasurer processes payroll for payment. Staff in the treasurer's office cannot readily identify the time and other costs associated with processing the grant program's payroll. Rather, the city's approved indirect cost plan is used to charge each federally-funded program its proportionate share of the processing costs at least quarterly using transaction counts as the basis for allocation.

Treatment of Costs

- **Intermediate and Final Cost Objectives.** A cost objective is an activity for which separate cost measurement is performed. A further distinction is made between intermediate and final cost objectives. An intermediate cost objective can be a cost pool, center, or area established for the accumulation of costs assigned to such dissimilar categories as organizational units, functions, objects, or items of expense.

Final cost objectives include specific funding sources, cost categories, grants, program activities, projects, contracts, and/or other activities. The final cost objectives discussed here are limited to the WIOA funded grants and the cost categories/activities as identified in the regulations for each

program. These are the minimum number of final cost objectives that WIOA funded entities must establish to meet the federal reporting requirements.

Department-funded entities may choose or be required to establish additional, final cost objectives for internal reporting or other non-federal purposes, such as reporting costs by individual participant/program activities or by contract budget line items. The basic guidelines on cost allocation apply to these additional cost objectives as well.

- **Measuring Benefit.** Measuring benefit is the critical requirement and central task to be performed in allocating costs. Throughout this chapter, the requirement is stressed that costs are allocable to a particular cost objective to the extent of benefits received by that cost objective. Likewise, costs that do not benefit a particular cost objective are not allocable to and cannot be charged to that cost objective.

For a direct cost to be assignable in its entirety to a particular cost objective, the cost objective must receive the full benefit from the goods, services, activities, or effort that make up that cost. In this instance, measuring benefit entails no more than identifying the full cost of the activity and assigning it to the correct cost objective.

Very often, however, a cost benefits more than one cost objective so that any single cost objective receives only partial benefit from the cost incurred. Thus, the relative benefit received by each cost objective must be measured.

Example: A nonprofit organization charges costs of the director to an administrative pool. Part of the director's duties is fund raising, which is an unallowable cost under the cost principles of 2 CFR Part 230, Appendix B. That portion of the director's salary attributable to fund-raising activities would have to be excluded from the pool prior to allocation to the program. In this example, the pool would need to be allocated twice (in total to all non-federal fund sources and as modified to federal fund sources) and care taken that all funding sources receive their fair share of the pooled costs. The fund-raising costs would also need to bear a portion of the indirect costs as applicable.

When the federal grant does not use or derives no benefit from the cost of an activity, service, product, or effort, then the associated cost cannot be charged to the grant. A cost must benefit (be allocable to) a grant to be an allowable cost.

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

Example: A director has administrative responsibility for a WIOA-funded youth program and non-ETA-funded programs and also spends four (4) hours a week teaching a class to youth participants on work skills. For the 36 hours of general administrative time, it would not meet the standard of consistent treatment to simultaneously charge a portion of the director's time as a direct cost to WIOA and as an indirect cost to the non-ETA funded program since the same type of cost (the administrative cost of the director) should be treated the same in both programs. However, the four (4) hours of teaching

time can be charged directly to WIOA regardless of how the administrative costs were charged since the training costs were not incurred for the same purpose as the administrative costs.

Any cost allocable to a particular grant or other cost objective under these principles may not be shifted to other federal grants to overcome funding deficiencies, to avoid restrictions imposed by law or grant agreement, or for other reasons. [2 CFR Part 225]

Cost Pools

Many types of cost pools are acceptable if established and managed properly in the entity's accounting system. Examples include:

- Indirect cost pools;
- Intake cost pools;
- Administrative cost pools;
- Supplies expense pools; and
- Other combinations of costs that are similar in nature and are shared among several cost objectives.

Note: Cost Pools that allocate programmatic personnel costs for local board and fiscal agent staff that are not based on substantiated direct time charges are **prohibited** unless a time study analysis is conducted on at least a quarterly basis to ensure the allocation methodology distributes costs consistently, fairly, and equitably.

Consider the following when developing cost pools:

- **Written Cost Allocation Plan.** The cost pool must be described and documented in a written CAP that is used in allocating all allocable costs within each program to the appropriate program activity and cost category.
- **Combined Administrative Costs.** Shared administrative costs can be combined with any general indirect administrative costs and allocated using an appropriate allocation methodology or base.
- **Personnel Services.** Personnel services costs (salary and fringe benefits) of internal staff that spend a portion of their time in administrative and a portion of their time in allowable participant services functions can be individually distributed among the respective cost categories using staff time records or other verifiable means. A supporting time record that prorates the time between two or more functions is recommended. Time records must include hours spent on each cost objective. A position description alone is insufficient documentation.
- **Non-personnel Services.** Non-personnel service costs (costs such as supplies associated with staff usage) that benefit more than one cost objective can be allocated to more than one cost objective. Such allocations must be based on an appropriate allocation methodology.

Caution: Costs that may be pooled are limited to shared and indirect costs. Non-shared direct costs should not be pooled but rather should be directly charged to the benefiting cost objective. Only actual, not budgeted, costs may be pooled and distributed to the various funding titles. Costs incurred based on an indirect cost rate may be included in the appropriate administrative cost pools for allocation.

The allocation of cost pools based on benefits received should not be burdensome once the methodology is developed. Where a cost pool is used, the expenditures must be distributed among the various funding

sources for reporting purposes. The method of allocation should be consistent with the guidelines addressed in other sections of this guide.

Many Types of Pools

- **Administrative Cost Pools.** One of the benefits of an administrative cost pool is that, very often, administrative costs benefit multiple programs, and the effort of directly classifying portions of a cost to a number of programs is onerous. However, care should be taken that the allocation methodology chosen fairly distributes the costs to all affected funding sources. The allocation of administrative costs or any other pooled costs based on fund availability or percentage of funding source administrative dollars (contribution method) is not allowable. The allocation of pooled administrative costs based on each program's share of direct costs is the best method. The agency auditor should be contacted for technical assistance and concurrence on any methodology developed.

WIOA allows for formula administrative funds to be expended at the state and local levels without regard to the funding stream and costs to be reported without regard to the actual proportion of benefit received by the funding stream. For the purposes of cost classification, an administrative cost pool may be useful. For formula administrative funds only, ETA requires the grantee to assign a portion of the administrative costs incurred back to the various funding streams for reporting purposes on the Financial Status Report. There is no need to prepare a justification of the allocation methodology based on benefit unless they pool administrative costs for allocation to more than one federal program.

- **Other Cost Pools.** Cost pools other than administrative can be established for any types of common costs when it is practical or necessary to pool such costs. The following example illustrates when cost pools could be established for other than administrative costs.

Example: A local area grantee has frontline intake staff members who conduct the initial intake for the ETA and other programs. An intake manager is responsible for overseeing and managing the client flow process, supervising the intake workers, and reporting to the deputy director.

All costs are unassignable, initially pooled, and charged temporarily to an intake related cost pool account. These costs include the salary and fringe benefits of the line staff and the intake manager, materials, phones, and other related costs required to carry out the intake function. Then, based on an approved formula that distributes costs based on benefits received by each program (such as the number of eligibility determinations completed for each program or the number of persons enrolled during the period), the costs are charged back to the appropriate programs.

Cost Pool Management

Cost pools reduce some of the burden of tracking expenditures because they are vehicles for temporarily accumulating unassignable direct and indirect costs that later will be allocated to a particular program. As costs accrue, a formula based on the benefits received by each program dictates how these costs will be distributed and reported by program title/subtitle or cost category. This eliminates the necessity of attempting to assign all expenditures and staff time by grant or title at the time it is incurred.

Allocating Personnel Service Costs

Amounts charged to ETA-funded programs for personnel services, regardless of whether treated as direct or indirect costs, must be based on payrolls documented and approved in accordance with the established

practice of the employing entity. Payrolls must be supported by time and attendance or equivalent records for individual employees.

In general, time distribution records or other verifiable means will be used to document how personnel services costs are charged to cost objectives. Time sheets and/or time and attendance records alone, however, do not necessarily satisfy the time distribution requirements. OMB circulars require that personnel compensation costs be supported by a time distribution system that includes personnel activity reports or periodic certifications. The method used to charge these costs to cost objectives, and the documentation needed to support the allocation of the costs will vary by type of cost and how that cost is treated in the accounting system.

- **Daily Time Distribution Records.** A time distribution system is a formal method for accumulating labor costs associated with specific programs. Time distribution can be documented in a variety of ways. The most commonly accepted method is to record actual time spent on each cost objective during each working day (a personal activity report timesheet). Other methods are discussed below. The most appropriate method to use will depend on the circumstances in each case.
- **Direct Costs.** When the personnel services cost of an individual or group of individuals is chargeable in full to a single cost objective, it is not necessary to maintain a daily time distribution record for that staff person. Other documentation should be available to support the claim that the person's activities and costs do not need to be allocated to more than one cost objective. Other documentation could include negative time distribution reporting, approved and written office policies and procedures, or other written forms of task assignment.

Note: 2 CFR Part 225 requires a periodic certification (at least semi-annually) that the employee worked solely on the grant being charged. A job description will not suffice for the required certification.

Example: The agency director's time is spent entirely on administrative activities and can be charged as a direct cost to the Administrative Cost category without daily time distribution records. The job description is a likely form of documentation in this instance, supplemented by the periodic certification required by 2 CFR Part 225 or the personnel activity reports required by 2 CFR Part 230. However, the allocation of the administrative cost across programs would have to be documented in a separate manner.

- **Shared Costs.** Salaries and wages of many employees are chargeable to more than one grant or cost category. Daily time distribution records or some acceptable method of time sampling, as discussed below, are the most common forms of documentation used in this situation. The method used must accurately reflect the actual time spent on each activity by each employee. Budget estimates or other distributions determined before the services are performed cannot be used to support charges to an ETA-funded program.

For staff members who maintain daily time distribution records, there are periods during the day or within the pay period when it is difficult to associate time worked with a specific cost objective. This is the case when a person is attending a general staff meeting or is on sick or vacation leave. In these instances, the recommended method of allocation is the use of direct hours charged to each cost objective as the basis for allocating the other time that is spent on general activities provided there are a sufficient number of direct hours to establish an adequate base.

Example: During the 80-hour, two-week pay period, a staff person worked 40 hours on administrative activities, 25 hours on program activities, and took 15 hours of leave. The 15 hours of leave are shown on the chart as general hours and can be allocated among the cost categories as follows:

	Admin	Program	General	Total
Hours Charged	40	25	15	80
Hours Worked	40	25	0	65
% of Total Hours Worked	62%	38%	0%	-
Share of General Hours	9	6	-	-
Total Hours Allocated	49	31		80

- **Non-personnel Services Costs.** Non-personnel services costs, when directly associated with time worked by the recipient’s or sub-recipient’s staff, may also be allocated to the benefiting cost objectives based on documented distributions of actual time worked. These costs could include space costs, utilities, building maintenance, supplies, and other such costs correlated with staff usage. To use time distribution as the basis for allocation of non-personnel services cost, time worked must be an equitable measure of the benefit derived from non-personnel services costs.

Example: Desktop supplies are stored centrally and used by all staff in performing their jobs. It is reasonable to conclude that the supplies are used in the same manner and for the same purpose as the time spent by staff while using the supplies. It is acceptable to use time distribution as the basis for allocating the cost of desktop supplies to various cost categories.

- **Other Methods of Directly Charging Time.** This section discusses two methods of directly charging time as possible alternatives to continuous time distribution. They fall into the general categories of time sampling systems and non-time-based measures. The Cost Principles at 2 CFR Part 225 and Part 230 require federal cognizant agency approval of any time distribution system that does not rely on daily time distribution records (usually a personal activity report timesheet). If an organization does not have a federal cognizant agency, it must carefully document the method used to charge time and how that method complies with the requirements found in the circulars; local boards must seek BWDA approval in this situation.
- **Time Sampling Systems:**
 - Random Time Sampling;
 - Systematic Work Sampling;
 - Stratified Work Sampling;
 - Worker Self-Recorded Work Sampling; and
 - Work Measurement Time-Log Systems.

Additional guidance on standards for time sampling systems is provided in 2 CFR Part 225, which contains the federal cost principles for governmental organizations. The standard critical to each time sampling system discussed in this policy is that the sampling method used must be statistically valid.

- **Measures of Effort Other Than Time.** In some limited situations and for certain types of staff work, the cost of staff time can be allocated on a basis other than time distribution. This is most often done when some quantitative measure, such as units of work performed, direct expenditures, or participants served, provides an equitable basis for allocating staff time and related costs. The

methods (such as transaction counts or units of work) used to allocate costs must be documented and maintained to support the basis of the allocation.

A common example is when personnel services costs are combined with other costs from the same cost category into a larger pool of costs, which is then allocated to final cost objectives based on direct expenditures or a basis other than time. This approach is often used for administrative cost pools.

Another application is when staff time and related costs associated with processing vouchers for payment are allocated based on a transaction count.

Allocation Bases

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

Many different types of bases can be used in allocating costs. The most appropriate base will vary with the circumstances prevailing in each instance. An organization is likely to use several different bases for allocating different types of costs. Acceptable methods for distributing pooled costs may vary by type of organization, functional units or levels within an organization, types of cost to be allocated and cost category. The basis used to allocate a particular type of cost should be used consistently over time and be described in the CAP.

- **Acceptable Allocation Bases.** An allocation base is acceptable if it represents a fair measure of cost generation or cost benefit, and if it results in an equitable distribution of the costs of services rendered or goods provided. Each base should be considered on its own merits as to the purpose for using it and the degree of equity it will achieve in allocating joint costs. In selecting a method, the additional effort and expense required to achieve a greater degree of accuracy should be considered.

General criteria that should be used in selecting an allocation base include the following:

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

Example: It is appropriate to allocate pooled intake costs based on the proportionate number of eligible applicants per program since there is a direct relationship between incurring intake costs and determining eligibility. It also is appropriate to use the number of new enrollments by program as the basis for allocating intake costs when enrollments provide an equitable measure of effort since the benefit of intake is the eventual enrollment of participants into the programs.

- **General Acceptability.** The base should be generally accepted and in conformance with GAAP. For example, it should be consistently applied over time. The base should also be drawn from the same period during which the costs to be allocated have been incurred.

Example: It is not appropriate to change the base for allocating pooled administrative costs from quarter to quarter, such as using direct program expenditures in the first quarter, number of participants served in the second quarter, and time distribution in the third quarter. It is also not appropriate to use last year's participant data as the basis for allocating this year's expenditures.

- **Represents Actual Cost or Effort Expended.** The base should be a measure of actual cost or actual effort expended. It should not be based solely on a plan, budget, job description, or other estimates of planned activity.

Example: Pooled administrative costs may not be allocated to grants or sub-grants on the basis of the proportionate amount of funds available from each funding source. It is not appropriate to use the relative amount of funds required to be spent as the basis for allocating this pool of costs since budgets are not a measure of actual activity or effort.

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

Example: If an organization uses lower-tier, sub-recipient expenditure or participant data as the base for allocating some of its organization-wide costs, it risks having the data used for allocation skewed by a poorly performing sub-recipient. The organization also becomes dependent on timely reporting by its sub-recipients to allocate some of its own costs. It would be better for the organization to use a base that is within the direct control of the organization's management.

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

Example: It is not appropriate to allocate costs using a basis that does not include all benefiting funding received during the year. If an organization operates a state-funded summer work experience program, then the basis for allocating case management costs would need to reflect changes in the mix of activities during the summer period, or the distribution of costs may not be equitable.

- **Materiality of Costs Involved.** The time and expense spent in developing the base should not be greater than justified by the materiality of the costs to be allocated. In other words, the grantee should not spend more on obtaining the information needed to allocate pooled costs than the dollars in the pool warrant. The base should be sufficiently detailed to provide the most equitable and accurate allocation possible. At the same time, the base should be simple enough to be efficient while still attaining a fair distribution of costs.

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

- **What Is the Best Base?** There is no single answer to that question. The answer varies by type of organization, levels within an organization, organizational structure, method of program delivery, accounting and participant reporting systems, types of costs included in the pool, and availability of other types of data to use as a base. The general guidelines presented here can be used to help with decision-making.

When choosing among available bases, a base should be chosen that is more directly related to, and the better measure of, the costs being allocated and the benefits being received.

- **Unacceptable Allocation Bases.** In general, unacceptable allocation bases are those that do not meet the general guidelines discussed above. Unacceptable bases are those that:
 - Distort the final results;
 - Do not represent actual effort or actual expenditures;
 - Are not used consistently over time and with variations in funding; and
 - Do not have an integral relationship to the types of costs being allocated.

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

- Relative funds available to allocate unassigned direct costs;
- Job descriptions to allocate staff costs;
- Fixed or predetermined number of staff hours assigned to an activity to allocate staff costs;
- Planned participant levels to allocate participant-related costs; and
- Results from prior periods to allocate current period costs.

Bases developed from plans, budgets, or estimates usually cannot stand on their own as valid measures of benefit. They can be used only in very limited situations, such as when the results can be corroborated by or later adjusted for the results obtained by using an acceptable base. This requires that the base be verified as able to produce an equitable distribution of costs.

Example: A work experience program is jointly funded by the state and the WIOA Title IB Youth program. Each funding source plans to provide 10 participants. Start-up costs are incurred and billed to the funding sources before all participants are enrolled. It is appropriate to use planned activity levels as the basis for allocating these costs since full enrollment by both funding sources is expected. However, any deviation from the plan must later be adjusted using actual enrollment data.

- **Common Errors.** A common error in choosing a base is to use a plan, budget, or other estimate of future effort or cost. In most circumstances, this type of base is not acceptable because it does not measure actual activity, effort, or cost, and too often, later adjustments based on actual data are not made. In most instances, the most reliable measure of the amount of the cost incurred, the effort expended, and the benefit received can occur only when the activity is actually performed. Some grantees estimate (in their position descriptions, organizational charts, or other documents) the percentage of time their director or other staff members will be involved in the various ETA funded programs. This estimate is useful for planning purposes but must eventually be supported by documentation of actual involvement in each program. Costs charged to the program based on the estimates will need to be adjusted to reflect actual time spent on ETA funded activities. It is also common for grantees to determine the percentage of time their staffs will be involved in the various programs. Occasionally, this determination results in a pre-assigned number of hours available for ETA-funded activities. Staffs are instructed to charge ETA and other programs according to the established hours. Again, this predetermination is useful for budget purposes; however, any costs charged to the ETA-funded program must be adjusted as necessary to reflect actual time spent on benefiting program activities.

We repeat the standard caution that a particular basis may work in some circumstances and not in others, and that the ultimate test of appropriateness is whether the basis used results in an equitable distribution of costs that reflects the level of effort or benefit received by the various cost objectives.

Cost Allocation Plans (CAPs)

A CAP is a document that identifies allowable indirect and direct shared costs and is used to accumulate and distribute such costs. The CAP also identifies the allocation methods used for distributing the costs. A plan for allocating joint costs is required to support the distribution of those costs to the grant program. All costs included in the plan must be supported by formal accounting records to substantiate the propriety of the eventual charges.

- **Types of Cost Allocation Plans.** A distinction is made between two types of CAPs. One type of plan is needed to allocate organization-wide and central services costs to individual departments within the organization (indirect cost plan), and the other type of plan is needed to allocate costs within a department to grants and other final cost objectives.
 - **Indirect Cost Plan.** The indirect cost plan identifies and distributes the costs of services provided by support organizations (such as personnel, treasury, security, and legal) to departments or units administering federal grants or contracts. At the state level, it is referred to as the State-Wide Cost Allocation Plan (SWCAP). Indirect cost/central service CAPs may be approved by a cognizant federal agency. Similar types of indirect CAPs for central services are also common to local units of government and to larger non-profit organizations. Indirect cost plans are discussed further in a later section.
 - **Cost Allocation Plan of the Entity Administering ETA-Funded Programs.** The second type of CAP distributes the administrative or other joint costs incurred within a performing (sub-recipient or contractor) department or unit, together with the service costs allocated to it under the indirect cost proposal, to all work performed by that department or unit. This type of plan is developed by the unit that directly operates the ETA-funded program to allocate costs between both its ETA-funded and non-ETA-funded programs and between cost categories within each of the ETA-funded programs. This type of plan is commonly referred to as an organizational or departmental CAP. Another example of this type of CAP is the plan used to allocate the shared costs among the PA CareerLink® participating partners.
- **Contents of the Organizational or Departmental Cost Allocation Plan.** The CAP must include at least the following elements:
 - Organization chart that identifies all departments, types of services provided, and ETA- and non-ETA-funded staff functions;
 - Description of the types of services provided and their relevance to ETA-funded projects (generally called a Statement of Function and Benefit). This would include all ETA- and non-ETA-funded revenue sources and cost objectives;
 - Copy of official financial statements or budgets;
 - Expense items included in the cost of the services. This would include all joint or pooled costs needing to be allocated, such as staff whose work benefits more than one cost objective, cost pools established for administrative costs and other types of pooled costs, and all other costs that cannot be readily assigned to a single cost objective;
 - Description of the methods used in distributing the expenses to benefiting cost objectives. This requires identifying the basis for allocating each type of joint or pooled cost and the documentation for supporting each basis for allocation; and
 - Certification by an authorized sub-recipient official that the plan has been prepared in accordance with WIOA or other authorizing legislation and regulations and state or other applicable requirements.

For ETA-funded entities that are charged indirect or central services costs, the CAP must also include:

- Identification of the departments rendering the service costs to benefiting departments (summary CAP); and
- Summary schedule of the allocations of central service costs to operating departments.

The following suggestions should also be considered when developing a CAP:

- Keep it simple. The simplest and least costly method possible should be used, based on a measure of relative benefit received, that will produce an equitable allocation of costs to programs and cost categories;
 - Make it replicable. The process that is developed must be able to be duplicated at any time and be able to accommodate changes in the organization or funding levels;
 - Simplify the organizational structure. The organizational structure of the CAP should be made no more complicated than necessary to allocate costs;
 - Consider what is required. The required structure and capabilities of the accounting system must be considered in designing an operable cost allocation process; and
 - Make changes prudently. Changes in an organization's CAP that result in a retroactive redistribution of costs to the benefiting cost objective are allowable where the change results in a more equitable distribution of costs. Such changes in allocation methodology should be rare, should receive the necessary prior approvals, and should be justified and well documented.
- **Value of Cost Allocation Plans.** In addition to documenting the allocation of costs and the need for prior approvals, the CAP has other benefits and advantages for the organization, for it:
 - Provides a clear and concise method to develop budgets and prepare plans as a management tool;
 - Results in the equitable sharing of indirect costs from all programs and activities beginning with their appropriate recognition in the budget process;
 - Eliminates arbitrary methods sometimes used to account for all costs as direct costs in order to achieve full reimbursement;
 - Establishes credible fiscal accountability practices that recognize indirect and shared costs as a necessary cost of program delivery;
 - Establishes financial management standards and practices that may be applied uniformly with all grantee agencies through the accounting and budgeting process;
 - Creates financial management structures that recognize that costs relative to programs or units of service consist of both direct and indirect costs;
 - Promotes the use of up-to-date, integrated grantee accounting systems and procedures within the organization so that shared and indirect costs can be identified and allocated across all programs and activities;
 - Meets federal cost principles and standards that require approved plans as a prerequisite to claiming reimbursement of indirect costs; and
 - Improves and standardizes fiscal management policies and practices.
 - **General Indirect Costs.** General indirect costs, that is overhead/general and administrative (G&A) costs, should normally be charged to the administration cost category except that specific costs charged to an overhead or indirect cost pool that can be identified directly with an ETA-funded cost objective/category other than Administration may be charged to the ETA-funded cost objective/category directly benefited as described and justified in the CAP. Under WIOA, some of the

costs normally included in general indirect costs may be classified as program costs rather than administrative costs.

- **Governmental Grantees.** Responsibility for approving the CAPs of most units of local government has been assigned by OMB to cognizant federal agencies. Generally speaking, the federal cognizant agency may defer the approval of indirect cost rates to the state.
- **Nonprofit Agencies.** In some cases, agencies do not have indirect cost rates but wish to establish a rate to facilitate charging indirect costs to their various federal funding sources.

2 CFR Part 230, *Cost Principles for Nonprofit Organizations* applies to determining indirect cost rates for nonprofit organizations. For assistance in preparing indirect cost rate proposals, nonprofit organizations should use the *Indirect Cost Determination Guide* published by the USDOL Office of the Assistant Secretary for Administration and Management, Office of Cost Determination. Indirect cost rate proposals are required when a nonprofit organization has more than one source of funding and elects to recover indirect costs as well as the direct costs for meeting grant or contract obligations. Where a nonprofit sub-recipient is required to obtain an indirect cost rate, the awarding agency should provide technical assistance and may wish to review and approve the indirect cost rate.

Alternative Time Distribution

All OMB cost principles treat the costs of personnel wages and fringe benefits and require that such costs be based on a time distribution system. In a standard time distribution system, time sheets are usually used to record the amount of time spent on organization-sponsored and federally-funded activities. OMB Cost Principles at 2 CFR Parts 225 and 230 further require that time distribution include the use of a personnel activity report. In addition to standard time distribution, the circulars authorize the use of alternative systems subject to compliance with certain conditions. Substitute systems may include random sampling, case counts, client counts, transaction counts, or other quantifiable measures of employee effort for a time period. Sampling and other measures should take into account relative effort and intensity of service provided to different categories of clients served.

A substitute system must meet acceptable statistical sampling standards including the following:

- The universe from which a sample of employees is taken must include all of the employees whose salaries and wages are to be allocated by means of the sampling;
- The entire time period for which salaries and wages are to be charged to a specific federal grant must be covered;
- The results must be statistically valid and applied only to the time period to which the sample may be validly extrapolated;
- The results of the sampling system must be updated periodically to reflect changes in the measures used, such as case counts or client counts; and
- The recipient must use a valid and uniform system for converting the measure of employee effort, such as case counts and client counts, into time.

2 CFR Parts 225 and 230 require that an organization wishing to utilize alternative time distribution systems receive approval of that system from their cognizant federal agency. Organizations that do not have a cognizant agency approval must obtain a certification from an independent auditor or auditing firm that the system meets the standards required for approval. In such circumstances, organizations must seek approval by BWDA's Grants and Fiscal Division prior to implementation.

Salary Cap

[TEGL No. 5-06, Implementing the Salary and Bonus Limitations in Public Law 109-234, August 15, 2006]
To ensure compliance with TEGL No. 5-06, USDOL has modified the WIOA funding agreement for each state. The TEGL applies to funds available for expenditure on or after June 15, 2006. Refer to the aforementioned TEGL for programs impacted and excluded by this provision.

Implementation of this law is incorporated by reference as stated in the Grant Provisions section of the fully executed grant agreement. *(For updated information, refer to the following website: [U.S. Office of Personnel Management](#))*

There are five different types of situations that would necessitate appropriate calculations for implementing the salary and bonus limitation. They include calculations of funds in the following situations:

- Funds Paid by ETA Appropriated Funds – calculation for salaries paid exclusively with ETA funds through an ETA funded grant or contract;
- Direct Allocation of Salaries – calculation for salaries with multiple funding sources;
- Salary and Bonus Payments – calculation for both salaries and bonuses paid exclusively with ETA funds;
- Proportionate Year Allocation of Salaries – calculation on a proportionate year allocation of salaries for a partial year; and
- Indirect Costs – calculation of salaries paid as part of the Indirect Cost pool.

When referring to the amount in excess of the CAP, while an individual may still get paid the same amount, the amount over the cap cannot be paid with federal funds or transferred to another federal program. See other information in this document that includes examples of calculations for the five (5) difference types of situations.

Chapter 5

REALLOTMENT, REALLOCATION, TRANSFER, AND REPORTING REQUIREMENTS

INTRODUCTION

This chapter addresses the re-allotment, reallocation, transfer, fund availability, and out-of-school youth expenditure percent requirements for WIOA Title I Adult, Youth, and Dislocated Worker funds.

Although the commonwealth recognizes that WIOA permits local areas to spend WIOA Title I Adult, Youth, and Dislocated Worker formula funds over a two-year period (the year of receipt and the succeeding year), it remains the expectation of the commonwealth that these funds be expended in the year for which congress appropriated the funds. In keeping with generally accepted accounting principles, grantees must use earlier funds first utilizing the First in, First Out (FIFO) method.

As referenced throughout this Financial Management Guide, WIOA indicates specific percent requirements that pertain to obligation of funds, out-of-school youth activities, and administrative expenditures. The commonwealth will use the local area's NOO to determine the authorized amount for the applicable percent requirements based on the local area's WIOA Title I Adult, Youth, and Dislocated Worker formula allocated funds, including any adjustments for the recapture and reallocation of funds, voluntary de-obligation and redistribution of funds, and the transfer of funds between the Adult and Dislocated Worker programs. The Financial Status Report will be used to determine a local area's actual expenditures/obligations with respect to these requirements.

REALLOTMENT OF FUNDS AMONG STATES

The Secretary of USDOL is required to re-allot among eligible states amounts that are allotted under these funding streams and that are available for re-allotment.

The commonwealth will make funds available from the state and local areas in the event that the state is required to make funds available to USDOL for purposes of reallocation. The Commonwealth will review, analyze, and identify the most appropriate and equitable method(s) to make funds available from the state and local areas in the event that the commonwealth is required to make funds available to the USDOL for purposes of reallocation. Possible methods to be considered by the commonwealth to make these funds available include, but are not limited to, the involuntary (consistent with obligational requirements) and/or voluntary recapture of funds from local areas and other program providers and/or the recapture of state-level funds.

REALLOCATION OF FUNDS WITHIN THE COMMONWEALTH

WIOA states that the governor may reallocate WIOA Adult, Youth, and Dislocated Worker funds among eligible local areas within the state. The narrative that follows indicates how Pennsylvania will comply with these requirements.

The commonwealth retains the authority to not recapture and reallocate funds for any year in which the state is not required to make funds available to the USDOL for purposes of reallocation.

EIGHTY PERCENT (80%) OBLIGATION REQUIREMENT

[WIOA Sections 128(c)(2) and 133(c)(2); 20 CFR 683.135]

Year of Funds to be Recaptured/Re-allocated

It should be noted that WIOA and its regulations provide some flexibility concerning the year in which funds are to be recaptured from and subsequently reallocated to eligible local areas. For example, this process could include the funds appropriated for the year in which the obligation occurred or the funds from a subsequent year, i.e., one or two years following the year of obligation.

Because WIOA and its regulations make several references to “prior year” concerning the federal-to-state recapture and re-allotment requirements, the commonwealth interprets these references to mean that the federal-to-state recapture and re-allotment process will be completed on a consecutive year basis.

Therefore, to ensure that the commonwealth’s recapture and reallocation process interfaces with the federal-to-state process, Pennsylvania has also adopted a consecutive year recapture and reallocation of funds process. This means that the year following the year of obligation will be the year in which the commonwealth:

- Assesses compliance with the 80 percent obligation requirement for the prior year; and
- Recaptures and reallocates applicable funds.

For example, if PY 2013 is the year of obligation, then PY 2014 will be the year that the commonwealth will both assess local area compliance with the 80 percent obligation requirement and recapture/reallocate applicable funds. In other words, BWDA will review each local area’s PY13 June 30th FSR for meeting the requirement. Those that don’t meet the requirement may have PY14 funds involuntarily recaptured.

Involuntary Recapture of Funds

[WIOA Sections 128(c) and 133(c); 20 CFR 683.135 683.140]

In accordance with the referenced statutory and regulatory requirements, the commonwealth retains the authority to recapture WIOA Title I Adult, Youth, and Dislocated Worker funds from local areas for purposes of reallocation. The amount recaptured, if any, will be based on the amount by which the prior year’s unobligated balance of allocated funds exceeds 20 percent of that year’s allocation for the program, less any amount reserved (up to 10 percent) for the costs of administration. Unobligated balances must be determined based on allocations adjusted for any allowable transfer between funding streams. This amount, if any, must be separately determined for each funding stream. Any unobligated balances will be determined based on allocation amounts for these programs, including any adjustments for administrative reserves, allowable transfers between the adult and dislocated worker programs, and the involuntary/voluntary recapture/reallocation of funds.

Any unobligated balances will be determined separately for each funding stream. The following example illustrates how the commonwealth will calculate each local area’s compliance with the 80 percent obligation requirement.

Table 5-1. Eighty Percent (80%) Obligation Requirement

Adult Funds		Total	Admin	Program	Program Expended	Program Obligated
1st Increment	12-300-1	56,477	5,648	50,829	50,829	-
2nd Increment	12-301-1	683,742	68,374	615,368	559,798	55,570
Transfers 1st Incr.	12-300-3	-				
Transfers 2nd Incr.	12-301-3	\$ 150,000	\$ 15,000	\$ 135,000	-	62,780
Total Allocated		890,219	89,022	801,197	610,627	118,350
Less Admin		89,022				
Program Allocation		801,197				
					Total Program Expended Plus Obligations	\$ 728,977
Recapture/Reallocation		-				
Total Available		801,197			76.21%	<i>Program Expenditures</i>
Min. 80% target amount		\$ 640,958			90.99%	<i>Total Program Exp. & Obs.</i>
Excess/(Shortfall)		\$ 88,019			IN COMPLIANCE	

A local areas' actual adult obligations would then be compared to the 80 percent obligation required level to determine compliance. Expenditures and obligations should be monitored and reviewed during the program year to ascertain if program spending levels are adequate to achieve the 80 percent obligation rate.

To be eligible to receive WIOA Youth, Adult, or Dislocated Worker funds under the reallocation procedures, a local area must have obligated at least 80 percent of the prior program year's allocation, less any amount reserved (up to 10 percent) for the costs of administration for WIOA Youth, Adult, or Dislocated Worker activities as separately determined. A local area's eligibility to receive a reallocation must be separately determined for each funding stream. In addition, a local area's eligibility for a reallocation of recaptured funds will be determined by a demonstrated need and ability to use additional funds.

The commonwealth will reallocate any available funds to eligible local areas based on the relative amount of funds allocated to the eligible local area as compared to the amount of funds allocated to all eligible local areas. The PY used to determine the relative amount will be the same PY that was the basis for the reallocation. For example, if PY 2013 is the year that was the basis for the reallocation (i.e., year of obligation), and then relative amounts will be based on PY 2013 eligible local area formula allocations. The reallocation of WIOA Adult, Youth, and Dislocated Worker funds is completed separately for each funding stream.

Local areas that either have funds recaptured (from them) or reallocated (to them) as part of the recapture/reallocation process will be notified of their adjusted allocation amount though the receipt of a revised NOO for the respective funding stream.

Local areas that do not comply with the 80 percent obligation requirement may also be required to submit a corrective action plan to BWDA that indicates what measures will be implemented to ensure compliance in future years.

Voluntary Recapture of Funds

The commonwealth retains the authority to approve the voluntary de-obligation and subsequent distribution of WIOA Adult, Youth, and Dislocated Worker local area formula funds allocated to each local area under WIOA Sections 128 and 133. Specifically, local areas may voluntarily request that WIOA Title I Adult, Youth, and Dislocated Worker formula allocated funds be de-obligated from one or more of their respective program allocations.

WIOA funds made available as a result of a voluntary de-obligation of funds:

- Will be used as part of the process to make funds available from the state and LWDA's in the event that the state is required to make funds available to the USDOL for purpose of reallocation;
- Will be provided to another local area(s) based on a determination of need by the commonwealth; or
- Will be provided to another, specified local area based upon a memorandum of understanding between one or more local areas with the approval of BWDA.

For reference, voluntarily de-obligated funds retain their year-of-appropriation identity and must be accounted for and reported accordingly.

Approved requests for the voluntary de-obligation of funds will result in the applicable NOO being adjusted to indicate the de-obligation from the respective program. The issuance of a revised NOO will also serve as the local area's official notification that the voluntary de-obligation is approved. Conversely, local areas will receive notification of any request that is not approved. A local area(s) that receives funds that were voluntarily de-obligated from another local area will also receive a new NOO that indicates the adjusted funding amount.

Please refer to the PA Department of Labor & Industry website for a downloadable version of this form.

SEVENTY FIVE PERCENT (75%) OUT-OF-SCHOOL YOUTH OBLIGATION REQUIREMENT

[WIOA Section 129(a)(4)(A)]

Effective PY16, WIOA requires that at least 75 percent of the youth funds allocated to a local area be "...used to provide youth workforce development activities to out-of-school youth." The 75 percent requirement applies to the total amount of all funds allocated to a local area under WIOA Section 128(b)(2)(A) or (b)(3), except for local area's expenditures for administrative purposes. Essentially, this means that at least 75 percent of a local area's youth allocation (adjusted for any recapture or reallocation of funds and reduced for actual administrative expenditures) must be obligated on out-of-school youth activities for any program year. Obligation as it pertains to this requirement includes both accrued expenditures and unliquidated obligations.

To ensure that a minimum of 75 percent of a local area's youth allocation is obligated on out-of-school youth activities, BWDA will assess local area expenditures and obligations. As part of this assessment, BWDA will provide written notification to local areas indicating the status of the out-of-school youth obligations relative to the 75 percent requirement. Local areas that do not appear to be spending and/or obligating funds at a rate that will meet this requirement may have funds recaptured and reallocated and be required to submit a progress report that indicates how compliance will be achieved.

Based on the assessment, BWDA will provide written notification to each local area concerning their respective compliance or non-compliance with the requirement. Local areas that do not comply with this requirement will be subject to financial and/or non-financial sanctions. Any financial sanctions will be applied by recapturing the shortfall amount from future funding. Expenditures and obligations should be monitored and reviewed during the program year to ascertain whether program spending levels are adequate to achieve the 75 percent rate.

The following example indicates how the BWDA calculates local area compliance with the 75 percent out-of-school youth obligation requirement:

Table 5-2. Seventy Five Percent (75%) Out-of-School Youth Expenditure Requirement (Includes applicable adjustments)

LWIA				
For PY '15	(4/1/15 - 6/30/16)			
		1st Increment		OSY RATE
Local area youth allocation amount: [including applicable adjustments - recapture, etc.]		\$1,391,682		82%
Less actual administrative expenditures:		\$52,873		
Reduced allocation:		\$1,338,809		
Reduced allocation multiplied by 75%		x 75%		
Minimum 75% OSY compliance amount:		\$1,004,107		
LWIA's OSY Obligations and Expenditures		\$1,100,000		
Excess/(Shortfall)		\$95,893		
Total Youth Funds Unexpended:		\$238,809		

A local area's actual out-of-school youth expenditures and obligations indicated on its Financial Status Report are compared to the minimum 75 percent out-of-school youth expenditure level to determine compliance.

TWENTY PERCENT (20%) OF YOUTH FUNDS TO BE USED FOR YOUTH WORK EXPERIENCE

[WIOA Section 129c(4), TEGL 23-14, TEGL 8-15]

Allowable expenditures beyond wages can include staff time spent identifying potential work experience. Work experience is a critical WIOA youth program element. WIOA prioritizes work experiences with the requirement that local areas must spend a minimum of 20 percent of non-administrative local area funds on work experience. Under WIOA, paid and unpaid work experiences that have as a component academic and occupational education may include the following four categories:

- Summer employment opportunities and other employment opportunities available throughout the school year;
- Pre-apprenticeship programs;
- Internships and job shadowing; and
- On-the-job training opportunities.

Allowable expenditures beyond wages can include staff time spent identifying potential work experience opportunities, staff time working with employers to develop the work experience, staff time spent working with employers to ensure a successful work experience, staff time spent evaluating the work experience, participant work experience orientation sessions, classroom training or the required academic education component directly related to the work experience, and orientations for employers.

FUND AVAILABILITY REQUIREMENT

[WIOA Section 189(g)(2); 20 CFR 683.110 and 687.200]

State Availability

WIOA authorizes that WIOA Adult, Youth, and Dislocated Worker funds received by a state may be expended by the state during the year of receipt and the two succeeding program years or a total of three

years.

Local Workforce Development Area Availability

WIOA authorizes funds allocated by a state to a local area under WIOA Sections 128(b) and 133(b) for any program year to be available for expenditure by the local area during that year and the succeeding program year or a total of two years.

Furthermore, funds which are not expended by a local area during the two-year reference period (year of allocation plus the succeeding program year) must be returned to the commonwealth. Funds returned to the commonwealth remain available for expenditure by the commonwealth and/or eligible local areas during the third year of availability. The commonwealth may use local area unexpended funds returned to the state after the two-year reference period for:

- Statewide projects; and/or
- Distribution to other local areas, which fully expended their allocation of funds for the same program year, within the two-year reference period. The distribution of funds to other local areas, which fully expended their allocation of funds, will be determined separately for each funding stream. Specifically, local areas that expended all of their funds in a particular funding stream will be eligible to receive any funds made available for distribution in that respective funding stream. Conversely, any local area(s) that did not expend all of their funds in a particular funding stream will not be eligible to receive any funds made available for distribution in that respective funding stream.

Note: For purposes of this FMP, the aforementioned reference to statewide projects includes the use of these funds for required and/or allowable statewide employment and training activities. [WIOA Section 134]

The fund availability report compares formula allocated funds against total expenditures in each funding stream for each year the funds are available to each local area. The following example indicates how the BWDA calculates local area compliance with the fund availability requirement:

Table 5.3. Funding Availability Requirement (Includes applicable adjustments)

Adult		Award	Expenditures	Unexpended	% Unexpended	Subject to Recapture
12-300-1	1st	\$1,884,610	\$0	\$1,884,610	100%	Funds at Risk
12-301-1	2nd	\$22,370,155	\$0	\$22,370,155	100%	Funds at Risk
12-300-3	Transfers 1st Increment				100%	
12-301-3	Transfers 2nd Increment	\$398,994	\$0	\$398,994	100%	Funds at Risk
	Total	\$24,653,759	\$0	\$24,653,759	100%	Funds at Risk
Youth		Award	Expenditures	Unexpended	% Unexpended	
12-330-1	Total	\$26,124,336	\$0	\$26,124,336	100%	Funds at Risk
DW		Award	Expenditures	Unexpended	% Unexpended	
12-400-1	1st	\$3,459,319	\$0	\$3,459,319	100%	Funds at Risk
12-401-1	2nd	\$19,223,946	\$0	\$19,223,946	100%	Funds at Risk
12-400-3	Transfers 1st Increment		\$0		100%	
12-401-3	Transfers 2nd Increment	\$232,250	\$0	\$232,250	100%	
	Total	\$22,915,515	\$0	\$22,915,515	100%	Funds at Risk
	Grand Total	\$73,693,609	\$0	\$73,693,609	100%	Funds at Risk

Percentages for each increment are calculated by dividing the increment total expended by the increment allocated amount.

TRANSFER OF FUNDS

[WIOA Section 133(b)(4)]

If approved by the governor, WIOA authorizes local boards to transfer 100 percent of funds between the WIOA Adult and Dislocated Worker programs.

Please refer to Section 133(b)(2)(A) for a description of Adult formula funds, Section 133(b)(3) for a description of Adult discretionary funds and Section 133(b)(2)(B) for a description of Dislocated Worker formula funds. For reference, the *optional Adult discretionary formula allocation* procedure is currently not used by the commonwealth.

The maximum dollar amount that a local area can transfer is calculated against the total base annual allocation (excluding any transfers or other adjustments to the allocation amount) for the funding stream that the funds are being transferred from. It should also be noted that administrative funds must be included with the transferred program funds based upon a 90/10 percent program to administrative split. Therefore, a local board must have adequate administrative funds available before BWDA will approve a *Transfer of Funds Request Form* that is submitted by a local area. Please refer to the PA Department of Labor & Industry website for a downloadable version of this form.

For reference, transferred funds retain their federal year-of-appropriation identity and must be accounted for and reported accordingly. For example, PY 2015 WIOA Adult funds can only be transferred to the PY 2015 WIOA Dislocated Worker program. All transfers assume the identity and applicable requirements of the funding stream receiving the transfer. Expenditures associated with the transferred funds have to be tracked or accounted for separately. Transferred funds are accounted for, and reported as, part of the total available funds in the originally allocated program.

Transfer requests approved will result in a separate NOO and contract number being issued for the transferred amount while the program in which the amount is being transferred from will be revised to reflect the reduced allocation. The issuance of said NOOs will serve as a local area's official notification that the transfer is approved. Conversely, local areas will receive notification of any transfer request that is not approved.

In a related matter concerning applications for National Dislocated Worker Grants for dislocated workers, regulations indicate "...a determination has been made, in collaboration with the applicable local board(s) and chief elected official(s), that state and local formula dislocated worker funds are inadequate to provide the level of services needed by the workers being laid off." Therefore, local areas should be aware that any approved transfer of dislocated worker funds to the adult program may be reviewed by USDOL as part of a subsequent NDWG application.

It should also be noted that a local board may not transfer funds to or from the youth program.

Finally, BWDA expects that any transfer of funds will not adversely impact:

- The employment and training activities of the program that funds are being transferred from or the program that funds are being transferred to; and
- The WIOA Title I performance measures for the WIOA Adult or Dislocated Worker programs.

In order for the transfer to take effect in the same program year, the last day to submit a transfer of funds request between the Adult and Dislocated Worker programs is the first business day in April.

SPECIAL PROGRAMS

For special program grants, contracts, and agreements issued under the BWDA grantee agreement, the period of availability for expenditures is set in the terms and conditions of the award document such as the NOO. Therefore, recipients of these funds must comply with specific performance, dates, and regulatory requirements as indicated in their specific award document or grant guidelines, for example, Notice of Grant Availability, Award Letter, Project Narrative, Budget, Budget Justification, and Reporting Package. Recipients of these funds who do not comply with the terms and conditions of the award documents may be required to submit a corrective action plan, may have funds de-obligated, and/or will be subject to the findings of the audit process. Furthermore, automatic utilization of unexpended funds is not permitted.

Grantees must seek BWDA approval in order to modify and/or extend the funding availability period. Requests for modification or extension must be provided to the Grants Services Resource account RA-LI-BWDA-GS@pa.gov and must include a written justification for the modification or extension and all applicable changes to the budget and narrative for the project. Modification requests will be routed for approval/denial and notification will be sent to the grantee once approved or denied. No changes should occur on the grant until official approval or denial is received by the recipient.

Chapter 6

FINANCIAL MANAGEMENT SYSTEM FUNCTIONS

INTRODUCTION

CWDS Financial Management System (FMS) is the commonwealth's intranet system that is used by local area grantees and/or fiscal agents for reporting federal and state allocations and expenditures. The Financial Management System is accessed through a secured Internet-based website whereby authorized users can:

- Post and/or identify the status of all applicable Notices of Obligation between the Department and local area staff;
- Request funds and obtain approval by the comptroller's office;
- Report, on the accrual basis, authorized expenditures incurred relative to the previously stated programs; and
- Maintain organizational information.

Because the Financial Management System is a web-based application, the user functions are accessed via a series of "drop down" screens that are connected through hyperlinks.

The system transmits real time data of approved requests for funds and award information (commitments and adjustments) to the SAP system. SAP interfaces with the Pennsylvania Department of Treasury with payment information for the processing of requests for funds. As previously mentioned, the timing of payments is approximately between seven (7) and fifteen (15) business days.

The four (4) general categories of "authorized" users to this system, each with specific functions they can access, are as follows:

- 1) The Pennsylvania Department of Labor & Industry Office of Information Technology (OIT) staff who are responsible for system administration including security, hardware and software maintenance;
- 2) The Pennsylvania Department of Labor & Industry, Bureau of Workforce Development Administration (BWDA) staff who view financial data relative to all local areas;
- 3) The local workforce development area staff who view and initiate transactions relative to their respective local area only; and
- 4) The comptroller staff who view and initiate transactions relative to all local areas.

Employees with access to FMS will be exposed to confidential data maintained by the Department. This confidential data is described as any records relating to employers, unemployment compensation claimants, or employment services clients of the Department or Pennsylvania CareerLink[®], which includes grantee and fiscal agent financial records. The confidential data must be used only for the specific purpose set forth. Use of this information for any other purpose is strictly prohibited.

Employees must not discuss with or reveal to anyone any of the information obtained from that data except to other persons also having authorization to this data and only for purposes of performing the duties as set forth in the job description. This means that employees must not reveal such information to friends or family nor use the information for any personal, commercial, or political use.

The data is confidential and protected by federal and state laws. If improperly used or revealed, the employee and the fiscal agent may be subject to prosecution, fines, imprisonment, or other sanctions permissible under law. Because this authorization and confidence is passed on to the individual grantees, the grantees must understand and agree that they may be liable for any damages resulting from the release of confidential information when authorized individual employees access the Financial Management System and misuse the information. Therefore, an individual's password access information must not be shared with any other person. If an individual loses access to the Financial Management System, that individual must contact the local PA CareerLink® system administrator to have the password reset and regain access.

FINANCIAL MANAGEMENT SYSTEM REFERENCE MANUAL

This Financial Management Guide provides a *Financial Management System Reference Manual* as an attachment to this chapter beginning at page 6-12.

AUTHORIZED ACCESS BY LOCAL AREA PERSONNEL TO THE CWDS FINANCIAL MANAGEMENT SYSTEM

Enabling Access

The Department has an established method for gaining access to the CWDS Financial Management System and the Cost Allocation Reimbursable System (CARS). More information on CARS can be found in Chapter 7 of this guide. CWDS is an internet based system and is available to the public at www.cwds.pa.gov.

The following completed forms are necessary to authorize local workforce development area staff access and permissions to CWDS. To request these forms for new users, access the CWDS Help Center and find the Workforce CWDS Access Forms and Instructions under List of Miscellaneous Documents or contact your local PA CareerLink for assistance.

- **CWDS User Agreement and Access Form for Workforce Local Office Staff.** This form is necessary to add individual access to the Financial Management System. By signing this form, staff acknowledges the requirements, limits, and responsibilities of accessing the data maintained in CWDS. Such data may only be accessed while employed by the local workforce development area and only for the duties assigned during such employment. Any violation of this agreement may result in any or all of the following: loss of access, services, or employment; legal action; or prosecution under federal and state laws.

Access to the CWDS Financial Management and Cost Allocation Reimbursement Systems must be requested on the attached CWDS Access Form and approved by the BWDA. The '**LI-WF-FinancialLO Role**' needs to be checked to receive financial roles. All associated forms can be found in CWDS.

- **Pennsylvania State Police Request for Criminal Record Check Form.** Local board staff may already have access to the [Pennsylvania Access to Criminal History](http://www.patch.pa.gov) (PATCH) website. If an account to use PATCH is not already in place, local board staff may become a [registered user](#). The requester name is the agency director. The local agency pays the \$10 for each individual request. Under reason for request, check "Other" and specify "Access to a Commonwealth Fiscal System." [SP4-164 Form](#) can be completed and mailed to the Pennsylvania State Police, but this could cause a delay in granting access to CWDS.

Mail or email the completed access forms to the CWDS local PA CareerLink® system administrator.

Questions about financial access authorization may be directed to Grants and Fiscal Services Division staff at (717) 783-8050. After access has been granted, it is recommended that the individual log on to the system immediately to ensure that access has been successfully provided. **For security purposes, passwords must be kept confidential and never shared.**

Disabling Access

Staff no longer requiring access to the Commonwealth Workforce Development System must be disabled from the system on the employee's last day of work or the first business day following the employee's last day of work. Local workforce development area staff should contact their local PA CareerLink® to initiate the disabling process. All applicable forms can be found on CWDS.

AWARD AND FISCAL AGENT INFORMATION

Comptroller and BWDA Grant Management staff are responsible for entering award information (e.g., award dates, initial allowance, adjustments to the award, etc.) into the Financial Management System. All authorized users are able to access the system to view this information. Fiscal agent information including name, address, local area number, bonding amount, etc., is also maintained on the Financial Management System. The fiscal agent must notify BWDA Grant and Grants and Fiscal Services Division staff of any changes to the fiscal agent information.

REQUESTS FOR DRAWDOWNS

Requests for drawdowns and adjustments to requests are to be submitted via the Financial Management System and can be made on a daily basis up to the bonding limitations of the specific local area. However, when a request is made, the resulting available "supply of cash-on-hand" must not exceed the amount of cash needed to meet immediate needs. Since Requests for Funds may be made daily, advancement of funds may only occur as a one-time process to facilitate the start-up of a project that needs and may qualify for as an advance. Requests are approved on a daily basis by the comptroller's office. However, to ensure same day approval by the comptroller's office, requests for funds must be entered into the Financial Management System by 2:00 o'clock p.m. Under normal circumstances, the fiscal agent should receive the funds in the account within seven to fifteen business days. Payments can be made through the use of the Automated Clearing House (ACH), which is the most prevalently (if not exclusively) used method, or by physical check. The use of the ACH, whereby funds are electronically transferred from the state treasury to the grantee's bank account, is strongly encouraged.

Authorized Financial Management System users can also access the system to obtain a history of requests made. Date parameters must be specified, and the system will then generate a listing of requests and the status of those requests within the identified time frame.

If the grantee or fiscal agent cannot access the Financial Management System or is having problems inputting a request for drawdowns, BWDA Grants and Fiscal Services Division staff should be contacted. If the system problem(s) persists and funds need to be drawn, a request from an authorized individual can be emailed to at LI-BWDA-Grants-Fiscal@pa.gov.

All drawdowns MUST be made no later than 60 days past the end of the NOO period and prior to the submission of the closeout period.

Requesting Additional Account Information through Vendor Data Management Unit (VDMU)

If a local board wants to create another bank account for their funds drawdown in CWDS, the PA Electronic Payment Program (PEPP) Enrollment Form, which can be found on the [Vendor Data Management Unit \(VDMU\)](#) website. This form must be completed and may be submitted via one of the following methods:

- Send as an E-mail attachment to the VDMU at RA-PSC_SUPPLIER_REQUESTS@PA.GOV or
- Send the document as a fax to: (717) 214-0140.

If local staff have questions or need assistance in completing this form, please contact the VDMU at:

Commonwealth of Pennsylvania
Payable Services Center
9th Floor Forum Place
555 Walnut Street
Harrisburg, PA 17101-1921

Toll free: (877) 435-7363 option 1
Local: (717) 346-2676 option 1

EXPENDITURE REPORTING

BWDA has added flexibility on the reporting of Financial Status Reports (FSRs) under WIOA. This includes all WIOA Adult, Dislocated Worker, and Youth funds. This also includes state funds unless directed otherwise. **This does not include FSRs for National Dislocated Worker Grants (formerly National Emergency Grants) which are to be reported monthly nor those with special terms and conditions which will be outlined for the grantees.** For all other funds, refer to your grant specific instructions or contact BWDA for determination.

Beginning July 1, 2012, grantee and/or fiscal agent staff were authorized to report according to the schedule below. If grantee and/or fiscal agent staff chose to do so, the staff can continue to report Financial Status Reports monthly; however, these report months identified below must still be reported and are mandatory.

1st Quarter FSR: July FSR due August 15. August and September Financial Status Reports can be reported together and will be due October 15.

2nd Quarter FSR: covers October, November, and December and will be due January 15 of the New Year.

3rd Quarter FSR: covers January, February, and March and will be due April 15.

4th Quarter FSR: due monthly by the 15th of each following month for April, May, and June.

Note: If the 15th of the month falls on a holiday or weekend, Financial Status Reports will be due the next business workday. BWDA reserves the right to modify any and all reporting due dates.

Authorized expenditures relative to the previously listed programs are to be reported by grantees via the Financial Management System based upon the *Financial Status Report* schedule as follows:

FSR Reporting Matrix		
1st Quarter	July	Report Monthly
	August	Report Bi-Monthly
	September	
2nd Q	October	Report Quarterly
	November	
	December	
3rd Q	January	Report Quarterly
	February	
	March	
4th Q	April	Report Monthly
	May	Report Monthly
	June	Report Monthly

Grantees must use a First-In First-Out (FIFO) policy in which unexpended funds are expended before the expenditure of any subsequent year’s funds or ensure expenditures are adjusted to utilize earlier funds first. Expenditure adjustments must be completed on a quarterly basis. Under FIFO procedures, unexpended funds available from a prior year are expended first in the subsequent year in an amount equal to the unexpended available balance including obligations. Attributing accrued expenditures to the earliest award/allocation period ensures prompt and orderly reporting. Not using a FIFO policy could result in USDOL recapturing a previous year’s unexpended funds at the end of the program year.

Note: Please be advised that a more detailed definition of the costs associated with the sub-categories can be found in the appendices.

Accrual Method of Accounting

- Any grantee required to provide financial reports to L&I must use accrual-based accounting methods;
- Accrual basis provides more reliable financial information for effective management and accountability;
- Transactions are recorded in the accounting period in which they occur regardless of when the related cash receipts and disbursements take place;
- Cash basis understates true spending;
- USDOL is shifting its focus from obligations to accrued expenditures when providing additional funding; and
- Failure to report on the accrual basis will result in the loss of funds.

Therefore, expenditure reporting is to be done on the accrual basis in accordance with USDOL reporting requirements. Expenditures and obligations must always be reported for the period in which they are incurred. Obligations must be reported separately for administration and program. Also, expenditures are to be reported on a monthly basis throughout the life of the Notice of Obligation. Lastly, expenditures are to be incurred beginning with the effective date of the Notice of Obligation. If necessary, a manually completed hard copy of the Financial Status Report must be forwarded to the comptroller’s office and BWDA (at LI-BWDA-Grants-Fiscal@pa.gov) for issues affecting the submission on an electronic *Financial*

Status Report in CWDS. Please refer to the PA Department of Labor & Industry website for a downloadable version of this form.

DEFINITIONS/DIFFERENCES BETWEEN ACCRUALS AND OBLIGATIONS

[29 CFR 97.3; TEGL No. 28-10]

Accruals

Accrual reporting includes all cash outlays PLUS accruals. Accrued expenditures are the charges incurred by the grantee during a given period requiring the provision of funds for:

- Charges incurred in a given period;
- Goods and other tangible property received;
- Services performed by employees, contractors, sub-grantees, subcontractors, and other payees;
- Other amounts becoming owed (by the grantee) under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit payments; and
- Benefit/Services received whether or not a cash payment is made.

Types of costs that are accruals:

- Unpaid participant training (attended);
- Unpaid wages, salaries & fringe benefits for staff time worked; and
- Unpaid sub-recipient activities (sub-recipients must also report on accrual basis).

Obligations

Obligations are defined as:

- Obligations for which goods or services have not been received;
- Orders placed for goods or services which have not been received;
- Performance contracts in which the benchmarks have not been achieved; and
- Similar transactions during a funding period that will require payment by the recipient or sub-recipient during the same or a future period.

Differences between Accruals and Obligations

29 CFR 97.41 requires each grantee to report program outlays and program income on a cash or accrual basis as prescribed by the awarding agency. The distinction between an obligation and encumbrance is that an obligation, as defined by 29 CFR 97.3, represents an action where a legal commitment to pay exists. TEGL No. 28-10, *Federal Financial Management and Reporting Definitions*, provides detailed information.

Order placed:

- Delivery and payment in future (obligation, not accrual)
- Delivery taken, payment in future (obligation reported as accrued expenditure)
- Payment and delivery simultaneous (obligation reported as accrued expenditure) (cash outlay)

The distinction between the obligations and accrued expenditures primarily hinges on the timing of when the goods and services are received. In some instances, the accrued expenditure and the obligation happen at the same time and may be supported by the same document as you will see in some of the following examples.

ACCRUING ADMINISTRATIVE AND STAFF COSTS - EXAMPLES

Salaries of Employees

- Obligation
 - When salaries are earned
(including related items, retirement fund contributions, etc.)
- Accrued Expenditure
 - At the time the salaries are earned
 - When the services are rendered
- Simultaneous recording

Both the obligation and the accrued expenditure occur simultaneously even though payday happens later. Thus, obligations happen either in advance of or at the same time as the accrued expenditure. In the Financial Management System, administrative and program obligations on the Financial Status Report are referring to unliquidated obligations.

If staff are paid bi-weekly for the time period two (2) weeks prior to the pay date, staff are always owed approximately two (2) weeks' pay at the end of any given pay period. This is an accrued cost for Financial Status Report purposes even though staff was just paid. When the Financial Status Reports are due for the end of the month, an amount equal to the amount paid plus the calculated accrued cost for the hours worked must be entered into the appropriate Financial Status Report, even though no funds would normally be drawn for those payroll costs until due.

Another example: How to properly accrue payroll for the July 2013 FSR that will not be paid until August 2013?

Step 1. When will we get paid in August? Answer: 8/2 and 8/16

Step 2. What time periods do they cover? Answer: 8/2 covers the days worked 7/6 – 7/19. The 8/16 pay covers the days worked 7/20 – 8/2.

Fund	Payroll Pay Date	8/2/2013	100%	8/16/2013	80%	Total Payroll	July Accruals
		Amount	Accrual	Amount	Accrual		
7002313000	WIA-Administration	\$ 90,958.18	\$ 90,958.18	\$ 121,544.70	97,235.76 H	\$ 212,502.88	\$ 188,193.94

Step 3. Since the 8/2 pay is for time worked between 7/6 – 7/19, grantee would accrue 100 percent of the pay and reflect it in the July 2013 Financial Status Report. Since the 8/16 pay is for time worked between 7/20 – 8/2, we would accrue 80 percent of the pay and reflect it in the July 2013 Financial Status Report. Why 80%? Working days include July 22, 23, 24, 25, 26, 29, 30, and 31 (eight days). The other two days (Aug 1 & 2) are for work performed outside of the reporting period. Since there are ten working days in the pay period, and eight of those days are in July, it follows that 80 percent of the working days occurred in the reporting period (i.e. July).

Annual Leave (Unfunded)

- Obligation
 - Recorded when leave taken
- Accrued Expenditure

- Recorded when leave taken
- Simultaneous recording
 - Reported as an accrual on the Financial Status Report

Annual Leave (Funded)

- Obligation
 - Recorded at the time leave is earned
- Accrued Expenditure
 - Recorded at the time leave is earned
 - Escrow accounts
- Simultaneous recording
 - Reported as an accrual on the Financial Status Report

Travel Expenses

- Obligation
 - Travel actually performed
 - Ticket purchased
- Accrued Expenditures
 - Travel actually performed
 - Ticket purchased
- Simultaneous recording
 - Reported as an accrual on the Financial Status Report

Public Utilities

- Obligation
 - When utility bill received
 - No contract required if the rates are fixed by regulatory bodies
- Accrued Expenditures
 - When utility bill received or
 - Billing period ends/services received
- Recorded appropriately

Expenses related to utilities can be calculated based on historical data such as a running average of the past 6 or 12 months. The percentage of the utility that would be calculated as due if all operations were to cease as of the end of the month must be entered on the Financial Status Report as an accrued charge. Because there is usually no contract with a finite end date involved for utilities, there is no long-term unliquidated obligation that can be reported. When the bill is received (ordinarily for a prior period recently ended), the bill constitutes the documentation to record simultaneously both the obligation and the accrued expenditure even though it might be a week or more before the cash payment is made. For practical purposes, the FSR will only show the accrued expenditure.

Leases

- Obligations

- Lease agreements signed
- Amount is the maximum payment for termination, not the entire lease amount
- Accrued Expenditure
 - As service is provided (space is occupied)
 - May be paid in advance

Advance Payments

- Generally, prohibited by law
- Exceptions
 - Tuition
 - Subscriptions
 - Insurance
- Simultaneous recording
 - Reported as an accrual on the Financial Status Report

Individual Training Account (ITA)

- Obligation
 - At the time of participant enrollment in training
 - At the time payment is due and payable
- Accrued Expenditure
 - At the time payment is due and payable depending on institution's payment policy
 - At the time services begin

Example of reporting Individual Training Accounts:

Training Provider	Student	Course Registration	Last day for drop/add	Training Period	Training Amount
<u>Alvernia</u>	Donna	Aug 20	Sept 5	9/1 - 12/15	\$16,000
Kutztown	David	June 30	Sept 7	9/1 - 12/15	\$8,500
Bloomsburg	Destiny	April 30	May 7	6/12 - 8/31	\$8,500
<u>Mech Tech</u>	Deb	12/15/12	Jan 1, 2013	1/15 - 8/31/13	\$3,500

- For Donna, the obligation and accrual occur simultaneously. Since the drop/add date is over and the training has begun, the full amount should be reported as an accrued expenditure on the September Financial Status Report.
- For David, since the course was registered during the reporting period, but the drop/add wasn't, the full obligation would be reported on the June Financial Status Report.
- For Destiny, both the course registration and drop/add date occur within the reporting period. The student is also attending the training so the obligation and accrual occur simultaneously. Staff should report as an accrual on the June Financial Status Report.

- As for Deb, since the course was enrolled prior to the New Year, the training would have been reported on the December 2012 Financial Status Report. A full accrual would be reflected on the subsequent March 2013 Financial Status Report.

Training Institution Payment Policy

- Payment in advance (registration/enrollment)
 - Obligation and accrued
- Payment in advance (class begins)
 - Obligation and accrued
- Payment upon invoicing
 - Obligation at the time of enrollment
- Accrued as class is attended (service received)

Training Contracts

- Single Semester
 - Contract to obligate funds and pay on an “as-training-received basis”
- School Year
 - Contract to obligate funds for school/program year and pay each semester/quarter cost as training received
- Multiple-Year Program of Instruction
 - Contracts to obligate this year’s funds for multiple years
 - Contracts to obligate this year’s funds with an option for renewal when next year’s funds become available

Based on the contract, the obligation can be split among the various funding sources and funding years involved in the contract. As the period of the contract continues and work is accomplished, expenses are accrued even if there is no invoicing. This accrued expenditure is shown on the Financial Status Report as a total of the invoiced amounts and any incurred but unpaid accrued expenses. **At no time can the total of accrued expenditures and unliquidated obligations be greater than the total funds allocated for a particular funding stream.** Also, at no time are the total of accrued expenditures and unliquidated obligations greater than the total amount of the contract. As invoices are to be paid, funds are drawn for the payments.

Training is usually charged one of two ways, either by paying all tuition costs in advance of the start of class or at some point in the training process. Tuition paid in advance, such as for community college classes, can be considered an obligation, an accrual, and a cash expenditure for accounting purposes. There is no unliquidated obligation to report on the Financial Status Report.

Tuition paid after the start of the training creates a situation in which both accruals and obligations are established. The obligation should be posted as soon as the agreement is signed between the trainer and the local area PA CareerLink® operator, and the student has enrolled in courses and would be decreased as time in training occurs. Accrued costs could be calculated in a number of ways. One simple approach would be to calculate the number of days or weeks of expected training, calculate the cost per day or per week, and accrue costs accordingly. When an invoice arrives from the training provider, the accruals and cash expenditures would be adjusted to reflect the actual expenditures. Depending on the situation, obligations may also need to be adjusted.

ON-THE-JOB TRAINING

An example of training paid after-the-fact is On-the-Job training (OJT). Expenditures are based on the hours an employed participant works, and invoices can only be processed after the training occurs.

FINAL FINANCIAL STATUS REPORT

Grantees must submit a hard copy of the “final” *Financial Status Report* to both the comptroller’s office and BWDA within 60 days after the termination date of the NOO or after the NOO has been fully expended (whichever occurs first). The final *Financial Status Report* is to be included as part of the NOO closeout package which is also due within the same time period. More instructions regarding the closeout process are discussed in more detail in Chapter 8. During this 60-day period, the last *Financial Status Report* may be adjusted multiple times. However, each grantee is expected to report the initial closeout Financial Status Report according to the reporting schedule. Once the grantee has arrived at the final figures, the grantee must contact BWDA to have the *Financial Status Report* unlocked. The grantee will then enter the Final *Financial Status Report* figures, mark it as ‘Final Version,’ and submit the closeout package all within the 60-day period.

Please refer to the PA Department of Labor & Industry website for a downloadable version of this form.

DOCUMENTATION AND SUPPORT OF TRANSACTIONS IMPLEMENTED ON FMS

The Financial Management System is the system used to execute the various types of transactions discussed previously. Both the grantee and the state must maintain documentation and related written policy that reasonably assures:

- The reliability and supportability of all information maintained on the Financial Management System; and
- All costs incurred and reported are allowable for the programs.

ATTACHMENT 6-1: FINANCIAL MANAGEMENT SYSTEM REFERENCE MANUAL


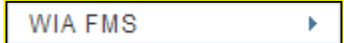
- Financial Management System Reference Manual

Financial Management System Reference Manual

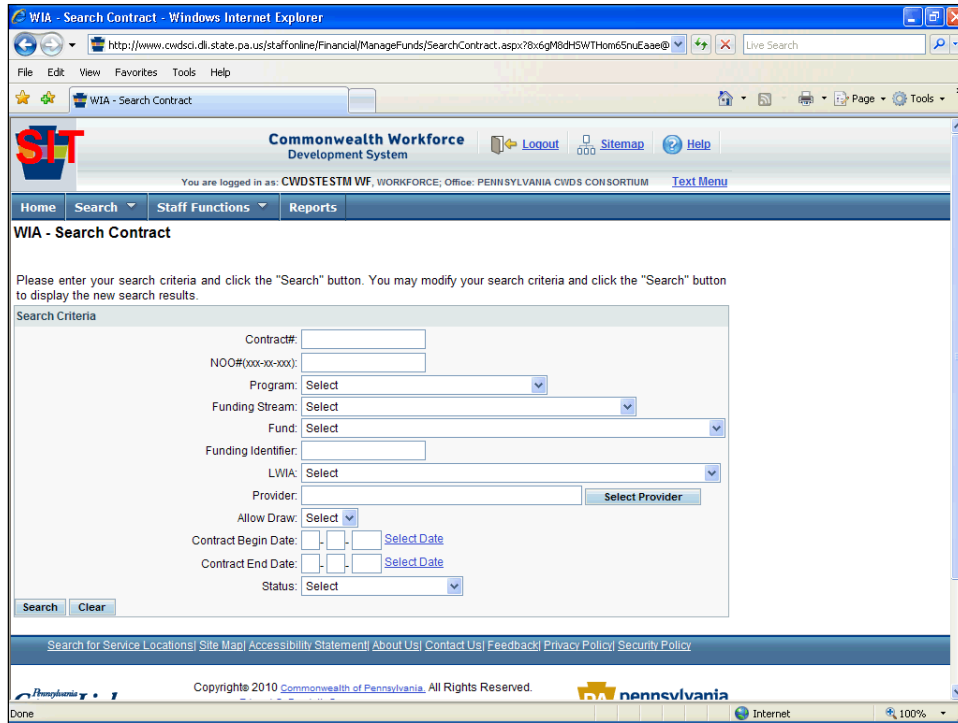
Search and View Contract


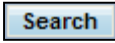
Background Information: In this topic, staff will learn how to search for and view a WIOA contract in CWDS. The WIOA-View contract screen allows staff to view the details of a selected WIOA contract including the fund details and any changes that have been made to the contract amounts. This process begins on the staff home page.

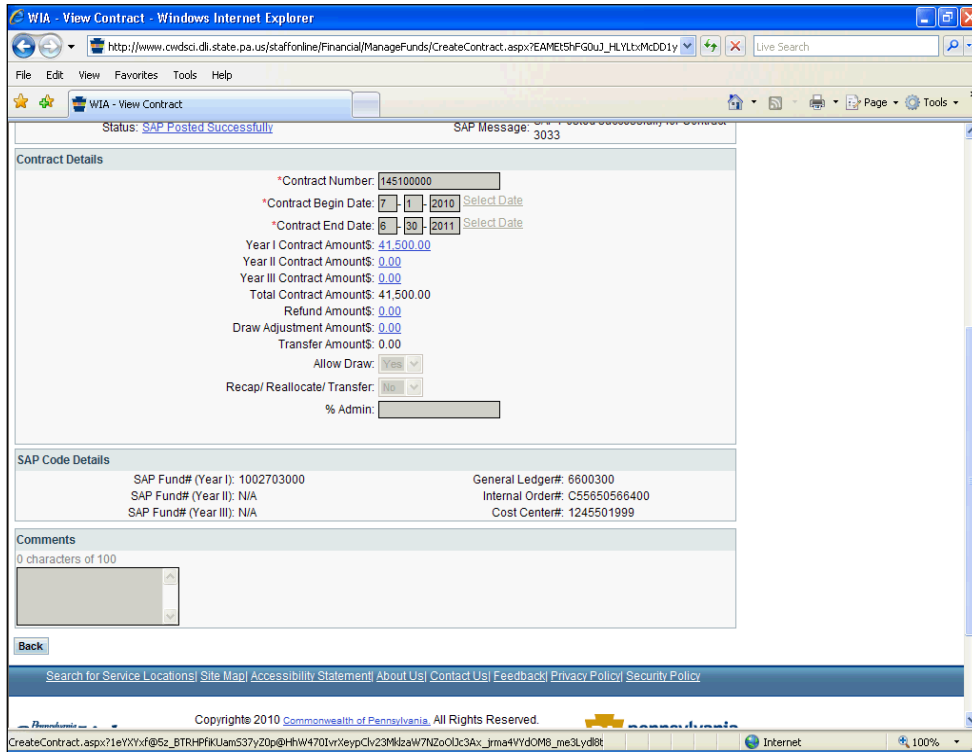
The screenshot displays the 'Staff Home Page' of the Pennsylvania CareerLink Commonwealth Workforce Development System. At the top, there is a navigation bar with links for Home, Search, Staff Functions (selected), Reports, and New Case Search. Below this, a 'Quick Links' sidebar on the left provides access to various user roles: Participant (Create Participant, Search Participants, Search Case, Individual Services), Employer (Search Employers, Search Job Postings, Employer Services), and Provider (Search Providers, Search Services, Search Participant Forms, Search Service Authorization, Provider Services, Search Contract). The main content area is titled 'Important Messages' and contains several key notices in red text, including instructions on how to contact the LINKS Help Desk and a warning about unsolicited offers of employment. Below the messages is a 'Change Office' section with a dropdown menu currently set to 'PENNSYLVANIA CWDS CONSORTIUM - WORKFORCE' and a 'Change' button.


Step	Action
1.	Press the Staff Functions button. 
2.	Press the WIOA FMS link. 

Step	Action
3.	Press the Manage Contracts link. 
4.	Press the Search Contract link. 



Step	Action
5.	Enter the search criteria to search for a Contract. For example, click in the Contract#: field. 
6.	Enter the desired information into the Contract#: field. Enter " 145133301 ".
7.	Press the Search button. 
8.	Press the 145133301(Contract#) link.
9.	Note: Staff can press the Fund link to view the WIOA Fund Details for this contract.
10.	Note: Staff can press the links in the Contract Amount fields to view any changes that have been made to the Contract Amount.



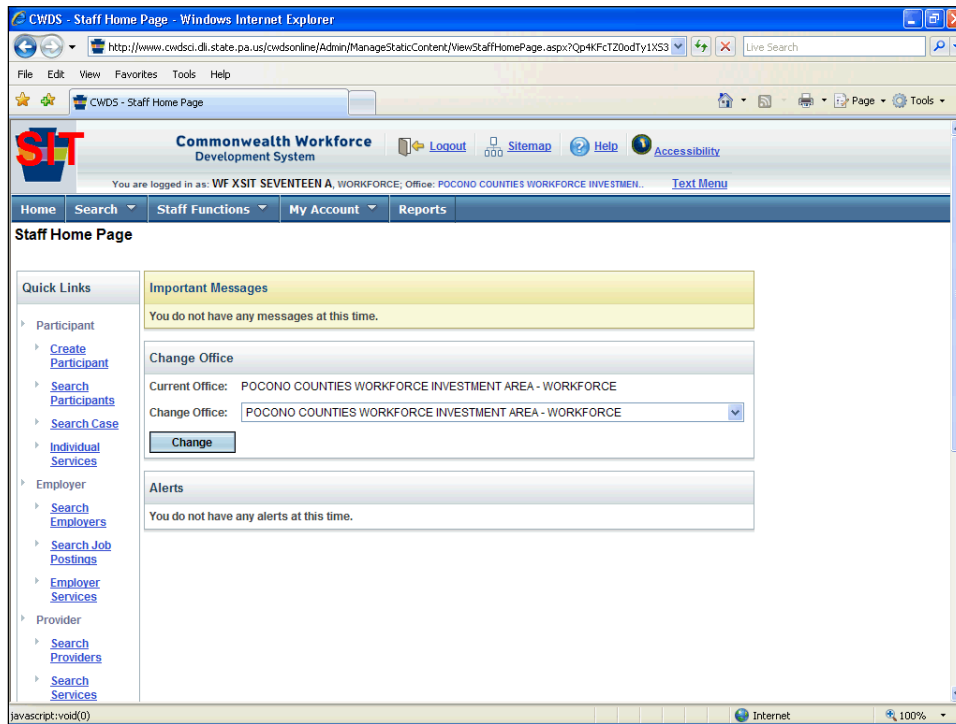
Step	Action
11.	Press the Back button. 
12.	Note: Staff can press the NOO# link to view the details of the NOO related to the selected WIOA Contract.
13.	Staff should now be able to search and view a WIOA Contract in CWDS. End of Procedure.





Create RFF

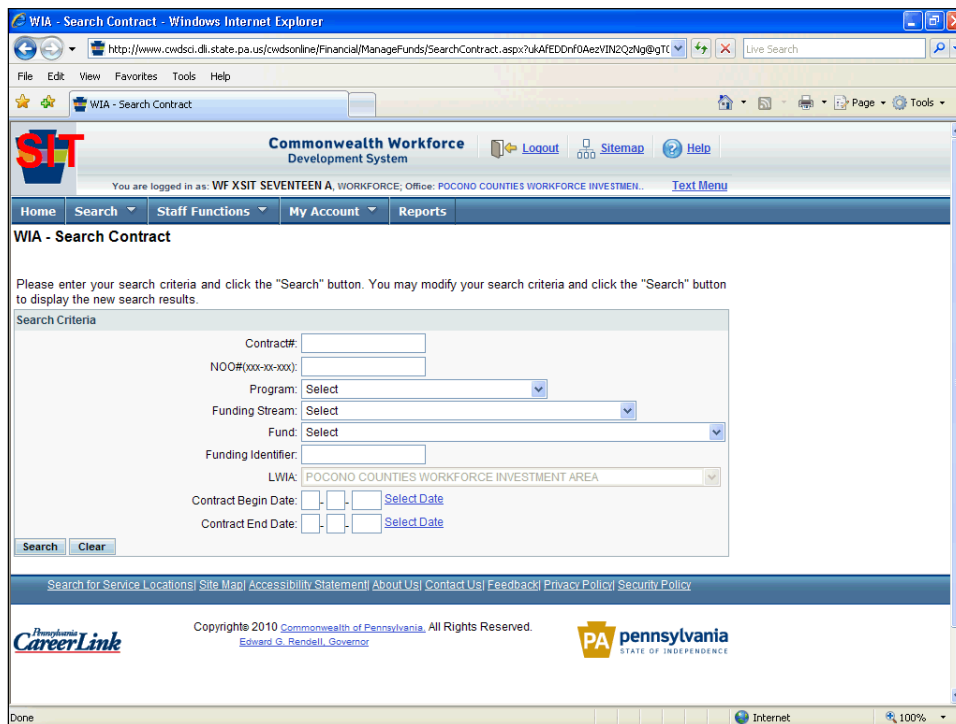
Background Information: In this topic, staff will learn how to create a Request for Funds (RFF) in CWDS. The WIOA-Create Request for Funds screen allows local office fiscal agents to request payment for contract funds that have been expensed.

Pre-Conditions: Contract must be in "SAP Posted Successfully" status

This process begins on the staff home page.



Step	Action
1.	Press the Staff Functions button. 
2.	Press the WIOA FMS link. 
3.	Press the Manage Payments link. 
4.	Press the Create Request For Funds link. 
5.	Note: The minimum search criteria for the WIOA-Search Contract is: <ol style="list-style-type: none"> 1) Contract# at least first 3 digits or 2) NOO# at least first 3 digits or 3) Provider or LWDA or 4) Program or 5) Funding Stream or 6) Fund Name or 7) Status and Date with at most 5 year range



Step	Action
6.	Enter the search criteria to search for a contract. For example, click in the Contract#: field. <input type="text"/>
7.	Enter the desired information into the Contract#: field. Enter " 135113455 ".
8.	Press the Search button. <input type="button" value="Search"/>
9.	Select the checkbox next to the Contract #. For example, select the checkbox next to the 135113455 option. <input type="checkbox"/>
10.	Press the Create RFF button. <input type="button" value="Create RFF"/>

Bonding Limit\$: 500,000.00
 Fund Approved to Date: 58,937,070.00
 Net Fund Approved\$: 70,868,961.00

*Cash on Hand Concurrence:

*Payment Type: ACH ▾

Bank Partner#: BN01 ▾




Select Contract

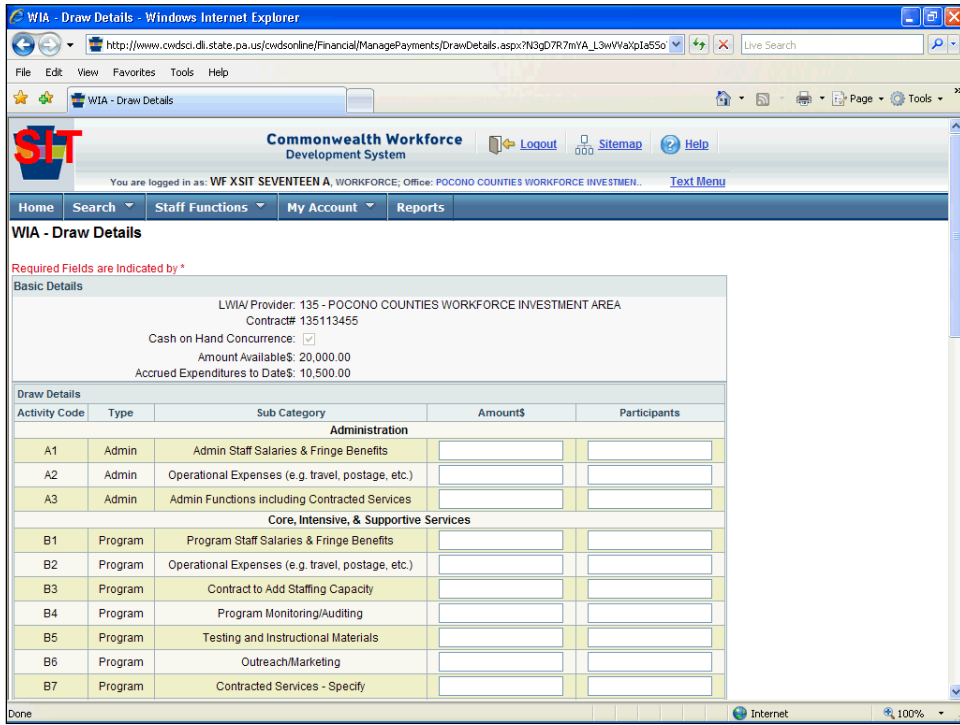
Contract#:

Contracts currently on this request

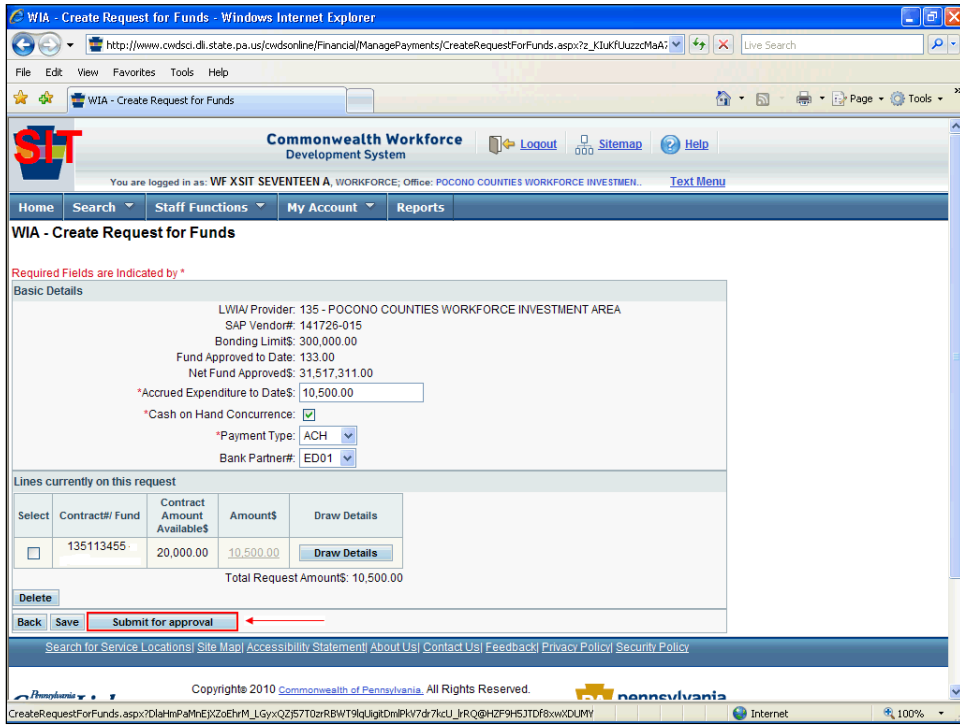
Select	Contract#/ Fund	Current Year Amount Available\$	Contract Year	Contract Amount Available\$	Amount\$	Draw Details
<input type="checkbox"/>	175133301 - 13 Youth Local 95%	1,498,009.00	2	1,498,009.00	<u>0.00</u>	<input type="button" value="Draw Details"/>

Total Request Amount\$: 0.00

Step	Action
11.	Click the *Cash on Hand Concurrence: option. 
12.	Select the drop-down arrow for the *Payment Type: list. 
13.	Select the Payment Type. For example, select the ACH list item. Note: If ACH is selected as the Payment Type, then the Bank Partner # is required. <input type="text" value="ACH"/>
14.	Select the drop-down arrow for the Bank Partner#: list. 
15.	Select the Bank Partner#. For example, select the ED01 list item. <input type="text" value="ED01"/>
16.	Press the Draw Details button. <input type="button" value="Draw Details"/>



Step	Action
17.	Enter the draw detail amounts for each category to be included on the RFF. For example, click in the Operational Expenses (e.g. travel, postage, etc.) field. <input type="text"/>
18.	Enter the desired information into the Operational Expenses (e.g. travel, postage, etc.) field. Enter " 1000.00 ".
19.	After entering the selected category amounts, press the Calculate button. <input type="button" value="Calculate"/>
20.	Verify that the Total Amount is correct and press the Save button. <input type="button" value="Save"/>



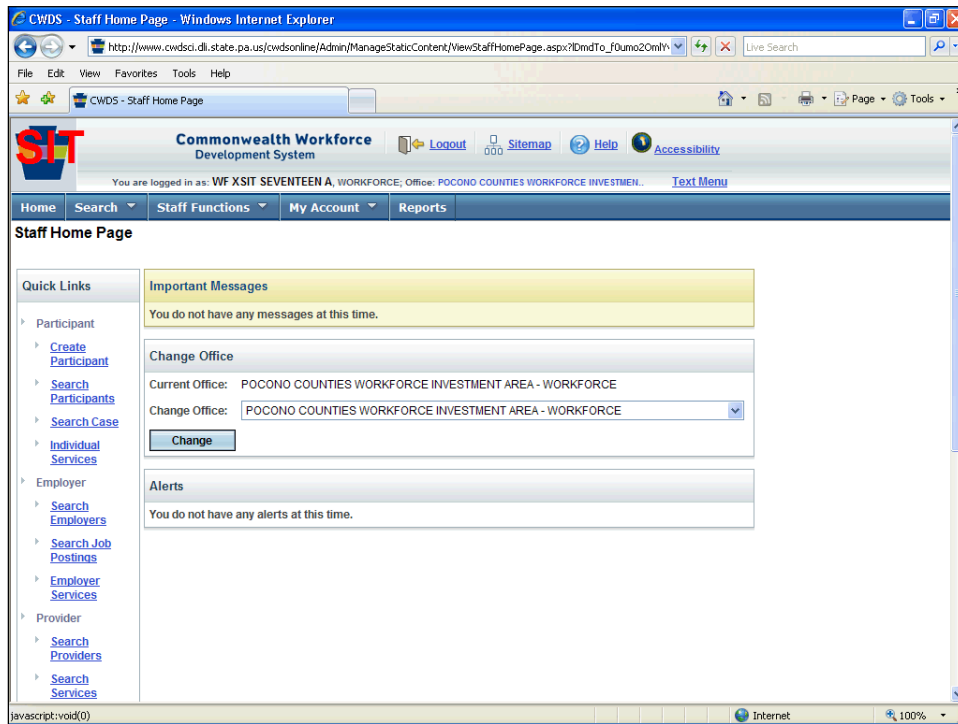
Step	Action
21.	<p>Press the Save button.</p> <p>Note: Staff also have the option of submitting the RFF for Approval at this point by pressing the "Submit for Approval" button.</p> <p>Save</p>
22.	<p>Note: A confirmation message will appear at the top of the WIOA-view Request for Funds screen indicating that the RFF has been successfully saved.</p>
23.	<p>Staff should now be able to create a WIOA RFF in CWDS.</p> <p>End of Procedure.</p>



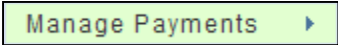

Search and Modify RFF

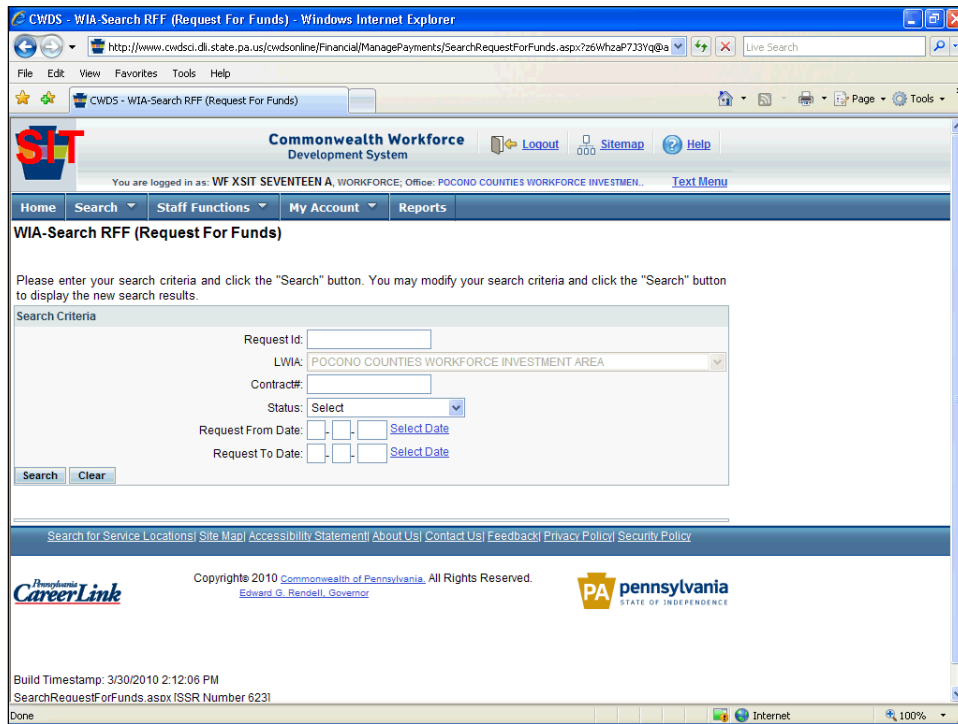
Background Information: In this topic, staff will learn how to search for and modify a WIOA RFF in CWDS. The Update-Create Request for Funds screen allows staff to modify a RFF before submitting it for approval or after it has been denied by the comptroller.

Pre-Conditions: RFF must be in "Received" or "Denied" status

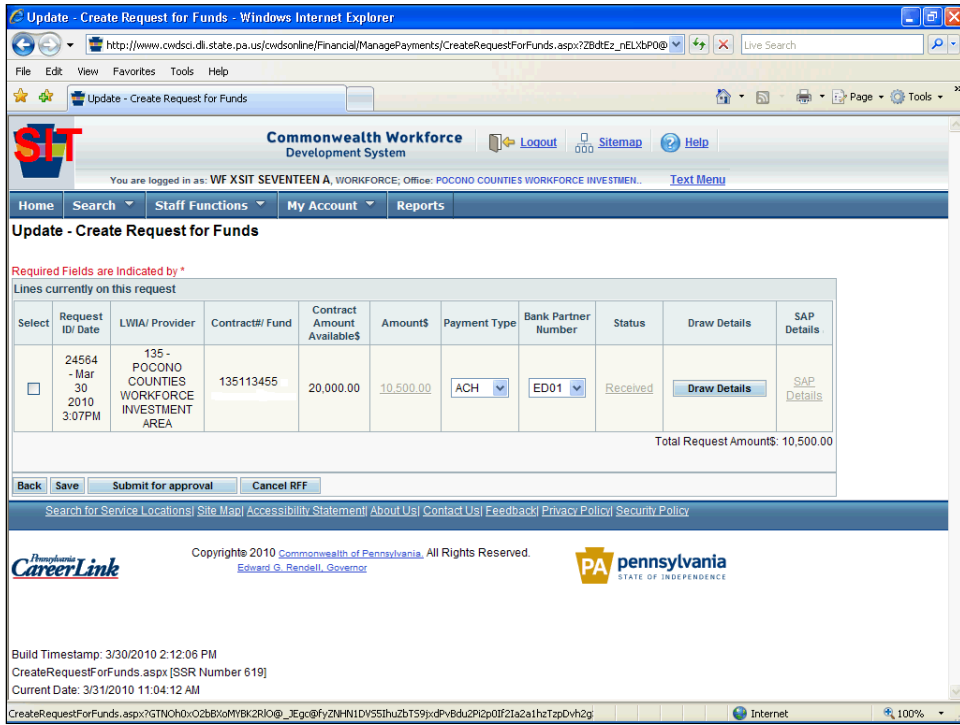
This process begins on the staff home page.



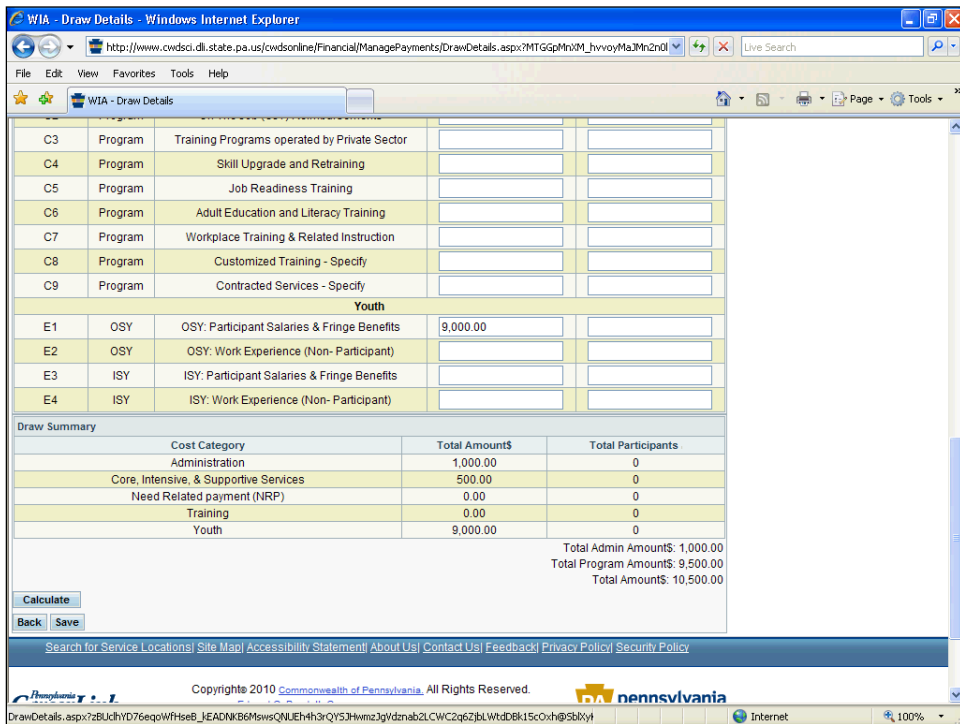
Step	Action
1.	Press the Staff Functions button. 
2.	Press the WIOA FMS link. 
3.	Press the Manage Payments link. 
4.	Press the Search Request For Funds link. 




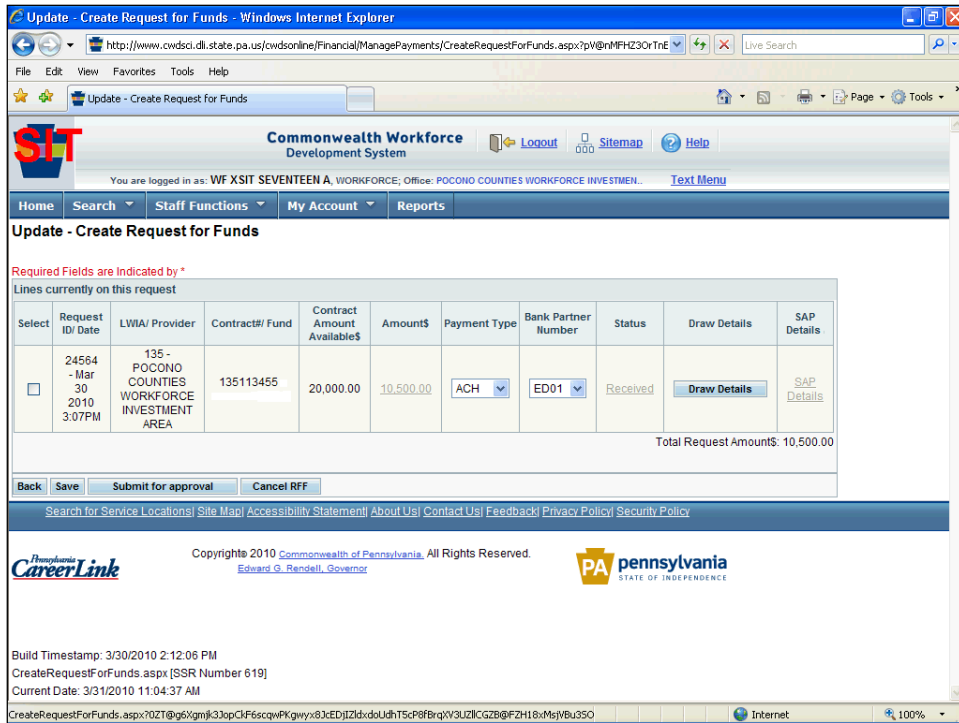
Step	Action
5.	Enter the search criteria to search for an RFF. For example, click in the Contract#: field. <input type="text"/>
6.	Enter the desired information into the Contract#: field. Enter " 135113455 ".
7.	Press the Search button. <input type="button" value="Search"/>
8.	Select the checkbox next to the RFF to be modified. <input type="checkbox"/>
9.	Press the Edit button. <input type="button" value="Edit"/>
10.	Note: Staff can modify the Payment Type and/or Bank Partner Number directly on the Update -Create Request for Funds screen or press the "Draw Details" button to update the Draw Details for this RFF.




Step	Action
11.	Press the Draw Details button.



Step	Action
12.	Make any necessary updates to the Draw Details and press the Save button. 



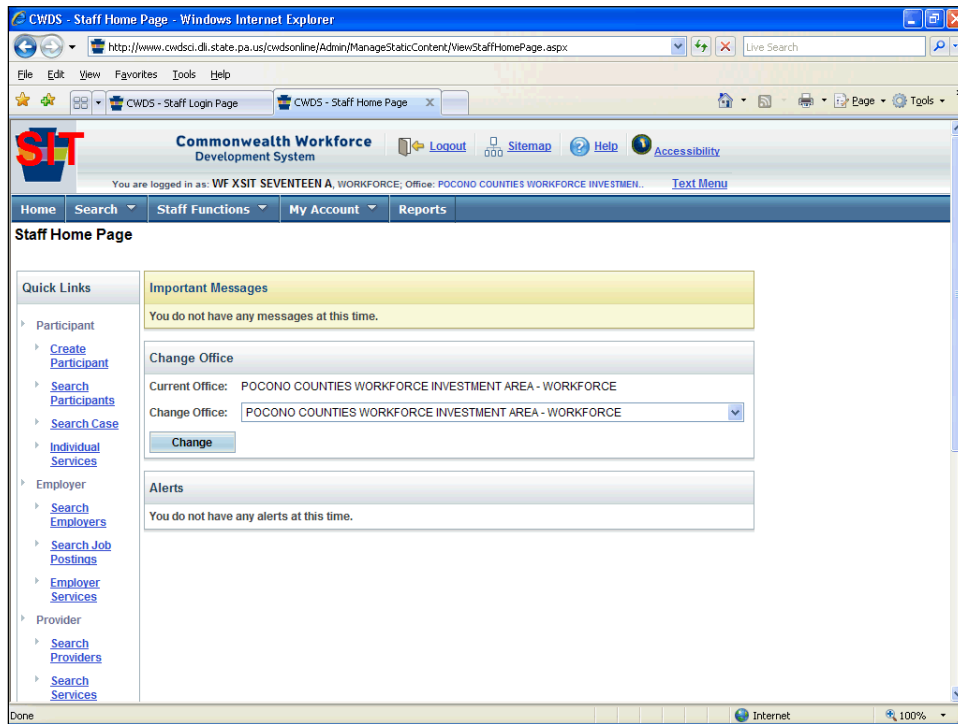
Step	Action
13.	Click the Submit for approval button. 
14.	Note: This process ends on the WIOA-Search RFF screen. Notice that the RFF that was just submitted for approval is now in "Review Comptroller" status.
15.	Staff should now be able to search for and modify a WIOA RFF in CWDS. End of Procedure.





Create FSR

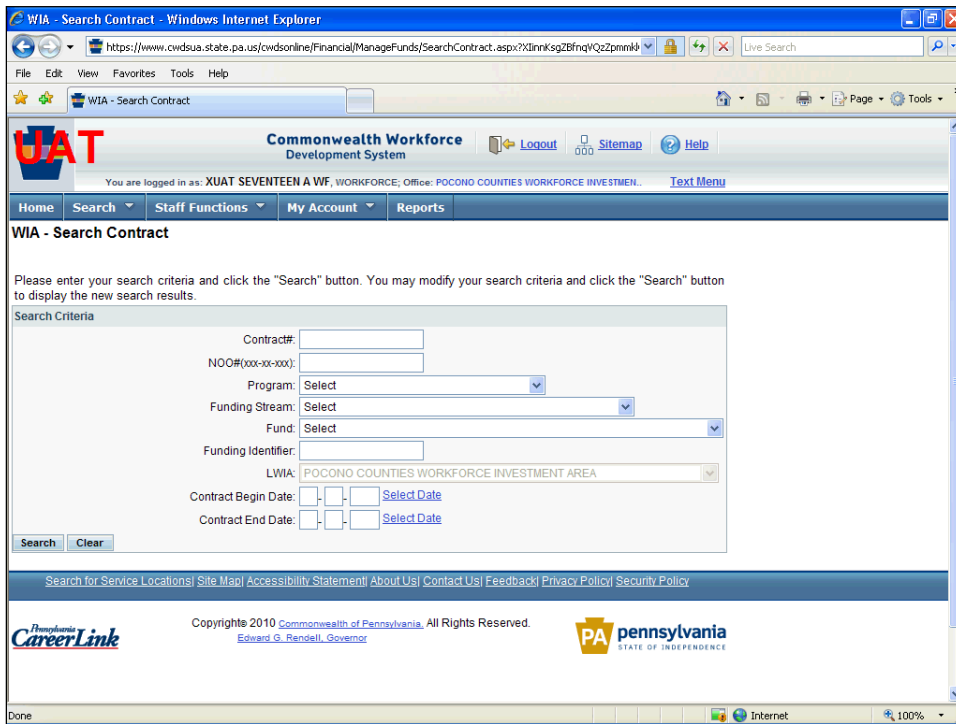
Background Information: In this topic, staff will learn how to create a WIOA Financial Status Report (FSR) in CWDS. The WIOA-Create FSR screen allows the local office fiscal agents to capture expenditures on a monthly basis in CWDS. The FSR is required to be submitted by the 15th day of every month or as the FSR reporting schedule allows.

Pre-Conditions: Contract must be in "SAP Posted Successfully" status

This process begins on the staff home page.



Step	Action
1.	Press the Staff Functions button. 
2.	Press the WIOA FMS link. 
3.	Press the Manage Contracts link. 
4.	Press the Search Contract link. 



Step	Action
5.	Enter the search criteria to use to search for a Contract. For example, click in the Contract#: field. <input type="text"/>
6.	Enter the desired information into the Contract#: field. Enter " 135096515 ".
7.	Press the Search button. <input type="button" value="Search"/>
8.	Select the checkbox next to the Contract#. For example, select the checkbox next to the 135096515 option. <input type="checkbox"/>
9.	Press the Create FSR button. <input type="button" value="Create FSR"/>
10.	Select the Month and Year the FSR is being reported for. Note: If the Override 10% rule is checked, the FSR will be placed into Pending Status and you will not be able to update and revise.

Basic Details

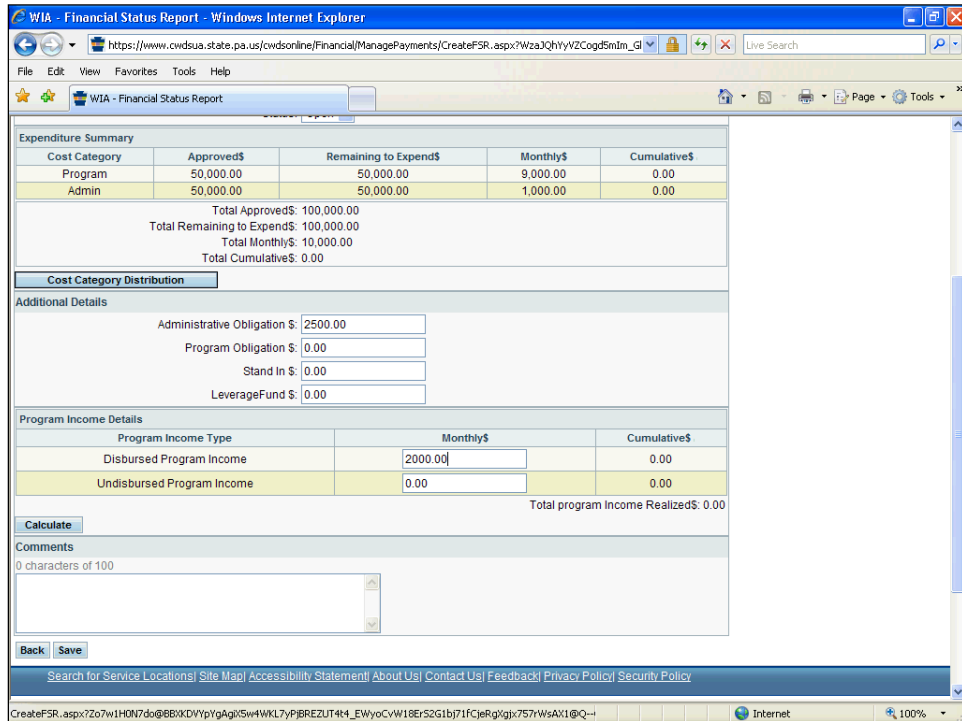
Contract#: 180124011 12 DW 2nd Local
 LWIA/ Provider: 180 - SOUTHCENTRAL WORKFORCE INVESTMENT AREA
 Month Reported For: September
 Year Reported For: 2013
 Override 10% rule:
 Status: Locked

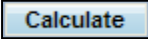

Expenditure Summary				
Cost Category	Approved\$	Remaining to Expend\$	Monthly\$	Cumulative\$
Program	1,394,674.20	36,971.20	171,754.00	1,357,703.00
Admin	154,963.80	36,507.80	33,252.00	118,456.00
Total Approved\$: 1,549,638.00 Total Remaining to Expend\$: 73,479.00 Total Monthly\$: 205,006.00 Total Cumulative\$: 1,476,159.00				
Cost Category Distribution				
Additional Details				
Administrative Obligation \$: <input type="text" value="0.00"/>				
Program Obligation \$: <input type="text" value="36,971.00"/>				
Stand In \$: <input type="text" value="0.00"/>				
Leverage Fund \$: <input type="text" value="0.00"/>				
Program Income Details				
Program Income Type	Current Reporting Period\$	Cumulative\$		
Total Federal program income earned	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>		
Program income expended in accordance with the addition method	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>		
Unexpended Program Income\$: 0.00				
Comments				
59 characters of 100				
<input type="text" value="Accrual amount of \$69,616 * Locked by System Oct 15, 2013 *"/>				

Step	Action
11.	Press the Cost Category Distribution button.

Activity Code	Type	Sub Category	Monthly Amount\$	Participants	Cumulative Amount\$
Administration					
A1	Admin	Admin Staff Salaries & Fringe Benefits	<input type="text" value="33,252.00"/>	<input type="text"/>	118,456.00
A2	Admin	Operational Expenses (e.g. travel, postage, etc.)	<input type="text"/>	<input type="text"/>	0.00
Core, Intensive, & Supportive Services					
B1	Program	Program Staff Salaries & Fringe Benefits	<input type="text"/>	<input type="text"/>	0.00
B2	Program	Operational Expenses (e.g. travel, postage, etc.)	<input type="text"/>	<input type="text"/>	29,316.00
B3	Program	Other Program Expenses	<input type="text" value="171,754.00"/>	<input type="text"/>	1,116,613.00
D1	Program	Needs Related Payments	<input type="text"/>	<input type="text"/>	0.00
D2	Program	Supportive Service Funds	<input type="text"/>	<input type="text"/>	0.00
Training					
C1	Program	Tuition Payments/ITAs	<input type="text"/>	<input type="text"/>	174,539.00
C2	Program	On The Job (OJT) Reimbursements	<input type="text"/>	<input type="text"/>	37,235.00
		Skill Upgrade and	<input type="text"/>	<input type="text"/>	

Step	Action
12.	Enter any/all accrued costs into the Monthly Amount field. Note: the Cumulative Amount will automatically update from the prior FSRs. For example, click in the Admin Staff Salaries & Fringe Benefits field. <input type="text"/>
13.	Staff can enter the number of Participants that are associated with the cost entered. Click in the Admin Staff Salaries & Fringe Benefits field. <input type="text"/>
14.	Press the Calculate button. <input type="button" value="Calculate"/>
15.	Verify that the Total Amounts are correct and press the Save button. <input type="button" value="Save"/>
16.	Note: The Cost Category Distributions entered are summarized under the "Expenditure Summary" section on the WIOA-FSR screen.
17.	Note: Staff can enter additional financial details in the "Additional Details" section as well as in the "Program Income Details" section and the "Additional Details" section that includes obligations.



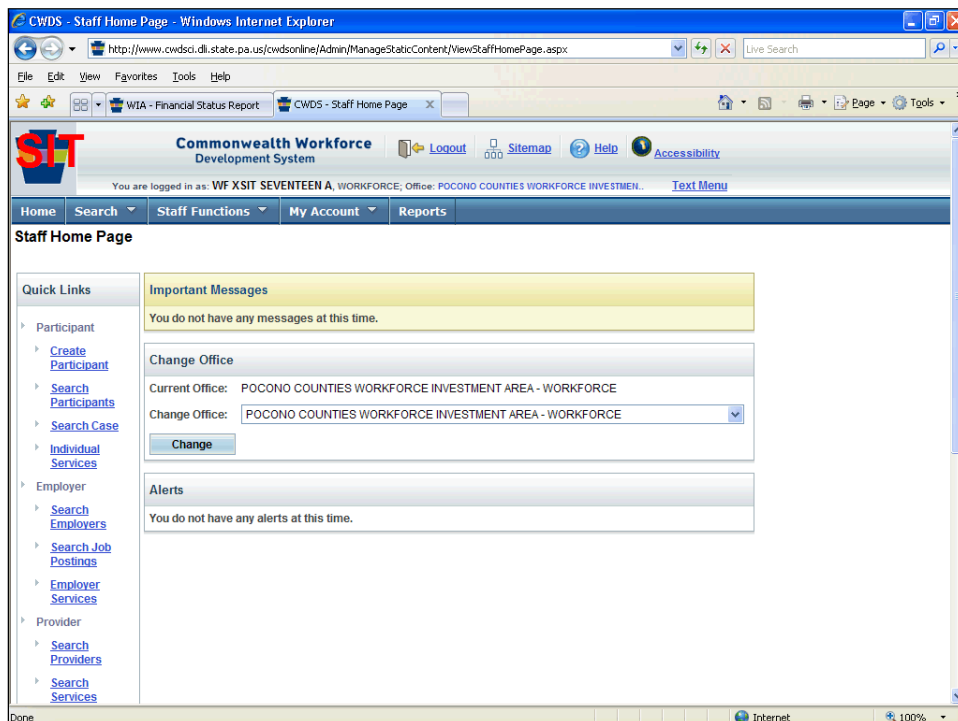
Step	Action
18.	<p>Note: If staff choose to enter additional financial details, the amounts entered will need to be calculated before saving the FSR.</p> <p>Press the Calculate button.</p> 
19.	<p>Press the Save button.</p> 
20.	<p>Note: The FSR is saved and is in "Open" status. Staff can modify an FSR in "Open" status.</p>
21.	<p>Staff should now be able to create a WIOA FSR in CWDS. End of Procedure.</p>


Search and Modify FSR-LOFA




Background Information: In this topic, staff will learn how to search for and modify a WIOA Financial Status Report (FSR). The WIOA-FSR screen allows local office fiscal agents to modify the details of the FSR and save the FSR as a final version for comptroller review.

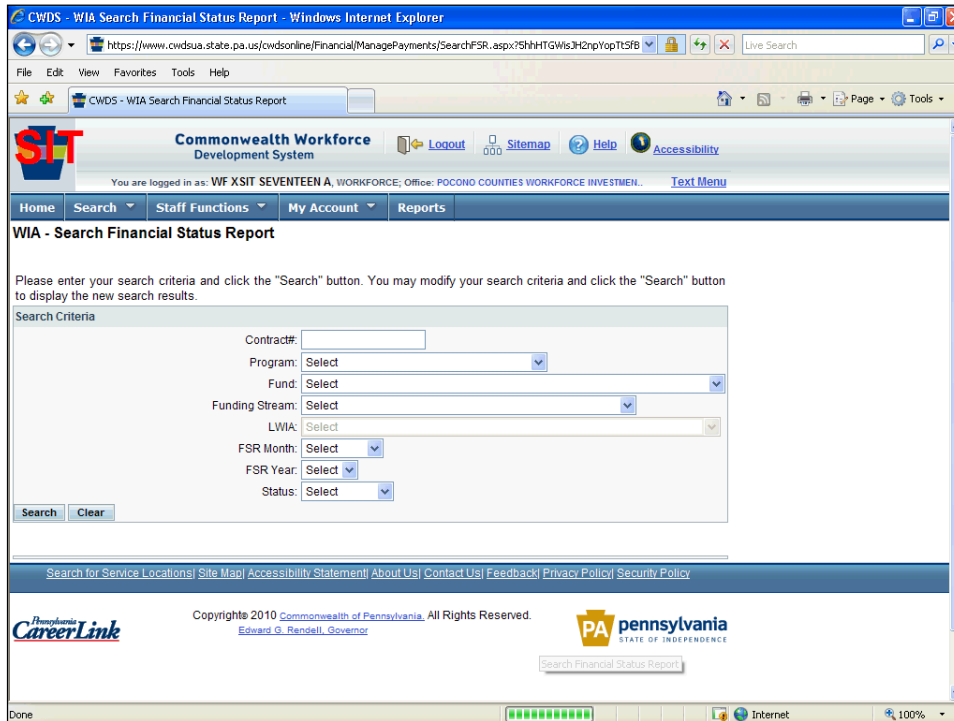
Pre-Conditions: FSR must be in "Open" status.


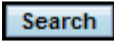


This process begins on the staff home page.

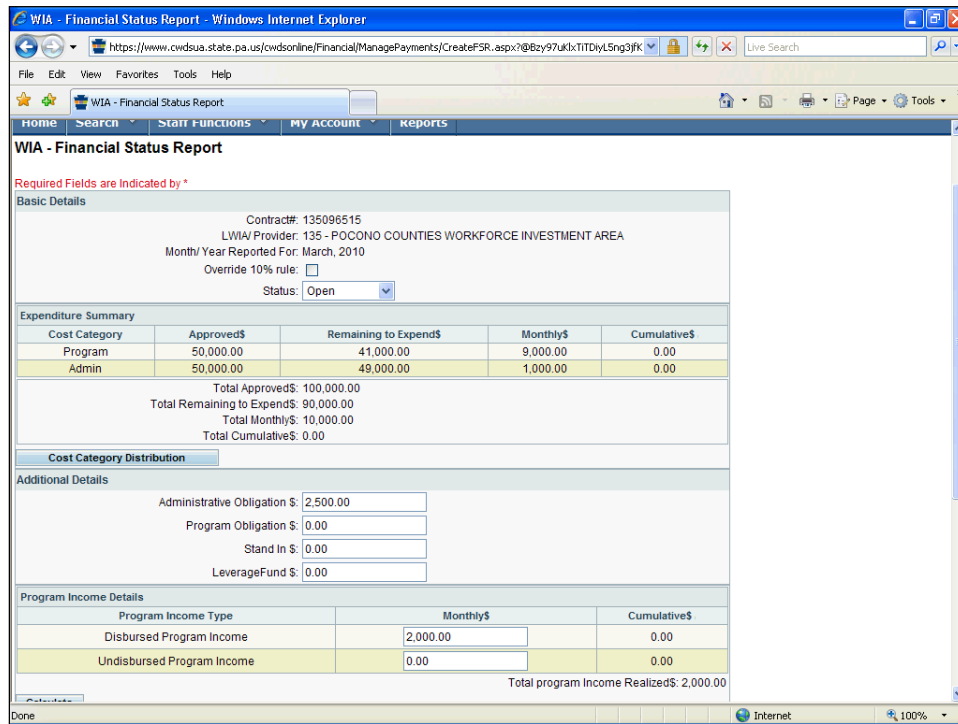


Step	Action
1.	<p>Press the Staff Functions button.</p> 

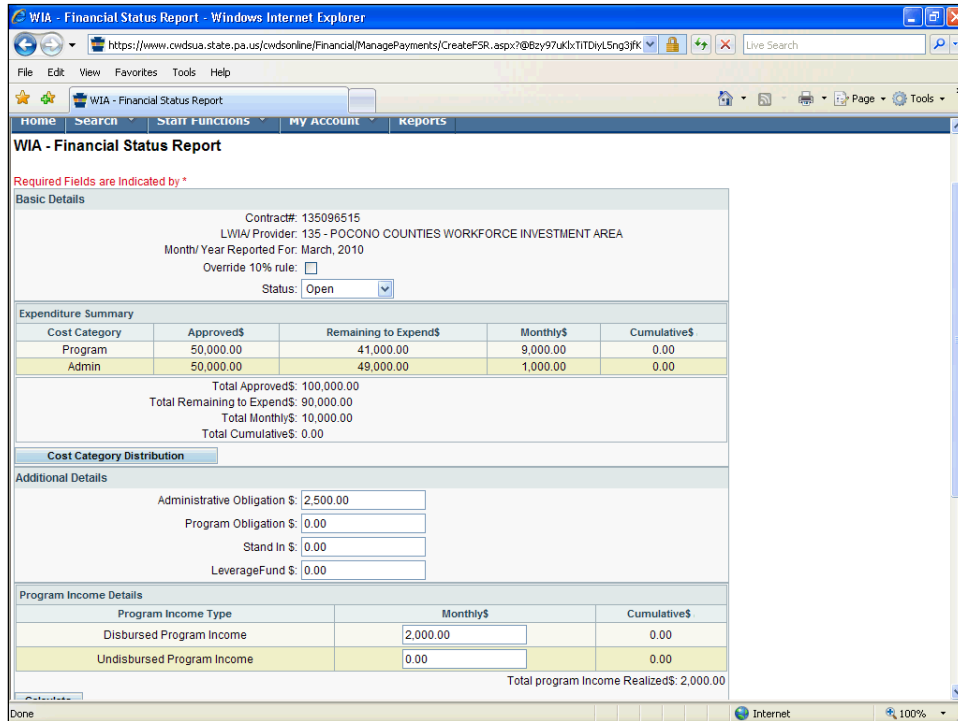
Step	Action
2.	Press the WIOA FMS link. 
3.	Press the Manage FSR link. 
4.	Press the Search FSR link. 


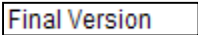



Step	Action
5.	Enter the search criteria to search for the FSR. For example, click in the Contract#: field. 
6.	Enter the desired information into the Contract#: field. Enter " 135096515 ".
7.	Press the Search button. 
8.	Select the radio button next to the FSR Month/Year. For example, select the radio button next to the March 2010 option. 
9.	Press the Edit button. 
10.	Note: Staff can modify all editable fields while the FSR is in "Open" status.



Step	Action
11.	Scroll the object with the mouse wheel.



Step	Action
12.	Select the drop-down arrow for the Status: list. 
13.	Select the Final Version list item. 
14.	Press the Save button. 
15.	Note: Notice the FSR is now in "Final Version" status.
16.	Staff should now be able to search for and modify a WIOA FSR. End of Procedure.

Chapter 7

PA CAREERLINK® RESOURCE SHARING

INTRODUCTION

WIOA and its implementing regulations require the collaboration of a number of federally funded Workforce Development activities. WIOA and those same regulations further stipulate that partners in PA CareerLink® activities share in the costs of the system. The delivery of Workforce Development services through partnerships, some of which are funded under different laws by various federal agencies, requires the uniform management of resource sharing methodologies for the paying and funding of allocable costs in the PA CareerLink® environment.

This portion of the guide has been developed to provide the commonwealth's PA CareerLink® centers, PA CareerLink® operator(s), PA CareerLink® partners, local board and fiscal agent staff, and other interested parties with guidance on the administrative and financial management requirements applicable to the required funded partner programs. Additionally, guidance for all partner programs on implementing the uniform policy on cost allocation and resource sharing is contained in the Federal Register notice titled, *"Resource Sharing for Workforce Investment Act One-Stop Centers: Methodologies for Paying or Funding Each Partner Program's Fair Share of Allocable One-Stop Costs"* [66 Fed. Reg. 29638, May 31, 2001].

The information contained in this chapter is to be used as a guide for managing the financial procedures associated with the shared costs of operating a PA CareerLink® and to improve the overall efficiency and cost effectiveness of the workforce system by ensuring comprehensive and proactive planning as well as full integration.

The information defined here is to provide accountability, sound financial management, and a standardized reporting process that will be utilized to report PA CareerLink® financial information.

DEPARTMENT ROLES

BWDA is tasked with ensuring the fiscal and data integrity between the commonwealth's SAP Accounting System and the commonwealth's Workforce Development System. This includes ensuring Resource Sharing Agreements and Resource Sharing Agreement Budgets are maintained across the commonwealth in a centralized repository. BWDA evaluates Resource Sharing Agreement Budgets for conformity with federal and state regulations and ensures cost allocation methodology is fair and equitable amongst the partners. BWDA creates and routes RSAB Signature pages for the following partner/programs: Advet, DHS, FLC, Mediation, Rapid Response, TRADE, Vets (DVOP) Vets (LVER), Wagner-Peyser, Wagner-Peyser Regional Staff, Wagner-Peyser & Staff Development, and Worker's Compensation. BWDA also processes Notice of Obligations, which formally allows the grantee to draw and make funds available in order to operate each PA CareerLink®. While the Bureau of Workforce Partnership and Operations (BWPO) is a partner at each PA CareerLink®, BWDA is not. BWDA is an administrative entity that provides governance and oversight as the designated entity to administer all workforce related funds under the governor's jurisdiction.

PA CAREERLINK® ROLES

Local Workforce Development Board

The local board and chief elected official(s) are responsible for all federal and state resources and services provided and passed through the local workforce development area. The local board and chief elected official(s) must jointly approve the Local Plan and budgets that hold them financially accountable.

The chief elected official(s) may designate an entity within their local area to serve as the fiscal agent. That entity in some cases may or may not be the local board; therefore, local level processes must be developed to assure that the local board and chief elected official(s) have appropriate approval authority.

The local board, in partnership with the chief elected officials, selects a PA CareerLink® operator or operators through a competitive procurement process. Pursuant to WIOA Sec. 121(d)(2)(B)), the PA CareerLink® operator may be a consortium of entities. The contract between the local workforce development board and the PA CareerLink® operator(s) for the local area identifies the roles and responsibilities of the PA CareerLink® operator(s).

PA CareerLink® Operator

The PA CareerLink® operator works in partnership to finalize all local PA CareerLink® agreements. The PA CareerLink® operator communicates, negotiates, manages, integrates, coordinates and conducts oversight of all services provided by and in cooperation with partners defined in the PA CareerLink® Partner Agreement, the Resource Sharing Agreement, and individual PA CareerLink® Business Plans.

PA CareerLink® Partnerships

It is crucial that a local partner team consisting of the fiscal agent (if one has been designated), a PA CareerLink® operator, a PA CareerLink® site administrator, and member(s) of the local board work together on the PA CareerLink® budget process. The team determines and prepares the appropriate types of agreements, creates individual PA CareerLink® Resource Sharing Agreement Budgets (RSABs), and develops a process for presenting the information to applicable parties for approval.

The local partner team is responsible for ensuring that the PA CareerLink® centers have the appropriate resources available to provide programs and services in accordance with the Local Plan. Partners, working in agreement with the local board and operator(s), ensure that PA CareerLink® Certification requirements are met and maintained.

PA CareerLink® Partners

The individual PA CareerLink® centers are all unique in the number and type of partners that provide their services at the PA CareerLink®. It is a local level decision to define the relationships with the various organizations through the local agreement process; however, the local board and chief elected official(s) have final approval authority at the local level for all agreements that use grant funds.

The following are some examples of the types of partners:

- **Operational Partner.** Operational partners are those partners that provide direct workforce services through the PA CareerLink® system and share in the operating expenses of the site.
- **Member.** Members are partners that have periodic workforce participation in service delivery and agree upon an annual usage fee.

- **Rent-Only Partner.** Rent-only partners are those partners who co-locate at the PA CareerLink® site and share in the rent expenses but do not provide direct workforce services and therefore do not contribute to the other operational shared costs.

PA CAREERLINK® BUDGET RESOURCES

BWDA allocates state partner funds based upon the finalized Resource Sharing Agreement Budget to each local area. BWDA issues a NOO to the legal entity (i.e. fiscal agent) receiving the local area funds. The executed NOOs will allow for the grantee/fiscal agent staff to draw each state partner's associated shared costs for PA CareerLink® expenses. .

Utilizing a common budget document, fiscal agent staff assists in the coordination of the Resource Sharing Agreement Budget process.

MEMORANDUM OF UNDERSTANDING (MOU)

[WIOA Section 121(c)]

The commonwealth has modified the name, "Memorandum of Understanding," as stated in the federal legislation and its regulations to, "Agreement," to better reflect the contractual commitments of the partners. Further, the commonwealth developed two (2) agreements that fulfill the intended use of the Memorandum of Understanding: *PA CareerLink® Partner Agreement* and *Resource Sharing Agreement*.

PA CareerLink® Partner Agreement

The PA CareerLink® Partner Agreement is a formal agreement on the roles and responsibilities of partner programs as well as the flow of program services to be provided within the PA CareerLink® system. The requirements for the PA CareerLink® Partner Agreement can be found in the commonwealth's *Workforce Delivery System Policy*.

RESOURCE SHARING AGREEMENT

The local board, with the agreement of the chief elected official(s), must enter into a Resource Sharing Agreement (RSA) with each entity that carries out a program or activity (employment and/or human resource program or activity) within the PA CareerLink® system. The agreement supports and documents the processes used by the parties to define, allocate, and share the operating costs and resources of each PA CareerLink® center.

The RSA is a fiscal document that provides the details necessary to allocate the shared costs and track the resources provided by each partner agency within the PA CareerLink® system. By design, the RSA is a document that will change as the actual costs incurred by the partners become known.

The local board and partner agencies, with the agreement of the chief elected official(s), must decide which PA CareerLink® model will work best given local conditions. However, whichever model is chosen by the local board and PA CareerLink® partners, changes to the RSA will be required if additional partners begin to share in the costs, partners choose not to participate in shared costs, there are any funding changes that will affect the services and activities to be offered through the PA CareerLink® system, or there are changes in the PA CareerLink® delivery system that require substantive changes to the cost information contained in the RSA.

Guidelines detailing the minimum requirements for all RSAs are at the end of this chapter. The local workforce development board has the discretion to add other requirements as they deem necessary.

- An RSA must be completed for each PA CareerLink® center. Depending on the needs of the local area and preferences of the local board and PA CareerLink® partners, the RSA for a comprehensive site may include affiliate sites and access points. The decision to have separate RSAs for comprehensive and affiliate sites, as well as access points, is a local level decision. If separate RSAs are executed for affiliate sites or access points, all partners involved must sign the RSA. This agreement requires review by the Department prior to execution to ensure compliance with WIOA and Department policy.
- A site does not need to wait for written approval by the Department to implement the RSA once the agreement is fully executed and signed by the required partners.
- In cases where the PA CareerLink® operator is a consortium of entities pursuant to WIOA Sec. 121(d)(2)(B)), a new or revised agreement will be required if a new lead is designated.
- The duration of the RSA will be two (2) years unless changes require a new or revised agreement. RSA's may not be updated more than once every six (6) months.

RESOURCE SHARING AGREEMENT BUDGET (RSAB)

The Resource Sharing Agreement Budget (RSAB), an attachment to the RSA, must be completed by the PA CareerLink® operator(s), signed by the local workforce development board and all partners involved, and submitted to the Department annually for approval. The RSAB is a common budget document that is a detailed break-out or budgetary documentation of all the shared costs proposed for the operation of a PA CareerLink® and the negotiated partners' fair share of these costs. The RSAB is a budget agreement between the partners within a PA CareerLink® center, which defines, allocates, and funds the shared costs of the PA CareerLink® center(s). It is important to understand the local area's workforce delivery system that will guide how the RSABs will be structured. A PA CareerLink® that is an affiliate site or access point will be different from the shared costs at a comprehensive PA CareerLink® center. The guiding principle regarding costs included in the RSAB is that the costs are associated with the operations of the system and the PA CareerLink® center. The RSAB is the plan and supporting documentation for the processes used by the partners to define, allocate, and fund the shared costs of each site. Please refer to the PA Department of Labor & Industry website for a downloadable version of this form.

The RSAB contains financial commitments by each of the partners in the form of the resources to be used in support of shared costs.

The PA CareerLink® operator(s) is responsible for preparing the center-specific PA CareerLink® RSAB and developing a process for presenting the information to partners for approval. The PA CareerLink® operator(s) is also responsible for obtaining all partner approvals and signatures for the financial commitments contained on the RSAB, with the exception of the following partner/prorams: Advet, DHS, FLC, Mediation, Rapid Response, TRADE, Vets (DVOP) Vets (LVER), Wagner-Peyser, Wagner-Peyser Regional Staff, Wagner-Peyser & Staff Development, and Worker's Compensation. All other state-level partner approvals must be obtained directly from said agency and/or Department unless indicated, and communicated, otherwise by BWDA. PA CareerLink® operators are encouraged to contact the BWPO Assistant Regional Directors to ascertain state partner contacts.

Annual partner budgets should be based on the previous year's expenditures and anticipated operational costs for the coming program year.

Utilizing a common budget template, the RSAB will also be maintained at the local level and signature pages for all agreements are to be made available for review during BWDA monitoring visits.

A PA CareerLink® site does not need to wait for written approval by the Department to implement the RSAB once the agreement is fully executed and signed by the local workforce development board and all partners. The RSAB may not be modified more than once every six (6) months.

RSAB Template

All RSABs must be submitted on an approved common budget document or BWDA's RSAB template, which provides for detailed descriptions of line items (costs) and facilitates the grouping of related costs. The template also provides for the presentation of multiple allocation bases and has built-in formulas which calculate partners' shared costs.

Note: The PA CareerLink® operator(s) may utilize another common budget document in lieu of the attached BWDA pre-approved RSAB template if the following provisions are met: 1) all partners agree to the common budget document, 2) the local board/fiscal agent approves, and 3) BWDA approves.

It should be understood that the BWDA pre-approved RSAB template may not capture the diversity in cost allocation methodologies; therefore, you are permitted to add methodologies that are not included on the template. Any new methodologies or other changes that are added must include an inserted formula for the appropriate line item expense. In addition, columns and rows may be inserted in the spreadsheet for additional partners and/or line item expenses. Please ensure the appropriate cost allocation formula is copied and inserted in any additional inserted column or row. Columns and rows may also be deleted.

Shared Operational Costs

The PA CareerLink® operator will identify the types of shared costs necessary to support the activities and services within the PA CareerLink® site. Types of Shared Costs may include but are not limited to:

- **Personnel/Staff.** Includes staff salaries, fringe benefits, staff travel, and staff development/training. Salary is calculated based on the actual and/or estimated annual salaries. The benefits are calculated based on historic or actual rates in relation to the total of the salaries.
- **Facility.** Includes building rent, maintenance costs, utilities, building improvements, security, or any other similar costs related to the physical structure of the PA CareerLink® center.
- **Operations.** Includes costs associated with the operations of a business office and the delivery of services. These types of costs may include, but are not limited to, office/facility supplies, printing, outreach, memberships, subscriptions, communications, and equipment leases.

All expenditures must meet the following criteria:

- Are reasonable for the performance of the award in accordance with the OMB Circular and are directly related to the proper and efficient operation of the grant;
- Conform to any limitations or exclusions set forth in the OMB Circular;
- Are consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization;
- Are accorded consistent treatment;
- Are determined in accordance with GAAP;
- Are not included as a cost of any other federally financed program (or used to meet matching requirements);
- Are adequately documented;

- Are net of all applicable credit;
- Are comparable to the charges for similar goods and services in the area;
- Are not general expenses required to carry out the overall responsibility of the government; and
- Should be distributed based on function or activity of the benefiting grant(s).

Allocation Methodologies

Within the One-Stop system, the costs may be aggregated and allocated using any methodology agreed upon by the partners which reflect the best measure of benefit received by the partner programs. These shared costs may be allocated:

- **In the aggregate.** Using this approach, the shared costs of the PA CareerLink® center or system are totaled. A single allocation base is chosen by the partners and applied to the total costs. The resulting distribution constitutes the total shared costs of each partner. For example, all the shared costs of the PA CareerLink® center are pooled and allocated using a cost per hour of operation basis. Pooling the costs in the aggregate may also be appropriate for large local areas such as a balance of state workforce development areas or a single local workforce development area where the preponderance of funds comes through one (1) or more state agencies. For example, a state agency is responsible for administering the local area as well as the local partner programs under Wagner-Peyser, Unemployment Compensation, Veterans' Employment programs, and Trade Adjustment Act while another state agency has the responsibility for administering both the Education and Rehabilitation Services programs.
- **On an activity basis.** Using this approach, the costs associated with a particular function or activity are pooled. An allocation base is developed for each pool, usually related to the costs being allocated and applied. The resulting distribution of costs reflects each partner's share of the activity or function. The costs for each function or activity being allocated would be added together for the total shared costs by partner. For example, the costs of a combined intake and eligibility determination system could be pooled and allocated on the basis of data bytes on common forms attributable to each program, or the costs of common core services, such as career counseling, could be pooled and allocated on the basis of a time distribution system.
- **On an item of cost basis.** Using this methodology, each item of cost is allocated to the benefiting partner program using a separate allocation methodology. Examples of this basis are building rental costs allocated on a square footage basis or telecommunication costs allocated on a number of units used basis.
- **On a combination basis.** Grantees and partners may also allocate costs on a combination of the above bases by allocating some costs on an activity basis and other shared costs on an individual item of cost basis.

Whatever methods the PA CareerLink® operator and partner agencies use to allocate the costs, the methodologies or allocation bases used to distribute the costs among the partner programs must:

- Result in an equitable distribution of shared costs. In other words, no partner may be charged more than its fair share of the costs;
- Correspond to the costs being allocated;
- Be efficient to use; and
- Be consistently applied over time.

These requirements apply to any costs that are allocated to federal grant programs, not just the shared costs of the PA CareerLink® center(s). Thus, these requirements and the following standards should be familiar to the partner programs sharing the costs. In addition, any methodology that is used must meet the following standards:

- Be consistent with Generally Accepted Accounting Principles (GAAP), a set of standards that governs the treatment of costs, revenues, assets, etc., within an organization’s books of account.
- Be consistent with the applicable OMB circulars and the uniform administrative requirements.
- Be accepted by each partner’s independent auditor to satisfy the audit testing required under the Single Audit Act (SAA). Each partner bears the responsibility to provide the cost allocation and resource sharing information to its independent auditor to ensure acceptance.
- Be supported by actual cost data. Each partner must provide information on actual resources used or costs incurred, and these are reconciled with the estimates used in the preliminary allocations.
- Be consistent with the overall program design and services approach utilized within the One-Stop system.

Cost Pool	Allocation Base
Facilities: Building rent, maintenance costs, utilities, tenant improvements, or any other similar costs related to the physical structure housing the One-Stop center.	Square footage occupied by each partner agency as compared to the total space, workstation usage by partners as compared to total workstations.
Telecommunications: Monthly telephone costs, telephone system equipment, data lines, T-1 lines, and other similar costs.	Dedicated telephone units as compared to all units. Equal access to Internet for data costs.
Information Technology: Shared equipment, software, IT maintenance costs, Internet access, and other similar costs.	Number of dedicated computers (including all necessary equipment) as compared to total.
Resource Center: Costs of shared equipment, displays, computer learning, specialized software for computer learning, furniture, copier, fax machine; may also include related staff costs.	Equal access by customers of all partner programs results in equal costs for each partner. Customers attributable by partner program. Number of customers receiving services within the resource center.
Shared Equipment and Supplies: Staff copier, fax, associated supplies, furniture.	Usage by staff of each partner program. Occupancy (square footage) basis; numbers of staff workstations.

Funding of the PA CareerLink® Infrastructure

[WIOA Section 121(h)]

The term, “costs of infrastructure,” used with respect to a PA CareerLink® center, means the non-personnel costs that are necessary for the general operation of the PA CareerLink® center including the costs of facility rental; utilities and maintenance; equipment, including assessment-related products and assistive technology for individuals with disabilities; and technology to facilitate access to the PA CareerLink® center, including the center’s planning and outreach activities.

WIOA permits local boards, CEOs, and partners to determine how infrastructure costs will be shared based on proportionate share and proportionate use. This could have an impact on UC share of infrastructure costs since WIOA emphasizes equitable and stable methods of funding the costs of infrastructure of PA CareerLink® centers.

Failure to reach consensus agreement on Funding Methods provisions of WIOA Section 121(A)(1)(ii), begins July 1, 2016.

If the local board, chief elected officials, and one-stop partners in a local area fail to reach consensus agreement on methods of sufficiently funding the costs of infrastructure of one-stop centers for a program year, the state infrastructure funding mechanism described in paragraph (2) shall be applicable to such local area for that program year and for each subsequent program year for which those entities and individuals fail to reach such agreement.

If, after July 1, 2016, and each subsequent July 1, the local board, chief elected officials, and one-stop partners do not reach consensus on methods of sufficiently funding local infrastructure through the local infrastructure cost funding mechanism, and include that consensus agreement in the signed MOU, then the local board must notify the governor, and the governor must administer funding through the state one-stop funding mechanism as described in § 678.730. (WIOA sec. 121(h)(2))

Only when there is no agreement by the local board, CEO(s), and partners will the state's one-stop funding mechanism (WIOA Sec. 121(h)(2)) come into play.

The state funding mechanism is to be developed by the PA Workforce Development Board (PA WDB) using a formula based on factors including (1) the number of one-stop centers in a local area (2) the population served by such centers (3) the services provided by such centers (4) other factors relating to the performance of such centers that the PA WDB determines are appropriate.

PA CAREERLINK® STAFFING SURVEY

The statewide *PA CareerLink® Staffing Survey* is to be addressed in the Resource Sharing Agreement and completed at least semi-annually by the PA CareerLink® operator(s) or designee and forwarded to each individual partner once completed. PA CareerLink® Staffing Survey must be attached to the annual Resource Sharing Agreement Budgets or when a modification to the budget is submitted to BWDA for review and approval. Please refer to the PA Department of Labor & Industry website for a downloadable version of this form.

RESOURCE SHARING AGREEMENT BUDGET TIMELINE

The following timeline has been established for local grantees/fiscal agent and all parties involved in PA CareerLink® operations to ensure funding availability for the applicable program year.

COMPLETION DATE	REQUIRED ACTION
Jan-Feb	The LWDB or fiscal agent will provide the PA CareerLink® operator preliminary shared costs based upon actual figures from the prior year or sound estimates. BWDA should be contacted to estimate available state partner funds.
Feb - March	The LWDB or fiscal agent will help the PA CareerLink® operator collect, compile, and analyze a preliminary statement of benefits as it relates to the RSABs and the identification of all shared costs at each PA CL site.
March - April	The LWDB or fiscal agent will work with PA CareerLink® operator to assign dollar values and validate appropriate methodologies for assigning a fair share of allocable PA CL costs.
April - May	<p>The finalized shared costs will then be entered into the RSAB and approved by the PA CareerLink® operator (like the RSA, the lead PA CareerLink® operator members must sign the RSAB) and attached to the RSA as an Addendum.</p> <p><i>Note:</i> the PA CareerLink® operator members must publicly meet to vote and adopt the RSAB and/or any modifications. The meeting must have written minutes and detail the actions taken by the PA CareerLink® operator. The RSAB, and any modifications, must be submitted to BWDA as they occur. The Deputy Secretary for Workforce Development has appointed the Director of the Bureau of Workforce Partnership and Operations (BWPO) as the partner and sole signatory for RSAB’s for BWPO partner funds.</p>
May - June	The RSAB must be submitted to BWDA once executed.
	BWDA’s review and concurrence will follow.

Submit Resource Sharing Agreement Budgets to the resource account: LI-BWDA-Grants-Fiscal@pa.gov.

RESOURCE SHARING AGREEMENT BUDGET—FINANCIAL STATUS REPORT (RSAB-FSR)

All local grantees/fiscal agents are required to report actual, site specific, expenditures that, at a minimum, identify the costs as personnel/staff, facility/building, and operations by each PA CareerLink® partner.

Actual expenditures, including state fronted expenditures, are to be reported on a quarterly basis on or before 45 days after the end of the quarter.

Exclusive of the first quarter of the program year, (July, August, Sept), CARS Request for Funds (RFFs) submitted after the 45-day period will not be approved if BWDA has not received the previous quarterly RSAB-FSR.

All documented expenditures must:

- Be reasonable and allocable to the appropriate program funds;
- Conform to any limitations or exclusions set forth in the types or amount of cost items;
- Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization;
- Accorded consistent treatment; and
- Be determined in accordance with generally accepted accounting principles (GAAP).

The earning, allocation, and use of program income must be reported on the *RSAB-Financial Status Report*. Please refer to the PA Department of Labor & Industry website for a downloadable version of this form.

Each quarterly report must be marked with the appropriate quarter and submitted in accordance with the previous chart timeline to the following resource account: LI-BWDA-Grants-Fiscal@pa.gov. A "FINAL" report must also be submitted on or before the close of business, August 31st.

RESOURCE SHARING AGREEMENT BUDGET (RSAB) MODIFICATIONS

RSAB Open Modification Period as Defined in the RSA

A modification to a Resource Sharing Agreement Budget may be needed for a variety of reasons, including the addition or removal of a partner, the method of allocation, and/or the agreed upon shared costs. Partners are financially liable for all expenditures they agreed to and as stipulated through the terms of the Resource Sharing Agreement and the Resource Sharing Agreement Budget.

Modifications to the Resource Sharing Agreement Budget must be approved by the partners. The Resource Sharing Agreement Budget must be numbered to reflect the most current modification.

An explanation of the RSAB changes must be annotated in the comments section on all RSAB modifications. Line item budget changes that do not affect the total budget amount do not require a formal modification; however, all partners must be provided with the necessary information reflecting the revision.

A RSAB Financial Status Report reflecting actual expenditures for the RSAB period prior to the modification must be submitted with all RSAB modifications.

RSAB modifications must be submitted to the following resource account: LI-BWDA-Grants-Fiscal@pa.gov.

Signature Requirements

Modifications requiring partners' signatures include the addition of a new partner, the removal of a partner, and the subsequent increase/decrease in the total shared costs of partner budgets.

ATTACHMENT 7-1: RESOURCE SHARING AGREEMENT (RSA) and BUDGET (RSAB)

At a minimum, the following seven (7) items must be addressed in the Agreement. The items must appear in the order as indicated in the table below and must include the same titles/headings.

For example: Parties and Purpose

1. PARTIES AND PURPOSE	
1.1. Parties	Organizations entering into the agreement Funding source each represents General authority and mutual agreement of parties Designated primary contact and signatory for the site
1.2. Purpose	To establish an agreement on sharing in the operational costs of the PA CareerLink® sites.
2. TERM OF AGREEMENT	
2.1. Dates	Agreement start and end dates should be 2 years in length. <i>Example:</i> This agreement shall be effective from July 1, XXXX, and terminate June 30, XXXX <i>Note:</i> The RSA budget is required to be completed annually.
2.2. Termination	Circumstances for termination outside of the term, and procedure to do so. <i>Examples:</i> <ul style="list-style-type: none"> • This Agreement can terminate by repeal of the Workforce Investment Act of 1998 (WIOA), otherwise by action of law or in accordance with this section. • Any party may withdraw from this Agreement by giving written notice of intent to withdraw at least X calendar days in advance of the effective withdrawal date. Notice of withdrawal shall be given to all parties to the addresses shown in other parts of this agreement and to the contact persons listed. Should any party withdraw, this Agreement shall remain in effect with respect to other remaining parties.
3. PROGRAM INCOME	
3.1. Process	How income will be generated, tracked, allocated, spent, and accounted for in accordance with OMB guidelines.
4. COSTS* <i>See Cost Allocation Plan Guidelines below for additional information</i>	
4.1. Budget	Operational budget and costs Financial plan addressing operations and programs
4.2. Shared Costs	Identification of costs necessary to support activities and services of site Method of allocation and process of collection Process for procurements and making payments
4.3. Facilities	Identification of responsibilities of partners regarding costs of facilities <i>Examples:</i> Provided they do not conflict with the lease agreement <ul style="list-style-type: none"> • (Name of partner holding the lease) grants to the partners who have signed the RSA, the right to co-locate and use a portion of the space at the property.

	<ul style="list-style-type: none"> • (Name of partner holding the lease) shall not be liable to partners or any of its agents, employees, or invitees for any death or injury to persons or damage to property due to the condition or design or any defect in the facilities, the property, or any part of the component which may exist or subsequently occur. • The partners shall not make any alteration to the facilities without the prior written consent of (Name of partner holding the lease), and such consent shall not be unreasonably withheld. • Partners shall secure commercial comprehensive general liability insurance with respect to the business conducted on the property unless a partner is self-insured within the laws of the Commonwealth of Pennsylvania.
<p>5. CONTRACT PROCEDURES</p>	
<p>5.1. Authority</p>	<p>Who has the authority and/or responsibility to amend, modify, resolve, or otherwise process these procedures?</p>
<p>5.2. Modification</p>	<p>Circumstances for modification and procedure to do so. <i>Example:</i> This Agreement may be modified at any time by written agreement of the parties. Assignment of responsibilities under this agreement by any of the parties shall be effective upon written approval from the other parties. Any assignee shall also commit in writing to the terms of this Agreement.</p>
<p>5.3. Impasse Resolution</p>	<p>Process for disagreement resolution between the board, PA CareerLink® operator, and/or parties to the agreement <i>Example:</i> Any substantive differences between the parties that reach an impasse will be handled as follows:</p> <ul style="list-style-type: none"> • Between PA CareerLink® operator/partner – The parties will attempt to resolve the issue. If the impasse is not covered by the contract between the local board and the PA CareerLink® operator(s), the local workforce development board will be notified in writing by the PA CareerLink® operator at least 10 days prior to the next scheduled board committee meeting for resolution. • Between partners – The PA CareerLink® administrator will convene discussion among partners. If resolution cannot be reached, the PA CareerLink® administrator will forward the impasse to the PA CareerLink® operator for resolution.
<p>5.4. Breach</p>	<p>Circumstances that constitute a breach of agreement. These could include:</p> <ul style="list-style-type: none"> • Violation of WIOA, applicable regulations, or specific requirements of the contract; • Program abuse, fraud, or other criminal activity; • Incorrect pricing, overstating personnel costs, supplies, equipment, etc., or absence of those resources as stated in the agreement; • Default; or • Consequences of a breach of agreement

6. AUTHORITY AND SIGNATURES	
6.1. Parties	All partners, who might differ from just renters or members. <i>Example:</i> The individuals signing have the authority to commit the parties they represent to the terms of this Agreement and do so commit by signing below.
6.2. Signatures Counterparts	Parties may include the following language to allow for signatures at the same time. <i>Example:</i> This Agreement may be executed in any one or more counterparts, the originals of which, when taken together and bearing the signatures of all parties to this Agreement, shall constitute one and the same agreement.
7. ATTACHMENTS TO RSA (Required Annually)	
7.1. Financial Status Report	Required annually, at minimum, for period of July 1 through June 30 Refer to RSA procedures developed by the BWDA which includes a required worksheet template
7.2. Signatures	Signature page for the budget Refer to RSA procedures developed by the BWDA which includes a required signature template

Chapter 8

CLOSEOUT PROCEDURES

CLOSEOUT REQUIREMENTS (NON-CARS NOOs)

Grantees are required to submit a closeout package at the termination of a NOO. The FSR must be marked “Final” and a completed closeout package is due to both the comptroller’s office and BWDA within 60 days after the termination date of the NOO or after the NOO has been fully expended (whichever occurs first). All drawdowns MUST be completed prior to the submission of the closeout package.

The complete closeout package includes:

- Final Financial Status Report (2 pages – FSR and FSR Details)
- Final Status of Funds;
- Grant Recipient’s Release;
- Grant Recipient’s Assignment of Refunds, Rebates, and Credits; and
- Grant Recipient’s Closeout Tax Certification.

One set containing each of these forms must be completed for each NOO.

Please refer to Chapter 11, Appendix A - *List of Attachments* for downloadable Financial Status Report forms and the Grantee Closeout Package forms.

EXPLANATION OF FORMS

- **Final Financial Status Report.** A printout of the Final Financial Status Report from the Financial Management System must be submitted. The Final Financial Status Report includes the FSR form and the FSR Details form.
- **Final Status of Funds.** Enter required information on each line item. Cash drawn must equal cash expenditures prior to submission of the closeout package.
- **Grant Recipient’s Release.** On line two (2) of the Grant Recipient’s Release, enter the total allowable costs incurred during the program period. This number should be written out, for example, \$213,547 would be recorded as Two-hundred thirteen thousand, five-hundred forty-seven. This amount must equal the total expenditures listed on the Final Financial Status Report.
 - In numbered paragraph 1, list any outstanding claimants by name, address, and amount due each. Attach a separate list if necessary. For unclaimed wages or outstanding checks, list the total amount and possible claimants. If there are no unclaimed wages or outstanding checks, insert NONE in the space.
 - In the case of Corporations, the Release should be signed by the president or vice-president of the Corporation (or their authorized designee) and attested to by the secretary or treasurer. Commonwealth agencies or political subdivisions (counties or municipalities) are not required to fill out the corporate attestation portion of the Release. Counties or municipalities should have the form signed by the chief elected official(s) or such official’s authorized designee.

- **Grant Recipient’s Assignment of Refunds, Rebates, and Credits.** Enter the Grant Recipient’s Name, Grant Number, Address, Contract Number, Date, Signature and Title of Authorized Signatory in the spaces provided. In the case of Corporations, the Assignment should be signed by the president or vice-president of the Corporation (or their authorized designee) and attested to by the secretary or treasurer. Commonwealth agencies or political subdivisions (counties or municipalities) are not required to fill out the corporate attestation portion of the Assignment. Counties or municipalities should have the form signed by the chief elected official(s) or such official’s authorized designee.
- **Grant Recipient’s Closeout Tax Certification.** Enter the Contract Number, Grant Recipient Name, Grant Recipient Address and FEIN in the appropriate spaces. Sign and submit the Certification form verifying that the fiscal agent has complied with the requirements for obtaining identification and account numbers regarding federal, state, and local taxes and the provisions of W-2 forms.

Note: All excess cash-on-hand must be returned to the commonwealth prior to the submission of the closeout package.

Checks must be made payable to the “Commonwealth of Pennsylvania” and mailed to:

Pennsylvania Department of Labor & Industry
 Bureau of Workforce Development Administration
 ATTN: Grants and Fiscal Services Division
 651 Boas Street, Room 1200
 Harrisburg, PA 17121

Original Closeout Packages must be mailed to:

Pennsylvania Office of the Budget
 Office of Comptroller Operations – Federal Accounting
 555 Walnut Street, 9th Floor
 Harrisburg, PA 17101

and a copy of the reports and forms sent to:

Pennsylvania Department of Labor & Industry
 Bureau of Workforce Development Administration
 ATTN: Grants Services
 651 Boas Street, Room 1200
 Harrisburg, PA 17121

LATE SUBMISSIONS

Prompt submission of financial closeouts is required so that the Department can accomplish:

- Calculation of program performance (including those necessary for determining eligibility for applicable incentives);
- Assessment of local area’s performance against plan;
- Timely reporting of expenditures to the federal government; and
- Reconciliation of expenditures input through the commonwealth's Primary Accounting System.

In regard to this last item, it is important that the commonwealth be given full credit for local area expenditures. Under reporting of expenditures could result in the reduction of funding allocations. Late submissions must be electronically scanned to the Grants Services Resource Account RA-LI-BWDA-GS@PA.GOV and followed up with a mailed set of documents.

Grantees failing to submit required financial documentation within the required timeframe shall forfeit eligibility for the receipt of any applicable incentive awards. Further, grantees that submit documentation that is incorrect and receive incentive awards greater than they were due will have the additional funds disallowed during the subsequent program year or at the time of audit.

Habitual failure to submit financial documents timely will result in the loss of drawing funds. Remedial action will be taken by BWDA and progressive sanctions will be applied.

REFUNDS AND AUDIT DISALLOWANCES

Grantees that are required to repay funds to the commonwealth as a result of audit disallowances need not reopen closeouts to reflect such payments. In addition, grantees who collect funds from sub-recipients as a result of audit disallowances will not be required to reopen closeouts to reflect payments. All audit disallowances repaid will be treated in accordance with this policy.

Note: See Audits and Debt Collection for further information.

REFUNDS AFTER CLOSEOUT

Funds recaptured beyond the 60-day closeout period as a result of refunds from workers' compensation, PHEAA, Pell, and/or any other similar refunds must be returned to the Commonwealth. Any refund of expenditures submitted by a grantee to the commonwealth from previous years, after closeout, will be considered a refund and treated in accordance with this policy. These refunds will not reduce a previous year's expenditures or increase the current year carryover. As referenced previously, recipients will not be required to revise final closeout packages to reflect such refunds.

Funds returned to the commonwealth that still have a useful life would be available for redistribution. To ensure that all refunds and audit disallowances are properly tracked, they must be identified by grant number and appropriate cost categories. Grantees must also maintain adequate documentation in their financial records to properly account for any audit disallowances and refunds in order to provide a proper audit trail. These funds will be accounted for separately and, based on availability, may be reallocated to grantees at the discretion of the Department. The funds may be reallocated to grantees that have demonstrated their ability to fully expend available resources and documented a need for additional resources.

While it may be necessary for grantees to refund program monies to the commonwealth beyond the 60-day closeout period due to extraordinary circumstances, grantees must make every effort to develop adequate procedures to ensure that the closeout package submitted as "Final" accurately reflects all expenditures for the life of that grant.

Chapter 9

AUDITS AND DEBT COLLECTION

INTRODUCTION

The Department may require the WIOA cluster is audited as a part of the terms and conditions of an award; and may be further provided for in the grant agreement provisions and assurances. Local boards and fiscal agents are encouraged to take steps now to ensure the WIOA cluster is audited, especially for large entities in which WIOA may not be considered a major award.

The Single Audit Act Amendments of 1996, Public Law 104-156, require adherence to applicable federal audit requirements.

Note: All references to “days,” unless otherwise stated, will be calendar days.

SPECIAL PROVISIONS

Starting with the auditable year 2014, grantees must begin to include the following provisions as part of the annual Single Audit or Program Specific Audit (where applicable and approved by the Department). Grantees must ensure the independent auditor reviews local board and fiscal agent staff payroll. Ensure time charges that are allocated between administrative and programmatic cost categories are accurate and fully substantiated by personal activities reports or allocated through an approved cost allocation plan or indirect cost rate by either the grantees federal cognizant agency, USDOL-ETA, or BWDA. Grantees must also disclose all findings to the independent auditor that were contained in any BWDA oversight and monitoring report(s) for the applicable audit period(s).

GENERAL AUDIT INFORMATION

Auditor Independence

[Yellow Book]

It is essential for the selected audit firm to remain independent in their work. Any other work to be conducted by this entity should be evaluated very closely to avoid compromising this independence.

- Auditors are prohibited from performing management functions or making management decisions (e.g., any member of the audit organization is prohibited from serving as a member of the entity’s management, decision-making committees, or board of directors); making policy decisions that may affect the direction and operations of the entity; supervising entity employees; developing entity program policy; authorizing entity transactions; and maintaining custody of entity assets.
- Auditors must not audit their own work or provide non-audit services in situations where the amounts or services involved are significant or material to the subject matter of the audit (e.g., if an audit organization were to assist an audit client with developing a new financial system, the audit organization would not be allowed to perform the audit on the new system).
- In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be free from personal, external, and organizational impairments to independence and must avoid the appearance of such impairments of independence.

- Auditors and audit organizations must maintain independence so that their opinions, findings, conclusions, judgments, and recommendations may be impartial, and viewed as impartial, by objective third-parties. Auditors must avoid situations that could lead objective third parties with knowledge of the relevant information to conclude that the auditors are not able to maintain independence and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the audit and reporting on the work.
- If impairment to independence is identified after the audit report is issued, the audit organization must assess the impact on the audit. If the audit organization concludes that it failed to comply with Generally Accepted Government Auditing Standards (GAGAS), the audit organization is required to determine the impact on the auditor's report and notify entity management, those charged with governance, the requesters or regulatory agencies that have jurisdiction over the audited entity, and the persons known to be using the audit report about the independence impairment and the impact on the audit. The audit organization should make such notifications in writing.

If there are no indications that an auditing organization's independence has been compromised after applying the overarching principles, then the audited entity must be informed of the following:

- The audit organization must establish with the audited entity the objectives, scope, and the product or deliverables for the non-audit service.
- The audit organization must also explain that substantive outcomes are the responsibility of management.

Note: The audit organization must be in position to provide informed judgment on the results of the non-audit service and ensure that the audited entity completes the following:

- Designates a management-level individual to oversee the non-audit service;
- Monitors and ensures the non-audit service meets management's objectives;
- Assumes full responsibility for any decisions that involve management functions that are related to the non-audit service; and
- Evaluates the adequacy of the services performed and any findings that may result from such.

If the non-audit service violates the overarching principles, then it is the duty of the audit organization to communicate to the audited entity's management that such entity is precluded from performing subsequent audit work related to the subject matter of the non-audit service.

Personal Impairments

[Yellow Book]

The audit organization must have an internal quality control system to help determine if auditors have any personal impairment to independence that could affect their impartiality or give the appearance of impartiality. Personal impairments of staff members result from relationships and beliefs that might cause an auditor to limit the extent of the inquiry, limit disclosure, or weaken or slant audit findings in any way. Auditors are responsible for notifying the appropriate officials within their audit organizations if they have any personal impairment to independence.

Examples include but are not limited to the following:

- Immediate family or close family member who is a director, officer, or an employee of the audited entity who is in a position to exert direct and significant influence over the entity or the program under audit;
- Financial interest that is direct, or is significant/material though indirect, in the audited entity or program;
- Responsibility for managing an entity or decision-making that could affect operations of the entity or program being audited. For example, serving as a director, officer, or other senior position of the entity, activity, or program being audited or serving as a member of management in any decision making, supervisory, or ongoing monitoring function for the entity, activity, or program under audit;
- Concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records when such services involved preparing source documents or originating data, participating at any point with the administration of financial transactions, or
- exercising responsibility over the audited entity's funds;
- Preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the audit;
- Biases, including those induced by political or social convictions, that result from employment in, or loyalty to, a particular group, organization, or level of government; and
- Seeking employment with an audited organization during the conduct of the audit.

Audit Requirements

Federal Register dated 12/26/13 Uniform Administrative Requirements

Grantees and sub-recipients, including local governments, non-profit organizations, and commercial for-profit organizations receiving federal financial assistance during their fiscal year either directly from the federal government, or indirectly from a recipient of federal funds, must have an audit conducted.

Additionally, contracting for these audit services must comply with an open and competitive procurement process. In order to ensure maximum competition, the length of multi-year contracts is limited to three (3) years. No multi-year contracts may be extended past the three-year period without being re-bid through the normal competitive procurement process. Selection of the same audit firm for more than three consecutive years is strongly discouraged and must be justified in the annual audit plan. A waiver of this provision may be requested if the local board does not have control over the selection of the audit firm.

It is required that the audit firm review the eligibility determination process/system for participants enrolled in WIOA or state-funded programs. Examples of areas to be reviewed include: entry of eligibility information, changes to the data fields, fiscal agent action in cases of unavailable source documentation, controls to protect the application/verification screens, and quality control reviews conducted on the eligibility information which has been entered into the system. A review must also be performed to verify that those participants receiving training or services have been enrolled. Agencies that perform eligibility assessment are NOT required to maintain copies of documentation verifying a participant's eligibility. All participant names in the audit report must be suppressed. However, the auditor may, whenever necessary, refer to particular participants as Participant A, Participant B, Participant C, etc. The auditor must then provide the fiscal agent with a key that will enable the fiscal agent to determine the identity of the participant for resolution purposes.

Each fiscal agent will be responsible for ensuring that lower tier sub-recipients comply with the requirements of the Federal Register dated 12/26/13, Uniform Administrative Requirements, *Cost Principles, and Audit Requirements for Federal Awards*; Final Rule OMB Uniform Guidance and 29 CFR 99.225. This includes ensuring that the fiscal agent issues a management decision to all sub-recipients that the fiscal agent has passed funds through within six months of receiving the audit.

Remedies for Recipient Noncompliance with Audit Requirements, Monitoring Reports, and other Compliance Requirements

[OMB Uniform Guidance; Management Directive 325.8, Remedies for Recipient Noncompliance, L&I Policy]

In accordance with OMB Uniform Guidance and to insure compliance with respective federal audit requirements and the Commonwealth of Pennsylvania, Management Directive 325.8, *Remedies for Recipient Noncompliance with Audit Requirements*, audit reports must be submitted to the Bureau of Audits within nine months after the end of the audit period.

BWDA reserves the right to unilaterally hold or restrict funds at any time, and without prior notice, for instances of non-compliance.

When grantees exhibit continued inability or unwillingness to comply with requirements and/or required corrective action (e.g. habitual failure to submitting financial documents and reports timely) imposed by L&I, the following remedial actions will be implemented:

- Within 60 days following BWDA's written notification to the grantee or fiscal agent of local area non-compliance, the BWDA provides technical assistance to the fiscal agent in devising and implementing an appropriate plan to remedy the non-compliance (including monitoring reports);
- Within 90 days of issuance, the BWDA or BWDA's designee conducts a fiscal or program review and provides related technical assistance;
- Within 120 days of issuance, BWDA will withhold a portion of funding, including administrative costs, until the non-compliance is resolved;
- Within 150 days of issuance, BWDA will suspend drawdowns on NOOs until the non-compliance is resolved;
- After 180 days following the date of issuance, BWDA will terminate the contract and, when necessary, seek alternative entities to administer the program.

Grantees should develop similar sanctions and enforce them on those lower-tier sub-recipients who fail to comply with federal audit requirements.

If the actions outlined have been implemented and the entity is not a local government, such entity shall be entered into the Central Contractor Responsibility File in accordance with Management Directive 215.9, *Contractor Responsibility Program*. Furthermore, entities may be subject to suspension or debarment in accordance with this directive.

Stand-In Costs

The utilization of stand-in costs may be substituted for disallowed grant costs during the audit resolution process. To be considered as potential "stand-in" costs, all of the following requirements must be met:

- Must be allowable WIOA costs which were actually incurred but not charged to WIOA program because of funding limitations, a local decision, or any other reason;
- Must be from the same WIOA Title as those costs which were unallowable/ disallowed;
- Must be from the same funding period as the costs for which they are to be substituted;
- Must have been reported as uncharged WIOA program costs at the time of occurrence;
- Must have been included within the scope of the audit (not necessarily tested but potentially subject to testing);
- Must have been accounted for in the audited entity's financial system and the FSR in CWDS (limited exceptions may be granted by the BWDA Grant and Grants and Fiscal Services Division Division);
- Must be adequately documented in the same manner as all other WIOA program costs; and
- Must not result in a violation of the applicable cost limitations.

Stand-in costs cannot be constructed using circumstances or conditions that appear to be legitimate liabilities if no actual costs are incurred by the entity. Examples that are not stand-in costs include:

- Uncompensated overtime;
- In-kind contributions;
- Unbilled rental costs associated with fully depreciated publicly owned buildings;
- Allocated costs derived from an improper allocation methodology;
- Discounts; and
- Any state share of the cost of state or community college tuition.

It is important to note that if the cause of the disallowed costs was fraud, DOL will not ordinarily consider the proposal of substituting stand-in costs for disallowed grant costs.

See Reporting of Stand-In Costs on page 9-6.

Leveraged Funds

Grantees are required to enter leveraged fund amounts in the same way expenditures are reported.

FISCAL AGENT AUDIT REQUIREMENTS

Local Area Fiscal Agent Audit Plan

An audit plan must be submitted to BWDA for review no later than October 1 of each year regardless of whether a multi-year audit contract is in effect and must include, at a minimum:

- The name of firm selected to perform the audit;
- The cost of the service;
- The programs and the period to be covered by the audit;
- The date the audit is to be started and completed;
- The total period of the audit contract (if applicable, specify which year of a multi-year agreement. For example, the audit contract is in the second year of a three year agreement);

- The date the audit is projected to be submitted to the Bureau of Audits. **The due date is nine months after the end of the audit period. Audits must be received by the Bureau of Audits by that date;**
- Any additional services beyond the scope of the audit that the audit firm will provide for the local area. If no additional services will be provided, specify, “none.” For example, additional services may be the completion of a supplemental SEFA as required by BWDA.
- A summary of the proposals received and the bid amount if this is the first year of an audit plan;
- An explanation regarding the choice of contractor must be attached if the lowest bid is not chosen; and
- An attestation of inclusion of Special Provisions.

A copy of the form titled, “WIOA Fiscal Agent Audit Plan” can be found at the PA Department of Labor & Industry website for a downloadable version of this form. . This form will be due by October 1st of each year. Completion of this form in its entirety will provide Grants and Fiscal Services Division with all of the information required. This form will also provide a consistent reporting method of information to expedite the review and documentation process.

Please submit the audit plan to:

Pennsylvania Department of Labor & Industry
Bureau of Workforce Development Administration
ATTN: Grants and Fiscal Services Division
651 Boas Street, Room 1200
Harrisburg, PA 17121

Or send an email to the resource account at: RA-LIBWDA-FISCALOPS@pa.gov
Please contact BWDA for with any questions or concerns at (717) 783-8050.

Format for Schedule of Expenditures of Federal Awards

In order to accurately reflect WIOA financial activity within the scope of the audit report, grantees are required to have the audit expand the Schedule of Expenditures of Federal Awards (SEFA) to break out the grant amount and cumulative expenditures by contract number and period. This is essential for prompt audit resolution. Grantees can provide a supplemental schedule in lieu of an expanded SEFA. Once again, the grantee may have to coordinate with other county officials to ensure the single audit includes the requisite information. Furthermore, grantees may consider ensuring that this provision is included as part of the bidding requirements.

If the entity uses a fiscal year that is different from WIOA program year (July 1 through June 30), the auditor must complete the *Statement of WIOA Expenditures by Contract Number and Year* form as provided in this guide or provide a suitable expanded supplemental schedule. The expanded Schedule of Expenditures and/or the Statement of WIOA Expenditures will allow for verification of WIOA expenditures. The form is to be prepared based on WIOA Program Year, i.e., July 1 through June 30, regardless of the entity’s fiscal reporting period. Refer to the PA Department of Labor & Industry website for a downloadable version of the *Statement of WIOA Expenditures by Contract Number and Year* form.

Reporting of Stand-In Costs

Stand-in costs must be reported on the Financial Status Report during the reporting period in which they occurred. Reported stand-in costs must be verified by the auditor. If stand-in costs are not reported, they

cannot be used to offset questioned costs as part of the audit for that particular year unless an exception is granted by BWDA. It is the grantee/fiscal agent's responsibility to ensure that the "WIOA Program Stand-In Costs" schedule is included in the auditor's report. Please refer to the PA Department of Labor & Industry website for a downloadable version of this form *WIOA Program Stand-in Costs Plan* form.

The schedule is to be prepared based on WIOA Program Year, i.e., July 1 through June 30, regardless of the entity's reporting period. Since stand-in costs are only relevant if questioned costs are cited, the schedule need not be submitted if there are no questioned costs.

Components of a Single Audit Report

Grantees must ensure that the audit it obtains meets the standards required for the organization and should specify to the auditing firm the type of audit required. For ETA-funded entities subject to audit requirements, the only type of audit report that is acceptable is the single audit unless the entity receives funds under only one federal program.

The following information must be provided with the Single Audit package:

- Attestation of inclusion of the Department's special provisions;
- The entity's financial statements;
- The schedule of expenditures of federal awards (including the grant amount and cumulative expenditures by BWDA-issued contract number and period);
- The schedule of prior audit findings;
- The auditor's opinion (or disclaimer of opinion) as to whether the financial statements are presented fairly in all material respects;
- The auditor's opinion (or disclaimer) as to whether the schedule of expenditures of federal awards is presented fairly;
- The auditor's report on the entity's internal control related to the financial statements and major programs;
- The auditor's report on the entity's compliance with laws, regulations, and the provisions of contracts or grant agreements; and
- A schedule of findings and questioned costs.

Audit Report Submission

BWDA will not issue letters of final determination if the SEFA is not properly formatted. In order to accurately reflect the WIOA financial activity within the scope of the audit report, grantees are required to have the auditors expand the SEFA to break out the grant amounts and cumulative expenditures by contract number. If the entity uses a fiscal year that is different from the WIOA program year (July 1 through June 30), the auditor must complete a supplemental form that captures the requisite information. The expanded SEFA and/or the Statement of WIOA Expenditures will allow for verification of WIOA expenditures. The form is to be prepared based on the WIOA program year, i.e., July 1 through June 30, regardless of the entity's fiscal reporting period. Electronic copies for this format are available.

The auditee shall prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The auditee shall also prepare a SEFA for the period covered by the auditee's financial statements. BWDA requires the auditee to provide information for each award by contract number for each program year awards are made.

Before submitting the audit report, grantees should review the document against the audit review checklist provided in a Chapter 11 attachment called Audit Review Checklist for Single Audits.

Entities that receive federal awards passed through the commonwealth must submit their audit report package to the Pennsylvania Office of the Budget, Bureau of Audits (BOA), which functions as the commonwealth's Single Audit Coordinator. Audit reports under the Federal Register dated 12/26/13, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule and OMB Uniform Guidance* must be received by BOA within nine months following the end of the audit period or submitted within the earlier of 30 days after receipt of the auditor's report(s). For example, a calendar year audit due date would be 9/30/xx, and a program year audit due date would be 3/31/xx.

The auditee must also prepare a corrective action plan and submit the plan with the audit reporting package.

The single audit reporting package must be submitted at both the federal level and state level.

- **Federal Level:** Federal Audit Clearinghouse at the following website, <https://harvester.census.gov/facweb/Default.aspx>.

Audits must be submitted and signed electronically by the auditee and auditor at the Federal Audit Clearinghouse Web site. A federal data collection form (SF-SAC), signed by both the audited entity and the auditor, must be sent to the Federal Clearinghouse along with the audit report package(s).

- **State Level:** Bureau of Audits at the following email resource account: RA-BOASingleAudit@pa.gov.

Electronic submission is required for the fiscal year ending December 31, 2008, and subsequent years. The reporting package must be submitted electronically in single Portable Document Format (PDF) file to the following e-mail resource account: RA-BOASingleAudit@pa.gov

The Single Audit Report submission instructions and information are publicly available on the Office of the Budget's homepage. Go to www.budget.state.pa.us and select the link on the left titled, "Single Audit Submissions."

Grantees do not need to submit Single Audits directly to BWDA unless requested to do so. BWDA will receive notification of the electronic submission once it is received by BOA.

The Bureau of Audits will distribute the report to the appropriate state agency(s) for resolution.

Complete CFDA can be found at the following: <https://www.cfda.gov/>

Record Keeping

Fiscal agents and grantees must maintain copies of all local area and sub-grantee audits along with an audit resolution file for a period of three years from the date of resolution of the audit. All of this information must be available for inspection by federal and/or state representatives.

Resolution of Audits, Monitoring, and Fiscal/Performance Reviews

The Department will resolve all audits of funds expended by grantees. The audit resolution process will,

whenever practical, adhere to a 180-day time frame. Please refer to the [flow chart](#) provided in this document.

When there are audit findings, a corrective action plan that addresses each audit finding must be submitted with the audit report as part of the total audit package. This corrective action plan must include the name of the individual responsible for the corrective action, the planned action, and an anticipated completion date. If the audited entity disagrees with the audit finding, an explanation and specific reasons must be included in the plan.

Within 30 days after receiving the corrective action plan, the Department will issue a written determination on whether the plan is acceptable. If the plan is acceptable, the Department will issue a final determination. However, if the plan is not acceptable, the Department will issue an initial determination. This initial determination will also identify all questioned costs and inform the audited entity of the additional information which must be included as part of the corrective action plan to resolve the audit. This additional information must be submitted to the Department within 30 days from issuance of the initial determination. The initial determination will also allow the audited entity an opportunity for an informal resolution meeting with representatives of the Department. All requests for informal resolution meetings must be submitted in writing to the Department within ten (10) days of issuance of the initial determination.

Within 30 days after receiving the final response, the Department will issue a final determination on the acceptability of the plan. This final determination will explain the amount of and reason for all disallowed costs. It will also constitute the first demand for repayment of these costs.

Once a final determination is issued, a copy will be transmitted to the appropriate comptroller's office for inclusion in the audit resolution and tracking process. Final resolution of the audit will, whenever possible, be made within six months from the date of receipt of the audit report. The final determination is based on currently available information. If new information becomes available, the final determination may be reopened at the option of the Department.

This audit resolution process will also be followed for program-specific audits of commercial organizations. The difference is that these audit reports should be submitted to the Department as the designated cognizant agency and not forwarded to the Federal Clearinghouse.

Appeal Procedures

[OMB Uniform Guidance & BWDPA Policy]

In this section, the term "recipient" refers to the entity that receives funds from the Department, such as the local workforce board, fiscal agent, or grantee. The Bureau of Workforce Development Administration functions as the Department's awarding agency.

Option 1: Appeal to the Secretary of Labor & Industry or his/her designee for which the audit was conducted. Within 30 days of receipt of the final determination, the recipient may transmit, by certified mail, return receipt requested, a request for hearing to the head of L&I or his/her designee as noted in the final determination letter.

Pennsylvania Department of Labor & Industry
Secretary of Labor and Industry
651 Boas Street, 17th Floor
Harrisburg, PA 17121

A copy of the appeal must also be sent to the BWDA.

Pennsylvania Department of Labor & Industry
Bureau of Workforce Development Administration
ATTN: Grants and Fiscal Services Division
651 Boas Street, Room 1200
Harrisburg, PA 17121

The recipient must prepare a statement of the issue. The request for a hearing shall be accompanied by a copy of the final determination, if issued, and must specifically state those portions of the final determination upon which review is requested. Those portions of the final determination not specified for review must be considered resolved and not subject to further review. Failure to submit a timely request for a final determination hearing shall constitute the final determination as final action by the Department, and such determination shall not be subject to further review. The Department will establish procedures for the conduct of hearings and the head of the Department, or his/her designee, must render a written decision regarding the appeal no later than 90 days after the closing of the record. This decision constitutes the final action of Department.

Option 2: Appeal to the UC Appeals System Administrator by requesting a hearing within 30 days of receipt of the final determination. The recipient may transmit by certified mail, return receipt requested, a request for a hearing to:

Pennsylvania Department of Labor & Industry
UC Appeals System Administrator
UC Board of Review
651 Boas Street, Room 1116
Harrisburg, PA 17121

A copy of the appeal must also be sent to the BWDA.

Pennsylvania Department of Labor & Industry
Bureau of Workforce Development Administration
ATTN: Grants and Fiscal Services Division
651 Boas Street, Room 1200
Harrisburg, PA 17121

The UC Appeals System Administrator will appoint a hearing officer who will conduct a hearing. The request for a hearing shall be accompanied by a copy of the final determination, if issued, and shall specifically state those portions of the final determination upon which review is requested. Those portions of the final determination not specified for review shall be considered resolved and not subject to further review. Failure to submit a timely request for a final determination hearing shall constitute the final determination as final action by the Department, and such determination shall not be subject to further review.

The appointed hearing officer should render a written decision no later than 90 days after the closing of the record. The decision of the hearing officer shall constitute final action by the Department unless a party dissatisfied with the decision, or any part thereof, has filed exceptions with the USDOL Secretary within 30 days after receipt of the decision of the hearing officer. The party must specifically identify the procedure or finding of fact, law, or policy with which exception is taken.

All appeals to the Secretary of USDOL must be submitted by certified mail, return receipt requested, to:

U.S. Secretary of Labor
Attention: ASET
U.S. Department of Labor
200 Constitution Ave. NW
Washington, D.C. 20210

A copy of the appeal must be provided simultaneously to the opposing party (if any), USDOL, and BWDA to the following addresses:

U.S. Department of Labor
Philadelphia Regional Administrator
The Curtis Center, Suite 825 East
170 S. Independence Mall West
Philadelphia, PA 19106-3315

Pennsylvania Department of Labor & Industry
Bureau of Workforce Development Administration
ATTN: Grants & Fiscal Services Division
651 Boas Street, Room 1200
Harrisburg, PA 17121

Any exceptions not specifically urged shall be deemed to have been waived. Thereafter, the decision of the UC Appeals System Administrator shall become the decision of the Department unless the Secretary of USDOL, within 30 days of such filing, has notified the parties that the case has been accepted for review. Any case accepted for review by the Secretary of Labor shall be decided within 180 days of such acceptance. If not so decided, the decision of the UC Appeals System Administrator shall become the final decision of the Department.

Debt Collection

[WIOA Section 184(c); 20 CFR 683.750]

Issuance of a final determination completes the audit resolution process. A debt is established when that final determination disallows any costs questioned in the audit. The collection of that debt is a separate process with specified time frames and procedures. The final determination contains the first official demand for repayment of the debt. Please refer to the flow chart at the end of this chapter.

Following issuance of the final determination, the audited entity will have 30 days from issuance to submit an appeal. That appeal will be a request for a formal review of the final determination before an impartial hearing officer of the Department. The debt collection process will be stayed pending a decision regarding the appeal. However, the debt becomes delinquent on the first day following issuance of the final determination, whether or not an appeal has been filed.

Interest on the delinquent debt will begin to accrue at that time according to the prevailing rate determined by the U.S. Treasury and will accrue during the entire time of the appeal process. This interest is waived if the debt is paid before the 31st day following issuance of the final determination. If the appeal is upheld, all interest will also be waived. However, if the appeal results in any disallowed costs, interest will be assessed on the amount disallowed.

If no appeal of the final determination is filed, a lump-sum repayment from non-federal funds is due to BWDA within 30 days after issuance of the final determination. The commonwealth, at its discretion, may negotiate short-term installment agreements in lieu of lump-sum payment.

In general, the options available are as follows:

Option 1: The Grantee pays the full amount in a lump sum by sending a cashier's check, drawn on non-federal funds and payable to the Commonwealth of Pennsylvania;

Option 2: The Grantee may contact the Department to negotiate a short-term installment agreement (generally executed over a period of three years or less) in lieu of a lump-sum payment; or

Option 3: In rare instances, a local workforce development area may request an offset/deduction as outlined in WIOA Sec. 184(c). An offset/deduction may only be applied if misexpenditures were not part of a pattern of misexpenditure and not due to willful disregard of the requirements of WIOA regulations, gross negligence, and failure to observe accepted standards of administration. In addition, an offset/deduction may only be applied if WIOA Sec. 184(c) has been fulfilled. If an offset/deduction is granted, the Department must deduct an amount equal to the misexpenditures from the Local area/fiscal agent's subsequent year's allocation from funds available for administrative costs.

Upon full repayment of the outstanding debt, the commonwealth will issue a satisfactory resolution letter acknowledging receipt of repayment, closing the audit process. However, the commonwealth reserves the right to reopen the audit in the event the USDOL disagrees with the final resolution. Should repayment not be received within the 30-day period, a second notice will be sent by certified mail. This notice will state that repayment must be submitted within 30 days of issuance of the letter. It will also state that interest on the outstanding debt began to accrue on the first day following issuance of the final determination.

If repayment of the outstanding debt is not received within 30 days after issuance of the second notice, a final notice will be sent by certified mail. The final notice will state that the Department must receive repayment within 10 days of issuance. It will also list the amount of accrued interest due on the debt. The notice will also state that should repayment of the debt and interest not be received, appropriate legal and/or programmatic sanctions may be instituted. These sanctions may include the following:

- Withholding a percentage of payments until the audit is resolved satisfactorily;
- Withholding or disallowing administrative costs;
- Withholding the federal funds until the audit is resolved;
- Determination of ineligibility, suspension, or debarment through the commonwealth's Contractor Responsibility Program; and
- Referral to the Office of the Attorney General for collection.

LOWER-TIER SUBGRANTEE AUDIT REQUIREMENTS

Audits of Lower-Tier Sub-Grantees

[WIOA Section 184(c)]

Each fiscal agent is required to coordinate the auditing of WIOA funds contracted to sub-grantees during each fiscal year in accordance with the Federal Register, dated 12/26/13, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; Final Rule OMB Uniform Guidance.

This includes ensuring that the fiscal agent issues a management decision within six (6) months to all sub-grantees after receiving the audit/monitoring report. The management decision must come in the form of a determination letter that the fiscal agent has reviewed and validated all pass-thru funds and has taken corrective action to remedy audit findings affecting the pass-through funds. The fiscal agent must make a determination within 6 months of receiving the audit.

Audits (\$750,000)

[Federal Register dated 12/26/13 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule; OMB Uniform Guidance; WIOA Section 184(c)]

Grantees must ensure that all sub-grantees expending \$750,000 or more in total federal funds comply with OMB requirements. Sub-recipients subject to audit are as follows:

- Governmental and non-profit entities expending \$750,000 or more in federal awards during a fiscal period; and
- Commercial (for-profit) entities that are sub-recipients and expend \$750,000 or more.

All grantees shall:

- Determine whether those sub-recipients have met the audit requirements of OMB Uniform Guidance;
- Require each sub-recipient to allow independent auditors to have access to the records and financial statements as necessary to comply with OMB Uniform Guidance; and
- Determine whether those sub-grantees expended federal funds provided in accordance with applicable laws and regulations, by reviewing the sub-recipients' audits conducted in accordance with OMB Uniform Guidance.

In instances where sub-grantees are to be part of a single audit that has not yet been completed, the grantee/fiscal agent may perform program reviews. However, these program reviews should not be considered to be in lieu of the required audit, but only a temporary measure until the full audit is performed. The grantee/fiscal agent must review the final audit report upon its completion and:

- Ensure that appropriate corrective action is taken within six (6) months after receipt of the audit report in instances of the sub-grantee's noncompliance with federal laws and regulations.
- Consider whether sub-recipient audits necessitate adjustment of the grantee/fiscal agent's own records and/or procedures.

Note: All sub-grantee audits must be completed in accordance with either OMB Uniform Guidance, or A-110, whichever is applicable. Reports for audits made under OMB Uniform Guidance will comply with the requirements of Subpart C, Section 320 and Subpart E, Section 500 of A-133. Circular A-110 audits should be done in accordance with the Yellow Book. A separate report must be prepared for each sub-grantee audited. All audits must be financial and compliance in scope. In cases where a sub-recipient has more than one agreement and the sub-recipient has been cited in the audit report for administrative finding(s) and/or questioned costs, the audit report must clearly identify the finding(s) and amount(s) pertaining to each agreement.

Audits (less than \$750,000)

Under OMB Uniform Guidance, sub-grantees who expend less than \$750,000 per year in total federal funds are exempt from single audit requirements. However, sub-grantees must maintain adequate records. Grantees may contract to perform limited-scope audits to monitor lower-tier sub-grantees. Limited-scope audits may only include agreed-upon procedure engagements conducted in accordance with generally accepted auditing standards and/or attestation standards. Limited-scope audits may address one or more of the following compliance requirements: activities allowed or not allowed; allowable costs/cost principles; eligibility; level of effort; earmarking; and reporting. Sub-recipients with histories of significant audit problems or who appear to have present problems must be included.

Resolution of Lower-Tier Sub-Grantee Audits

- **Single Audits.** In regard to the resolution of audits of sub-grantees conducted in accordance with OMB Uniform Guidance, grantees are required to obtain copies of the single audits and the respective corrective action plans. Grantees must review the corrective action plan and determine if the information is sufficient to resolve all findings related to WIOA or state-funded programs. If there are questioned costs or if the corrective action plan does not resolve the administrative findings, the grantee/fiscal agent should follow the applicable resolution process. All audits performed under OMB Uniform Guidance must be resolved within six months after the receipt date of the audit report.
- **Program-Specific Audits.** Following receipt of audit reports from the auditors, the grantee/fiscal agent must submit a copy of the report to each agency audited for its review and comment.

Appeal Procedures for Lower-Tier Sub-Grantees

[WIOA Section 181(c); 2 CFR 200 and 2 CFR 2900]

Following the issuance of a determination by the fiscal agent, the lower tier sub-recipient may appeal that determination in accordance with the local workforce development area's procedures. Local area procedures must be established in accordance with WIOA regulation. Federal regulations require that a hearing must be held within 60 days of the filing of the appeal.

An appeal to the Department must be made through the UC Appeals System Administrator, UC Board of Review at:

Pennsylvania Department of Labor & Industry
UC Appeals System Administrator
UC Board of Review
651 Boas Street, Room 1116
Harrisburg, PA 17121

A copy must be provided simultaneously to USDOL and BWDA at the following addresses:

U.S. Department of Labor
Philadelphia Regional Administrator
The Curtis Center, Suite 825 East
170 S. Independence Mall West
Philadelphia, PA 19106-3315

Pennsylvania Department of Labor & Industry
Bureau of Workforce Development Administration
ATTN: Grants & Fiscal Services Division
651 Boas Street, Room 1200
Harrisburg, PA 17121

The UC Appeals System Administrator will appoint a hearing officer who will conduct a hearing and issue a decision within 60 days from the receipt of the appeal.

- Any party receiving an adverse decision from the Department may file an appeal to the Secretary of USDOL within 60 days of the decision; or
- If a decision is not issued within 60 days of the filing of the appeal at the state level, any party may file an appeal with the Secretary of USDOL within 60 days from when the state decision was due (a total of 120 days from the date on which the request for appeal was filed with the state.)

All appeals to the U.S. Secretary of Labor must be submitted by certified mail, return receipt requested, to:

U.S. Secretary of Labor
Attention: ASET
U.S. Department of Labor
200 Constitution Ave. NW
Washington, D.C. 20210

A copy of the appeal must be provided simultaneously to the USDOL and BWDA at the following addresses:

Pennsylvania Department of Labor & Industry
Bureau of Workforce Development Administration
ATTN: Grants & Fiscal Services Division
651 Boas Street, Room 1200
Harrisburg, PA 17121

U.S. Department of Labor
Philadelphia Regional Administrator
The Curtis Center, Suite 825 East
170 S. Independence Mall West
Philadelphia, PA 19106-3315

Debt Collection of Lower-Tier Sub-Recipient Audits

[OMB Uniform Guidance]

Grantees must utilize an aggressive debt-collection system that ensures the collection of debts established as a result of sub-recipient audits. Once the final determination has established the amount of disallowed costs, the grantee/fiscal agent must follow the procedures outlined in its approved Local Plan to collect these disallowed costs.

State debt-collection standards, policies, and procedures outline the options available for satisfying debts resulting from WIOA misexpenditures. Grantees may implement the following options as part of their debt collection procedures.

Repayment

The preferred corrective action for misexpenditure of WIOA funds is lump sum repayment from non-federal sources. However, subject to BWDA approval, the grantee/fiscal agent may allow negotiation of short-term installment agreements instead of full lump sum repayments when the circumstances warrant.

In the following situations, immediate repayment of the debt is mandatory and no installment payments can be utilized. Funds must be returned immediately to the Department in cases of:

- Willful disregard of the requirements of WIOA, gross negligence, or failure to observe accepted standards of administration;
- Incidents of fraud, malfeasance, or misfeasance; and
- Illegal actions or irregularities that must be reported under OMB Uniform Guidance.

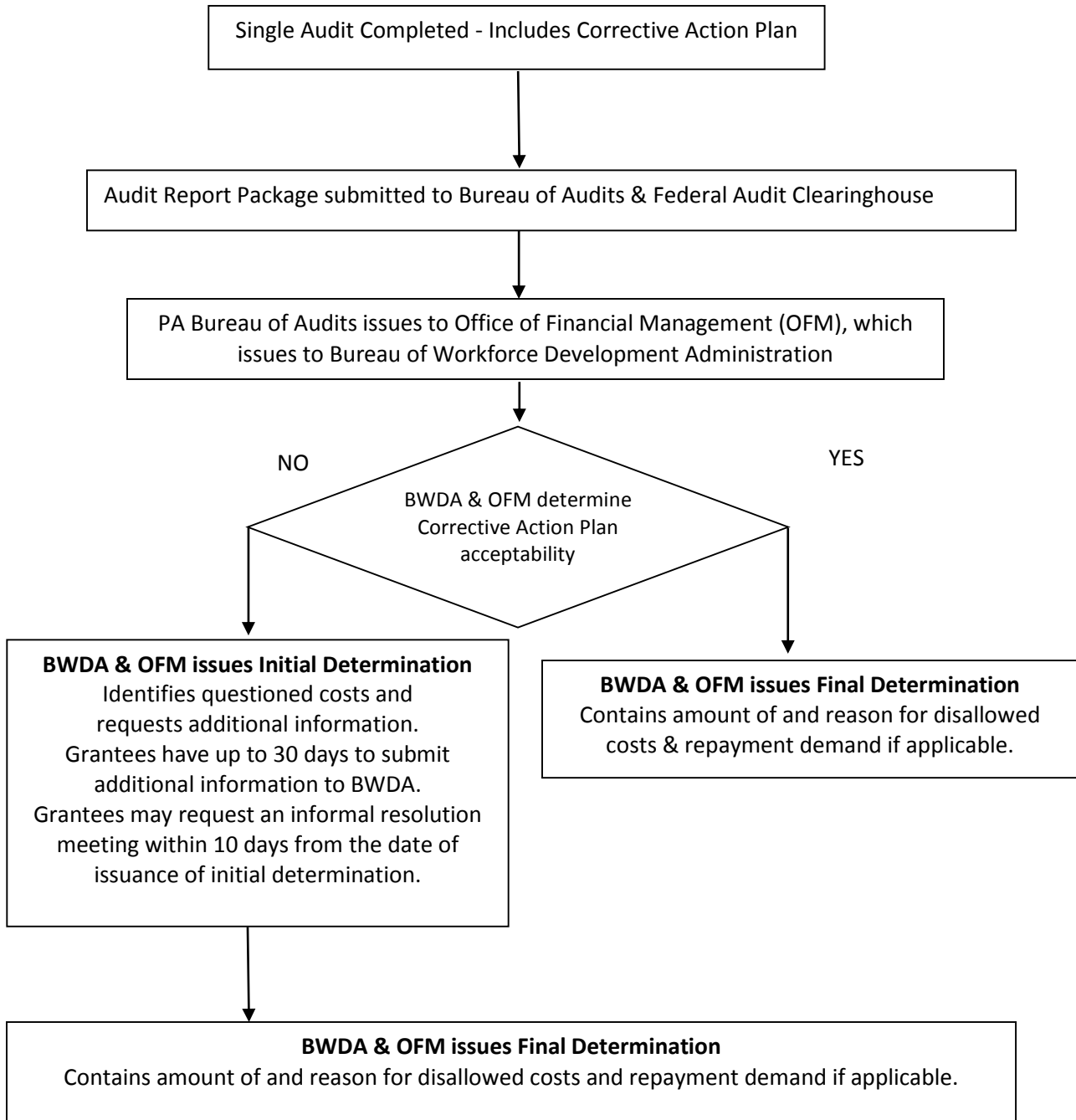
Reprogramming

When the availability period for funds has not lapsed and none of the previously stated criteria requires repayment, grantees may reprogram any disallowed costs they collect.

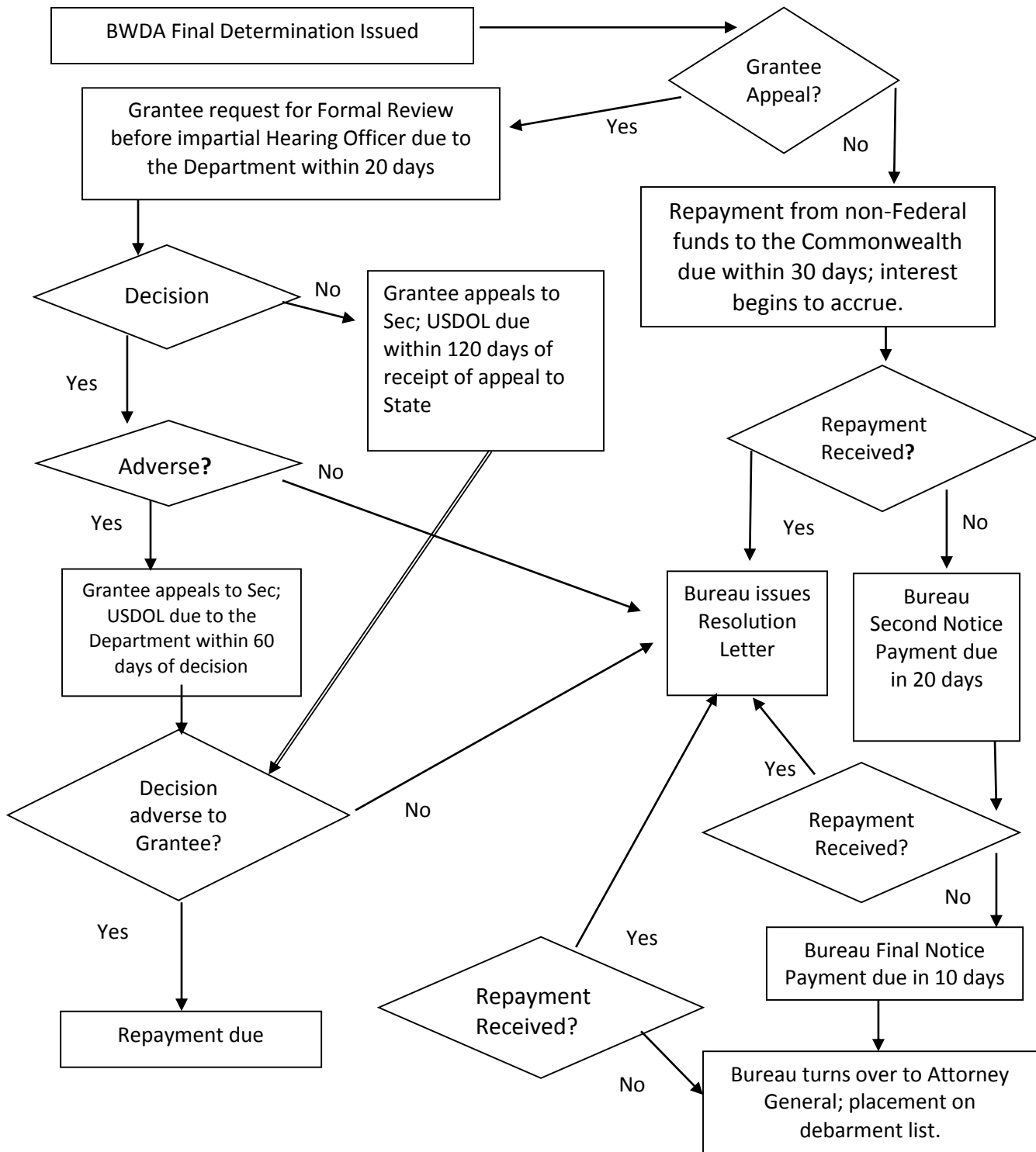
Note: As previously mentioned, the use of stand-in costs is actually an audit resolution and not a debt collection process.

AUDIT RESOLUTION FLOW CHART – STATE LEVEL

All timeframes are expressed in calendar days from issuance of the initial determination.
See Debt Collection Flow Chart



DEBT COLLECTION FLOW CHART – STATE LEVEL



All dates are from date of most recent decision. Whether the local board appeals or not, interest begins to accrue on the debt on the 1st day after the issuance of the final determination. Interest is waived if paid by the 31st day.

Chapter 10

PROCUREMENT

INTRODUCTION

Grantees are responsible for ensuring adequate financial control and accountability in the preparation and awarding of agreements and in all phases of grant and contract administration. In the course of administering the grant, it will be necessary for a grantee and/or a sub-recipient to procure goods and services. Sub-recipients (e.g., local workforce development boards) must describe the competitive and non-competitive process that will be used to award grants and contracts for activities under WIOA in their procurement policy. Grantees must have competitive and non-competitive procurement policies in place that cover the awarding of all grants and contracts funded by the Department.

WIOA requires the selection of one-stop operators and eligible providers of youth workforce investment activities in a local area through competitive procurement. Consistent with the final regulations, the Department has determined that the competitive procurement process will also be required for WIOA title I providers of adult and dislocated worker career services.

Procurement transactions for goods and services utilizing federal funds must be conducted in a manner to provide, to the maximum extent practical, open and free competition. Grantees must follow their procurement policies and procedures which must conform to applicable federal, state, and local statutes, regulations, policies and procedures, directives and technical guidance, contracts, and/or grant agreements regarding procurement, the awarding of contracts for any WIOA-related, or federally-funded activity or program, and the continued administration requirements associated with said procured good(s) and/or service(s).

It is often a mistake to presume that when the procurement of services goods and services are consummated with an award or contract the procurement process is ended. If services are procured there are post-award administration activities, record documentation and management, as well as close-out activities. Additionally, there are specific responsibilities and actions when goods and/or other property is procured, rented, or leased. This chapter articulates specific policy and directive regarding both the procurement and management of services and goods.

LOCAL WORKFORCE DEVELOPMENT AREA PROCUREMENT POLICY

Among other responsibilities, the local workforce development board is charged with the oversight of WIOA funds. The local board, in conjunction with the designated fiscal agent, must create and maintain a localized procurement policy to align with and conform to applicable federal, state, and local statutes, regulations, policies and procedures, directives and technical guidance, contracts, and/or grant agreements regarding procurement, the awarding of contracts for any WIOA-related, or federally-funded activity or program, and the continued administration requirements associated with said procured good(s) and/or service(s).

The local area procurement policy, as well as the resultant practices and procedures, should not supplant the FMG's Procurement chapter. The local area procurement policy must identify procurement thresholds which are numerical ranges that identify whether quotes, cost analysis, or formal bidding is

sufficient. Additionally, local area procurement policy must be consistent with the approved local workforce development plan.

WIOA Section 107(d)(10) indicates that the local board must select an operator(s) and identify Title I service provider(s). The local policy must address the procurement and awarding of contracts for any WIOA-related, or federally-funded activity or program; this includes the competitive procurement of workforce development service providers (e.g., system operator(s), youth workforce investment activities service providers and eligible provider(s) of career services).

If a local procurement policy is inconsistent with any of the aforementioned, the local board must revise its procurement policy and procedures to reflect such requirements. The local procurement policy must be updated and submitted to BWDA for approval when a local board wants to change the way it procures goods and services.

PROCUREMENT OVERVIEW

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) is located in Title 2 of the Code of Federal Regulations.

All procurement methods must comply with the Procurement Standards (2 CFR 200.318). In short, all purchases must:

- Comply with the non-federal entity's documented procedures in place;
- Deemed necessary;
- Be open competition (to the extent required by each method);
- Comply with conflict of interest policy; and
- Have proper documentation.

Non-federal entities must use one of the following methods of procurement which are detailed at (2 CFR 200.320):

- Micro-purchase (less than to \$3,000);
- Small purchase (less than \$150,000);
- Sealed bids purchases (more than \$150,000);
- Competitive proposal purchases (more than \$150,000); and
- Noncompetitive purchases (special circumstances which are applicable for all purchase levels).

Procurement “Claw” (Sections 200.317-326)



PROCUREMENT GENERAL STANDARDS AND PRACTICE ELEMENTS

Grantees, sub-grantees, and contractors are to adhere to standards of conduct and be vigilant to prevent conflicts of interest. Even a superficial appearance of a conflict of interest merits further consideration. Grantees must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors, or parties to sub-agreements. Minimum rules may be set where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value. Such standards of conduct will provide for penalties, sanctions, or other disciplinary actions for violations by officers, employees, agents, or by contractors of their agents.

The grantee’s procurement system must ensure that contractors perform in accordance with terms, conditions, and specifications of their contracts or purchase orders. Code of conduct and conflict of interest requirements are included in such contracts or purchase orders. Contracts or purchase orders must be reviewed prior to entering into such agreements to ensure that no employee, officer, or agent shall participate in the selection, award, or administration of a contract supported by federal or state funds if a conflict of interest, real or apparent, would be involved or the employee, officer, agent, or any member of his or her immediate family, his or her partner or an organization that employs or is about to employ any of the above, has a financial interest in the firm selected for award.

- **Full and Open Competition.** The local board must assure that procurements will be conducted in a manner that provides full and open competition through the use of internal controls. Internal control examples include: public notice requesting an RFP, engagement in two or more requests for services (RFS), committee evaluations, written selective procedures for procurement transactions, and final

local board vote. There are several situations that are considered to be restrictive of competition and are to be avoided. These include the following:

- Unreasonable requirements on firms or organizations in order for them to qualify to do business;
 - Unnecessary experience and excessive bonding;
 - Non-competitive pricing practices between firms, organizations, and affiliated companies;
 - Non-competitive awards to consultants that are on retainer contract;
 - Organizational Conflict of Interest;
 - Specification of only a “brand name” product instead of allowing an “equal” product to be offered and describing the performance of other relevant requirements of the procurement;
 - Overly restrictive specifications; and
 - Any arbitrary action in the procurement process.
- **Method of Procurement.** Each local board must determine the appropriate method for procurement.
 - **Pre-Release Criteria.** Before a local board issues a notice for goods and services, grantees must have written selection procedures for:
 - Procurement transactions;
 - Clear and accurate description of the technical requirements for the material, product, or service to be procured;
 - All requirements that the offerors must fulfill and all other factors to be used in evaluating bids or proposals;
 - Current pre-qualified lists of persons, firms, or products include enough qualified sources to ensure maximum open and free competition; and
 - The assurance not to preclude potential bidders from qualifying during the solicitation period.
 - **Contract (Agreements) Requirements - Inclusive Contract Information.** Grantees must comply with all federal, state, and local contract requirements. All agreements between the local board and government entities involved with the contract must follow cost/reimbursement basis (20 CFR 683.200). Contract information criteria includes, but is not limited to, the:
 - Scope of work describing the good(s) and/or service(s) being procured;
 - Federal and state employer’s tax identification number and nature of the company (non-profit, profit, local government);
 - Certifications, assurances, clauses, and conditions required by USDOL, state, or local policies;
 - Required budget;
 - Statement of financial, capability-certified financial statements or single A-133 audit report;
 - Required performance measures;
 - Reporting requirements;
 - Applicability and compliance with required statute and/or regulations:
 - Equal Employment Opportunities;
 - Copeland Anti-Kickback Act;
 - Davis Bacon Act;

- Compliance with all applicable standards, orders, or requirements issued under the Clean Air Act, Clean Water Act, and the Environmental Protection Agency regulations for contacts/grants exceeding \$100,000;
 - Mandatory standards and policies relating to energy efficiency that are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act;
 - Patent rights;
 - Copyrights and rights to data;
 - Byrd Anti-Lobbying Amendment; and
 - Debarment and suspension requirements.
- Administrative, contractual, or legal remedies for violations, default, and/or breach of contract;
 - Termination for cause and for convenience;
 - Ownership and access to records and retention requirements;
 - Audit requirements;
 - Access by the grantee, federal, and state personnel or any of their duly authorized representatives to any books, documents, papers, and records of the contractors that are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions; and
 - Modifications.
- **Pre-Award Review Procedures.** Awards are to be made to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. The purpose of the pre-award review is to determine that each organization being considered for funding meets all federal, state, and local requirements for program services. A pre-award survey, analysis, or monitoring reports are adequate for this review. An on-site visit may also be necessary. Employment procedures should be designed to ensure that grant funds are not awarded to suspended or debarred organizations.

Elements that will support the determination:

- Contractor integrity;
 - Accounting practices and principles;
 - Financial and technical resources;
 - Organizational and programmatic practice;
 - Record of past performance;
 - Compliance with public policy;
 - Adherence to monitoring procedures; and
 - Document and certificate review submitted as part of the Request For Proposal (RFP).
- **Negotiation and Award.** Profit amount must be negotiated as a separate element for contracts that allow for a profit to be generated
 - **Protest Process.** Allowance for a protest to occur before the RFP period has ended must be provided to bidders. Written protest procedures to handle and resolve disputes relating to procurement actions and in all instances require disclosure information regarding the protest to the awarding agency (i.e. BWDA). Protest dispute sources may include, but is not limited to:

- Unfair competition in the decision-making process,
 - Illegal/improper act or violation of law, and
 - Unruly restrictive clauses.
- **Post-Award Administration.** Grantees must provide technical assistance and perform financial and programmatic monitoring, careful analysis of performance, and the review of documentation and reports.
 - **Closeout.** Grantees are to maintain a closeout contract file that includes an official notice of closeout (specify the last invoice date and payment date); all necessary records and appropriate releases of liabilities, records, or payments; and the transfer of financial and customer records.
 - **Records.** Ensure that records be kept sufficient to detail the significant history of a procurement (29 CFR 97.42). The local board must always make sure it has maintenance of records that detail the significant history of the procurement. Records should include rationale for the method of procurement, selection of contract type, contractor selection or rejection, basis for the contract price, bid or RFP notice, evaluation score sheets, and other supporting materials.

Records, including documentation created and/or used during the procurement process, are to be retained for a period of three years from the date of the final expenditure report for that funding period to the awarding agency. Regulations that cover records maintained by contractors or subcontractors can be found at 29 CFR 97.36(i)(10).

However, any litigation, claim, negotiation, audit, or other action involving the records that has been started before the expiration of the three-year period will necessitate retaining the records until completion of the action and resolution of all issues that arise from it.

All sub-recipient contracts must contain a provision to return participant files to the Local Area PA CareerLink® operator in the event that the contract is not renewed or the agency goes out of business.

Procurement Practices to Avoid Disallowed Costs

It is not acceptable to “piecemeal” contracts to undercut the price of the sum in order to evade advertising and procurement policies. Purchase of unnecessary or duplicate items is to be avoided. Conducting an analysis of purchase alternatives ensures the most economical approach.

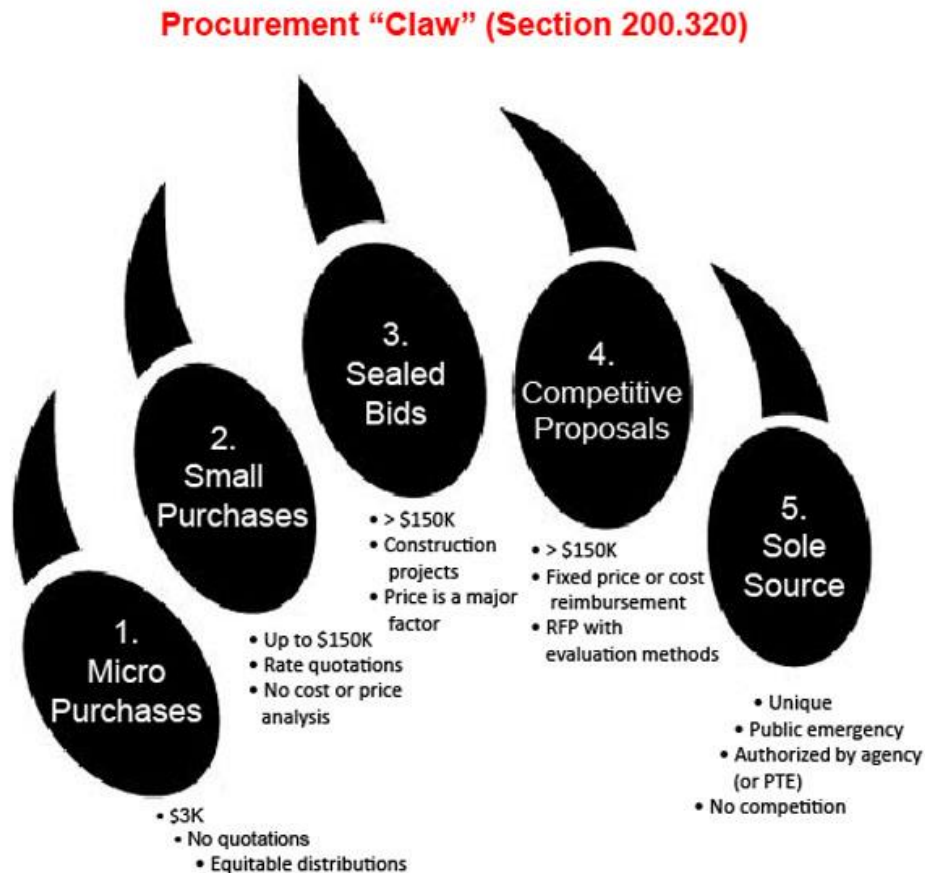
Actions to Correct Contracts

When a grantee reviews its contracts and discovers an improper procurement, the grantee must take immediate steps to correct. A local board must not wait until it’s too late. All active contracts must be reviewed. If a local board identifies a contract that is not in compliance, the local board must begin implementing the following:

- Notify the training provider or contractor immediately that there is an issue. The local board may want to ensure the contract templates allow for a unilateral termination of the contract.
- Notify the awarding agency if the local board is working with pass-thru funds;
- Enter into a settlement agreement with the affected party to pay for goods or services received to date; and

- Follow the local procurement policy to ensure compliance.

PROCUREMENT METHODS



- **Micro-purchases.** Procurement by micro-purchase is the acquisition of supplies or services in which the aggregate dollar amount does not exceed \$3,000 (or \$2,000 in the case of acquisitions for construction subject to the Davis-Bacon Act). To the extent practicable, the non-federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-federal entity considers the price to be reasonable.
- **Small Purchase.** Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the *Simplified Acquisition Threshold* (see below). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.
- **Sealed Bids (formal advertising).** Sealed bids are publicly solicited. A firm, fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction if the following conditions apply:

- A complete, adequate, and realistic specification or purchase description is available;
- Two or more responsible bidders are willing and able to compete effectively for the business; and
- The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

Sealed bidding requirements:

- The invitation for bids will be publicly advertised, and bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids;
 - The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
 - All bids will be publicly opened at the time and place prescribed in the invitation for bids;
 - A firm, fixed-price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
 - Any or all bids may be rejected if there is a sound documented reason.
- **Competitive Proposals.** The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed-price or cost reimbursement type contract being awarded. It is generally used when conditions are not appropriate for the use of sealed bids.

Competitive proposal requirements:

- Requests for proposals (RFPs) must be publicized and identify all evaluation factors and their relative importance. Sufficient time to respond to proposal must be provided to prospective bidders;
 - Any response to publicized requests for proposals must be considered to the maximum extent practical;
 - Proposals must be solicited from an adequate number of qualified sources;
 - The non-federal entity must have a written method for conducting technical evaluations of the proposals received and for selecting recipients;
 - Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program with price and other factors considered; and
 - The non-federal entity may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.
- **Non-competitive Proposals.** Procurement by non-competitive proposals is procurement through solicitation of a proposal from only one source. Non-competitive proposals may be used only when one or more of the following circumstances apply:

- The item is available only from a single source;
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-federal entity; or
- After solicitation of a number of sources, competition is determined inadequate.

Simplified Acquisition Threshold

All purchases under the simplified acquisition threshold require fewer terms and conditions, have less competition standards than purchases over the simplified acquisition threshold, can be solicited informally, and do not require a cost or price analysis.

- **Micro-purchase Method.** Purchases of supplies or services under \$3,000 are treated as “micro-purchases.” The purchase orders may be awarded without soliciting any competitive quotations if the non-federal entity considers the costs to be reasonable. The non-federal entity must distribute, to the extent practicable, these purchases equitably among qualified suppliers. For example, a purchase of computer paper in the amount of \$2,000 can be treated as “a micro-purchase.” No rate competitive quotations are necessary for the purchase. A cost or price analysis is not required.
- **Small Purchase Method.** However, in accordance with the non-federal entity’s written policies, which may include strategic sourcing or bulk purchase arrangements as described in 2 CFR 200.318, the non-federal entity must consider whether to make the purchase from any one of a number of office supply stores. Such policies may dictate the purchase of computer paper to rotate among qualified suppliers if they offer the same rates. Purchases under the simplified acquisition threshold are purchases for goods or services meeting the small purchase threshold (currently at \$150,000).

Therefore, all purchases between \$3,000 and \$150,000 can use the “small purchase procedures” stated in 2 CFR 200.320(b) which describes the procedures as “relatively simple and informal.” It states that “price or rate quotations must be obtained from an adequate number of qualified sources.” It leaves the discretion of the non-federal entity written policy to determine the “adequate” number of qualified sources (i.e., any number greater than one) and the method(s) of obtaining the price or rate quotations which can be obtained in writing, given verbally, listed by contractor price on a website, or generated via online search engine.

Uniform Guidance (2 CFR 200.323) excludes the “small” purchases from any requirements for cost or price analysis. For example, a purchase order for chlorine supplies in the amount \$10,000 can be treated as a small purchase order. This purchase order requires a rate quote from at least two sources, which can be obtained in writing from two suppliers or researched on public websites. A cost or price analysis is not required. In addition, if the chlorine is of special quality that is offered by only one company or only one company can deliver in the time frame required for the project, the purchase order can be made under the sole source purchase provision in 2 CFR 200.320(f). For purchases over the simplified acquisition threshold (currently at \$150,000), the more prescriptive methods of either sealed bids (if the non-federal entity has very specific parameters for the purchase) or competitive proposals may apply.

Piggybacking on a State Contract

The commonwealth’s Procurement Code, Act 57 of 1998 (“Procurement Code”), permits local public procurement units (LPPU) and state-affiliated entities to engage in cooperative purchasing with the commonwealth. The Procurement Code authorizes the Department of General Services to enter into

cooperative purchasing contracts solely for the use of LPPUs or state-affiliated entities. A LPPU is a political subdivision, public authority, tax-exempt, nonprofit educational or public health institution or organization, nonprofit fire company, nonprofit rescue company, nonprofit ambulance company and, to the extent provided by law, any other entity, including a council of governments or an area government, which expends public funds for the procurement of supplies, services and construction.

COSTARS

COSTARS is the Commonwealth of Pennsylvania's cooperative purchasing program administered by the Department of General Services Bureau of Procurement. The COSTARS Program provides registered local public procurement units, as well as state-affiliated entities (together “members”) and suppliers, a tool to find and do business with each other effectively through the use of a contract established by the Department of General Services.

If grantees/fiscal agents wish to determine whether they qualify for state contract purchasing privileges, they must contact the Department of General Services, Bureau of Purchases by phone at: 1-866-768-7827 or email at: gs-pacostars@pa.gov.

When submitting the Property Acquisition Request and Report Form to BWDA for approval, this information must be included on the form. Failure to include the required information may delay the approval process. Please refer to the PA Department of Labor & Industry website for a downloadable version of the *Property Acquisition Request and Report* form.

PROCUREMENT OF SERVICES SUPPLEMENTAL INFORMATION

Performance-Based Contracting

A Performance-Based Contract (PBC) is a type of contract that may be utilized for procuring services (other than system operator(s) and WIOA Title I service provider(s)). PBCs are structured so that payments are earned only with the delivery of the agreed, precisely defined, measurable outcome(s). Under PBCs, there is no obligation to pay the grantee unless satisfactory delivery is achieved.

Selection of System Operator(s) and WIOA Title I Services Provider(s)

General.

The procurement process must be engaged in such a way as to promote efficiency and effectiveness; to assure regular consideration of system operator(s) and WIOA Title I service providers performance and costs; to assure continuous improvement by evaluation of performance and fiscal responsibility; and to ensure compliance with all applicable federal and state laws.

The local board shall award grants or contracts on a competitive basis through the careful identification and transparent procurement of eligible system operator(s); youth program provider(s); and adult/dislocated worker program provider(s) that at a minimum provide ‘career services’ as defined at WIOA section 134(c)(2).

It is noted that the state is authorized to require grantees to procure, through a competitive process, ‘career services’. The federal directive is found at Federal Register/Volume 81, No. 161, page 55895,

USDOL's Response: "Career services are provided by the various partner programs participating in the one-stop center, the details of which are set out and agreed upon in the MOU. As mentioned above, these partners are not required to be procured in a competitive process under WIOA, but they may be under State or local procurement policies."

Specific Procurement Standards and Practice Elements. Some procurement standards and practice elements include additional requirements that impact the procurement process when procuring system operator(s) and/or WIOA Title I service providers. Proper procurement standards and practices must be followed as described in the Uniform Guidance and this policy. In particular, the following elements are critical and/or are modified specifically for the procurement of Operator(s) and/or WIOA Title 1 Provider(s) of career services:

- **Compliance.** The process for competitively procuring PA CareerLink® operator(s) and WIOA Title I Service Provider(s) must comply with the principles of competitive procurement in the Uniform Guidance at 2 CFR § 200.318-§ 200.326; 20 CFR §§ 678.600-635 and associated preamble regarding the one-stop operator; this policy and guidance; local board's procurement policies and procedures; and any other applicable federal, state or local laws, regulations, policies and procedures.
- **Documentation of action toward procurement.** Each local board must ensure acceptable documentation is maintained that describes the research and assessment conducted that led to the drafting of the procurement request.
- **Contract (agreement) Requirements.** Inclusive Contract Information: In addition to what is required in the Uniform Guidance and the Department's *Financial Management Policy*, the agreement must include an initial six (6) month assessment, and then, at least an annual assessments of the Operator(s) and/or Service Provider(s) must occur thereafter. Such assessment must include, but are not limited to: primary indicators of performance of all WIOA core programs, participating partner surveys, other performance measures, consideration of oversight and monitoring activity reports, and be consistent with PA CareerLink® certification requirements and applicable MOU(s) agreements.
- **Determination of role and responsibilities.** As the local board must competitively procure PA CareerLink® operator(s), WIOA Title I Youth program providers, and WIOA Title I Adult/Dislocated Worker providers of career services, the local board is also tasked with the determination of the role(s) and responsibilities of such providers.
 - Local boards have flexibility in defining the roles and responsibilities of their respective system operator(s). The research, compilation, recommendations to the full local board, as well as the articulation of the operator(s) roles and responsibilities through the procurement process is assigned to the PA CareerLink® system operator standing committee. At a minimum, the local boards must adopt the following operator(s) role: coordination of service providers across the one-stop delivery system. The local board may determine that the system operator(s) will be responsible for only one (1) PA CareerLink® center; or that the system operator(s) may be responsible for more than one (1) PA CareerLink® one-stop centers; or there may be more than one (1) PA CareerLink® operator in a local area; or it may include additional roles and responsibilities such as coordinating service delivery in a multi-center area, affiliated sites, or regionally. See *Workforce System Policy (WSP) No. 121-04 PA CareerLink® System Operator Procurement—Initial Implementation of the Workforce Innovation and Opportunity Act (WIOA)* for additional details.
 - Local boards have flexibility in defining the roles and responsibilities of their respective WIOA

Title I Services Provider(s). The research, compilation, recommendations to the full local board, as well as the articulation of the service provider(s) roles and responsibilities through the procurement process rests with the Youth Standing Committee input and other local board standing committee(s) that may be asked to consider the local area's WIOA Title I Adult/Dislocated Worker programs respective requirements. The local board should consider the input of the PA CareerLink® partners and other stakeholders in the determination of WIOA Title I service provider roles and responsibilities.

- **Documentation Post-Selection.** At the conclusion of the initial PA CareerLink® system operator(s) procurement process, each local board must provide a detailed history of the local PA CareerLink® system operator(s) procurement process used for the local area in its local plan and any subsequent local plan modifications. There is no such requirement to detail the procurement history of any WIOA Title I service provider(s) in the local plan, but it is encouraged to improve transparency.

Such documentation and history must include, at a minimum:

- Rationale for the method of procurement;
- Selection of contract type;
- Contractor selection or rejection;
- The basis for the contract price; and
- Any other documentation that captures the significant history of the procurement.

PROPERTY MANAGEMENT OVERVIEW

In order to ensure the most efficient use of WIOA funds and existing resources, BWDA has established a property management system with the following goals:

- To account for and control all property under the governor's jurisdiction on an up-to-date inventory basis for all levels of program activities;
- To utilize personal or real property transferred from programs under all former, federal-job training programs;
- To eliminate unnecessary purchases of property under WIOA through the transfer of available excess property; and
- To control the rental and leasing of property.

To meet these goals, BWDA has established regulations, policies and procedures that must be adhered to by grantees and their sub-grantees.

Real property, equipment including tangible and intangible property, and supplies acquired or produced after July 1, 1993, with federal funds shall be governed by the following definitions and requirements:

- **Governmental Sub-Grantees** – Federal Register, 29 CFR Part 97, Volume 53, Number 48, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, (commonly referred to as Uniform Guidance);
- **Non-Profit Sub-Grantees** – OMB Circular A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, codified at 29 CFR Part 95; and
- **For-Profit Sub-Grantees** – Title to property acquired or produced using WIOA funds shall vest in the awarding agency. In addition, any acquisitions of property with a unit acquisition cost of \$5,000 or more must have written approval by the BWDA prior to acquisition.

Property management standards for WIOA require adherence to USDOL regulations contained in OMB Circulars, as applicable.

Responsibilities of the Commonwealth, Grantees, and Sub-Grantees

This section deals with general responsibilities. Additional information concerning these responsibilities and the procedures to follow may be found under the appropriate headings for specific subjects or in the instructions for the forms.

Commonwealth - BWDA is responsible for:

- Maintaining an inventory of all WIOA property and equipment with a unit acquisition cost of \$5,000 or more;
- Ensuring that all grantees are furnished with a supply of official WIOA identification tags to be affixed to any purchases of property or equipment as referenced in this chapter; and
- Approving or disapproving all requests for the purchases of property and equipment with a unit acquisition cost of \$5,000 or more.

Note: Orders that have a single unit acquisition below \$5,000, but in the aggregate purchase order is greater than or equal to \$5,000, must also be presented to BWDA for review. The BWDA will want to approve the aggregate level purchase as a means to ensure best value determination was made; however, the individual items that are under \$5,000 will not need to be WIOA or WIOA tagged. When you submit the Property/Equipment Acquisition Request Form for approval, you should mention all individual items are below the threshold.

Grantees - Grantees are responsible for establishing and maintaining an adequate Property Management System. They are required to:

- Maintain an inventory system to account for all property acquired with WIOA funds or acquired from other sources and used in WIOA programs. WIOA property must be properly identified;
- Perform an annual physical inventory of all property purchased using WIOA funds or funds from any prior federal program. The results of this physical inventory must then be reconciled with records maintained by the fiscal agent and, where applicable, the BWDA;
- Verify, prior to any acquisition, that needed property is not available through any alternative source;

- Establish bidding procedures that assure open and free competition. The bidding procedures must meet applicable federal requirements;
- Obtain written approval from the BWDA for the purchase of any property and equipment with a unit acquisition cost of \$5,000 or more. The approval request must include a justification and all identifying information;
- Approve or disapprove all lower tier requests for the purchase of property in accordance with the applicable requirements. Copies of all approvals and WIOA (or local) tag number(s) assigned must be maintained at the grantee/fiscal agent's office and made available for review by authorized representatives. For sub-grantee purchases with a unit acquisition cost of \$5,000 or more, the grantee/fiscal agent must obtain the BWDA's approval;
- Notify the BWDA of excess property with a unit acquisition cost of \$5,000 or more. Notification will be distributed to all grantees so that items no longer needed in one area may be made available for use by other local areas. Grantees are encouraged to also use this method for other miscellaneous excess property;
- Establish a control system that will safeguard all property against loss, damage, or theft; and
- Maintain policies and procedures for leasing or renting non-expendable personal property.

Note: Orders that have a single unit acquisition below \$5,000, but in the aggregate purchase order is greater than or equal to \$5,000, must also be presented to BWDA for review. The BWDA will want to approve the aggregate level purchase as a means to ensure best value determination was made; however, the individual items that are under \$5,000 will not need to be WIOA or WIOA tagged. When you submit the Property/Equipment Acquisition Request Form for approval, you should mention all individual items are below the threshold.

Lower-Tier Sub-Grantees - Each lower-tier sub-grantee is responsible for establishing and maintaining an adequate system of property management. That system must adhere to all applicable requirements, including those of the grantee/fiscal agent from which WIOA funding is received. The lower-tier sub-grantee must also identify and safeguard all property acquired with WIOA funds.

Types of Property

This section provides guidance for grantees regarding the purchase of property by governmental, non-profit, and for-profit entities. This includes non-expendable personal property (equipment), expendable personal property (supplies), and real property.

- **Non-Expendable Personal Property (Equipment).** Neither the approval of an NOO issued by the BWDA, nor the awarding of funds by a fiscal agent constitute as an automatic authorization to purchase or lease property and/or equipment using WIOA funds. A written request to acquire property must be reviewed and approved by the respective awarding agency prior to purchase. If the equipment to be purchased has a unit acquisition cost of \$5,000 or more, the BWDA must also approve the purchase prior to acquisition.
 - For Grantees, Governmental Entities, and other Non-Profit Entities
 - All equipment having a unit acquisition cost of \$5,000 requires a written authorization from BWDA prior to purchase; and
 - Excess property and equipment readily available for transfer will take precedence over new purchases. Therefore, BWDA reserves the right to deny a request for purchase.

- For-Profit Entities
 - All non-expendable equipment regardless of cost requires written authorization from the BWDA prior to purchase; and
 - Excess property and equipment readily available for transfer will take precedence over new purchases. Therefore, BWDA reserves the right to deny a request for purchase.
- **Expendable Personal Property (Supplies).** Prior approval is not required for purchases of any expendable supplies needed for operations on a day-to-day basis. However, for-profit entities must include this type of acquisition in their budget. Title to supplies acquired with WIOA funds will vest upon acquisition in the next higher level agency.
- **Real Property.** In accordance with 20 CFR 683.235 and 683.240, WIOA Title I funds must not be spent on the construction or purchase of facilities or buildings except in limited instances. Therefore, if construction or purchase of real property is being considered, the grantee/fiscal agent must obtain BWDA approval before any costs are incurred. Failure to do so may result in questioned costs.

Grantees, Governmental Entities, and other Non-Profit Entities - Subject to the obligations and conditions set forth in the applicable OMB Circulars, 29 CFR Part 97, and 29 CFR Part 95, title to real property acquired with WIOA funds will vest in the grantee/fiscal agent upon acquisition and requires prior written authorization from the BWDA.

For-Profit Entities - Title to real property acquired with WIOA funds will vest upon acquisition in the awarding agency and requires prior written authorization from BWDA.

Computing devices such as laptops, tablets, and desktop computers are classified as a supply if the value is under the \$5,000 threshold. However, if the aggregated purchase exceeds \$5,000, BWDA must be contacted for approval.

Note: Protect PII and the BWDA will want to approve the aggregate level purchase as a means ensuring best value determination was made; however, the individual items that are under \$5,000 will not need to be WIOA tagged. When you submit the WIOA Property/Equipment Acquisition Request Form for approval, you should mention all individual items are below the threshold.)

Pennsylvania Department of Human Services (DHS)/WIOA-Funded equipment. Any equipment that is purchased using DHS funds should be requested through DHS. If any purchases were partially bought with DHS/WIOA funds, then the local board must follow the property guideline provisions within this document. Any property acquired, transferred, or disposed of using DHS funds that are allocated by BWDA are not subject to the property guideline provisions within this document. For such transactions, fiscal agents should refer to the attached documents issued by DHS.

Please be advised moving forward that any purchase bought with DHS funds are not to be identified with a WIOA Inventory Tag number. Unless the purchase is partially bought with DHS/WIOA funds, then the local board must follow the procedures found in this document.

Procedures for Requesting Approval for Property Acquisitions

[Uniform Guidance]

Please refer to the flow chart at the end of this chapter. Each grantee/fiscal agent is to investigate the possibility of obtaining the item(s) through any excess property listings available. Utilizing existing property will take priority over new purchases or leases in order to maximize the use of available funds.

Each grantee/fiscal agent is strongly encouraged to obtain property through any resource that might have the needed property available. For example, a manufacturer may be willing to donate equipment for training purposes, etc.

If no property is available from other sources or the cost of transferring the property does not prove to be cost efficient, a formal request to acquire the property must be submitted to the awarding agency. If a sub-grantee is purchasing property, a formal request must be submitted to the grantee/fiscal agent. If the unit acquisition cost of the property is \$5,000 or more, BWDA must ultimately approve the request.

Note: Orders that have a single unit acquisition below \$5,000, but in the aggregate purchase request is greater than or equal to \$5,000, must also be presented to BWDA for review. The BWDA will want to approve the aggregate level purchase as a means to ensure best value determination was made; however, the individual items that are under \$5,000 will not need to be WIOA tagged. When you submit the Property/Equipment Acquisition Request Form for approval, you should mention all individual items are below the threshold.

Prior to submission of the formal request, each grantee, fiscal agent, or sub-grantee, must document the attempt to obtain at least three price quotations unless the property is purchased through the state contract system. The unit cost should reflect the lowest price quote received. If the lowest quotation is not selected, the entity requesting approval must include a justification. The BWDA reserves the right to require a grantee/fiscal agent to accept the lowest bid for an item of property. Written approval or disapproval will be forwarded to the grantee/fiscal agent. If the item is disapproved, an explanation will be furnished.

To obtain property through sole source procurement, a full detailed justification must accompany the Property Acquisition Request and Report Form. BWDA will review and either approve or deny the request. Please refer to the PA Department of Labor & Industry website for a downloadable version of the *Property Acquisition Request and Report* form.

Bidding Procedures and Quotations

[Uniform Guidance]

Each grantee/fiscal agent is responsible for implementing formal bidding procedures established by an authorized local government entity or local board as appropriate. Proper bidding procedures must be adhered to regardless of the method of procurement. Federal regulations governing procurement practices are outlined in the pertinent OMB Circulars. The established procedure must ensure that a linkage is maintained with the Small Business Administration and other agencies that are able to assist in identifying small and minority-owned businesses. Formal bidding procedures involve establishing levels for dollar amounts that require such procedures as advertising, sending out formal letters requesting bids from contractors, obtaining sealed bids, etc. The unit cost should reflect the lowest price quote received. If the lowest price is not utilized, justification must be documented. Formal procurement procedures must be described in the approved local plan.

Invitations for bids or Requests for Proposals shall be based on a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such descriptions shall not, in competitive procurements, contain features that restrict, eliminate, or otherwise restrain competition.

When developing a description of property open for bid, grantees must not request specific brand names. However, grantees may use a "brand name or equal" description to define performance or other prominent requirements of a particular procurement. The practice of using specifications developed by

manufacturers restricts free and open competition. The solicitation must make it clear that the description is used to establish standards, and that other contractor's meeting the standards are eligible to submit proposals or bids.

If the unit cost of the item to be acquired is \$5,000 or more, each grantee/fiscal agent is required to obtain at least three written bids, on the contractor's letterheads, prior to submitting a request for approval to BWDA. However, BWDA may waive this requirement when it has been determined that a grantee/fiscal agent is purchasing from state contracts. See *COSTARS* category on page 10-10.

Leasing or Renting Non-Expendable Personal Property

[OMB Super Circular]

Approval of lease and rental contracts is the responsibility of the grantee/fiscal agent. However, grantees are encouraged to contact BWDA prior to executing a lease or rental agreement in order to determine the possibility of transferring existing excess property.

The decision to rent or buy property should be governed by economic conditions that may differ by property type and market conditions. Administrative requirements often make leasing preferable to purchase. Leasing with an option to purchase is generally preferable to straight leasing. Lease-purchase items should be treated as non-expendable personal property (equipment) and require approval if the total acquisition cost is at \$5,000 or more and must be tagged, reported, and disposed of in accordance with the instructions for non-expendable personal property.

Grantees must adhere to the following requirements regarding rentals and leases:

- Maintain policies and procedures for leasing or renting non-expendable personal property;
- Ensure open and free competition in bidding;
- Ensure that a contingency clause is included in any lease or rental agreement. This clause must state that either party may terminate the lease or rental agreement within a specified period of time. It must also state that the agreement is contingent upon continued receipt of federal funding;
- Lease/purchase agreements are allowable provided such acquisitions do not exceed the rental cost of comparable assets in the same locality; and
- Grantees and their sub-grantees may not rent or lease their personally-owned property to WIOA program. They also may not rent or lease from other activities in which they have a vested interest or which has interest vested to them. The application of "use allowance" must be initiated. [OMB Uniform Guidance]

Note: Where the use allowance method is followed, the use allowance for buildings and improvements (including land improvements, such as paved parking areas, fences, and sidewalks) will be computed at an annual rate not exceeding two percent of acquisition costs. The use allowance for equipment will be computed at an annual rate not exceeding 6 2/3 percent of acquisition cost. When the use allowance method is used for buildings, the entire building must be treated as a single asset; the building's components (e.g., plumbing system, heating and air condition, etc.) cannot be segregated from the building's shell. The two percent limitation, however, need not be applied to equipment which is merely attached or fastened to the building but not permanently fixed to it and used as furnishings or decorations or for specialized purposes (e.g., dentist chairs and dental treatment units, counters, laboratory benches bolted to the floor, dishwashers, modular furniture, carpeting, etc.). Such equipment will be considered as not being permanently fixed to the building if it can be removed without the destruction of, or need for costly or extensive alterations or repair to,

the building or the equipment. Equipment that meets these criteria will be subject to the 6 2/3 percent equipment use allowance limitation.

Property Acquisition Request and Report Form - The purpose of this form is to transmit necessary information to BWDA for review prior to purchasing non-expendable, personal property defined in this guide. Grantees may also use this form for sub-grantee purchases. Please refer to the PA Department of Labor & Industry website for a downloadable version of the *Property Acquisition Request and Report* form.

Property Management

- **Inventories** [*Applicable OMB Circulars*]

Each grantee/fiscal agent is required to annually conduct a physical inventory of all property with a unit acquisition cost of \$2,500 or more. The purpose of conducting the physical inventory is to verify the existence and condition of the property as well as to assess the continued need for the property.

Grantees are responsible for maintaining adequate inventory records for all WIOA non-expendable property items with a unit acquisition cost of \$2,500 or more. Grantees have the option to maintain inventory records for purchases with a lower acquisition cost if local requirements are more restrictive. It is the grantee/fiscal agent's responsibility to establish procedures for conducting the physical inventory. Records maintained by the grantee/fiscal agent and its lower-tier sub-grantees must be reconciled during this inventory process.

Inventory records for lower-tier sub-grantees must be maintained at the grantee/fiscal agent as well as the sub-grantee level. All inventory records must be cumulative and include all property with a unit acquisition cost of \$2,500 or more and be maintained until authorized disposition. In the event that items that appeared on last year's inventory are no longer listed, it is the responsibility of the grantee/fiscal agent to explain the reason for their omission.

An annual property inventory list of items purchased under WIOA funds with a unit acquisition cost of \$5,000 or more must be forwarded to BWDA by October 1 of each year. This must also include property located outside the grantee/fiscal agent's office, such as PA CareerLink® centers and sub-grantees of the grantee/fiscal agent. The written inventory submitted to BWDA must be cumulative. Grantees who do not have any property with a unit acquisition cost of \$5,000 or more must also notify the BWDA in writing annually.

Annual Property Inventory Form - The purpose of this form is to transmit necessary information to BWDA concerning the results of the annual physical inventory of WIOA property. Please refer to the PA Department of Labor & Industry website for a downloadable version of the *Annual Property Inventory Form* and instructions for completing this form. All property with a unit acquisition cost of \$5,000 or more must be reported, whether purchased or transferred into the grantee/fiscal agent's local area. This form must be completed and forwarded to BWDA by October 1 of each year.

- **Identification of Equipment** (Non-expendable Personal Property) [*29 CFR 97.3*]

Each grantee/fiscal agent is required to ensure that all non-expendable personal property purchased with WIOA funds is identified as WIOA property, as follows:

- Property with a unit acquisition cost of \$5,000 or more must be identified with WIOA property identification tags issued by BWDA;
- Property with a unit acquisition cost of between \$2,500 and \$4,999 must be identified with either local property tags or BWDA-issued WIOA property tags; and
- Property with a unit acquisition cost under \$2,500 may be identified with property tags at the discretion of the grantee/fiscal agent. If these items are identified with WIOA tags, then they must be included on the Annual Property Inventory Form.

BWDA will supply WIOA property identification tags to grantees for the purpose of identifying property as noted above.

Any computer hardware that has been acquired to upgrade the internal components and expand computer capabilities will not require WIOA identification tags.

Inventory identification tags are to be placed on non-expendable, personal property in an area that is easily accessible for property identification yet would provide protection against wear, damage, or loss. Inventory records maintained by the grantee/fiscal agent must be corrected immediately to reflect all changes in tag numbers and the reason for the change noted. Any changes in the tag number of an item with a unit acquisition cost of \$5,000 or more must be reported on the next inventory that is submitted to BWDA.

- **Transfer of Property.** Each grantee/fiscal agent is required to establish procedures for transferring property. BWDA will not grant approval to acquire property if it is determined that the property requested is available for transfer. If a transfer is available, BWDA will notify the grantee/fiscal agent of all information necessary for making transfer arrangements.

It is the responsibility of the grantee/fiscal agent to utilize existing property rather than purchase or lease new property, when it is cost efficient to do so. Prior to any acquisition, each grantee/fiscal agent is required to contact other sources that might have suitable items in an effort to locate property that is available for transfer.

Property Transfer Report Form – The purpose of this form is to transmit necessary information to BWDA concerning property with a unit acquisition cost of \$5,000 or more, which is being transferred from one grantee/fiscal agent to another. This action will officially remove the responsibility for the item from the original holder and transfer that responsibility to the new holder. Local grantees may adopt the use of this form for internal property transfers of any amount. Please refer to the PA Department of Labor & Industry for a downloadable version of the *Property Transfer Report Form* and instructions for completing this form.

BWDA will generate a *Property Transfer Report Form* when property is being transferred from BWDA to grantees. Along with a transfer, comes the submission part of an approved disposition plan of the owner. After review and approval by BWDA, then the recipient of the transferred WIOA property item will take over the WIOA tag or replace it with another WIOA tag and include this item on their next Annual Property Inventory form. All parties included will retain all documentation for retention record purposes.

- **Property Safeguard Procedures.** It is the responsibility of each grantee/fiscal agent to establish procedures that provide adequate safeguards for the protection of all WIOA property within its local workforce development area. All WIOA property must be properly maintained, secured, and adequately insured. Appropriate parties may be held liable for reimbursement for stolen or damaged property when such action is warranted.

Property Incident Report Form – When property with a unit acquisition cost of \$5,000 or more has been damaged, lost, or stolen, a Property Incident Report Form must be submitted to BWDA within ten days of determination of the loss. BWDA will follow up on the information and will notify the grantee/fiscal agent if any additional action must be taken including the submission of a Disposition Plan. If the incident involves suspected theft, intentional damage, or a reportable vehicular accident, the matter must be reported to the local police department. Please refer to the PA Department of Labor & Industry for a downloadable version of the *Property Incident Report Form* and instructions for completing this form.

- **Final Disposition of Property.** Please refer to the flow chart at the end of this chapter. When it is determined that property with a unit acquisition cost of \$5,000 or more is no longer needed in the performance of WIOA or other federally supported activities, grantees must prepare and submit a WIOA Property Disposition Plan to BWDA requesting disposition instructions.

All WIOA property must be disposed of in accordance with the following priorities:

- Transfer the property to another WIOA program activity within the grantee/fiscal agent's jurisdiction;
- Trade-in on a similar piece of equipment;
- Transfer the property to another grantee/fiscal agent for use in their WIOA programs;
- Use the property for other federally supported activities;
- Transfer the property to BWDA if the acquisition cost meets the definitions outlined in this Financial Management Guide;
- Sell the property and return the proceeds by proportionate share to the same programs that were involved in purchasing the property; or
- Discard the property as scrap.

- **Types of Property for Disposition**
 - **Real Property** [2 CFR 200.311] - When real property is no longer needed for its originally authorized purpose, grantees must request disposition instructions from BWDA. WIOA percentage purchase of the property is applied to net proceeds, and that percentage must be returned to the federal government. This requirement applies to any real property purchased with WIOA funds.
 - **Equipment and other capital expenditures** [2 CFR 200.313, see also 2 CFR 200.439] - Grantees may use equipment to be replaced as a trade-in or sell the equipment and use the proceeds to offset the cost of the replacement equipment subject to the approval of BWDA. Grantees are also permitted to retain proceeds from the sale of equipment and use such WIOA funds solely for WIOA activities subject to the approval of BWDA. The funds must be reprogrammed against the funding sources that originally supported the purchase.
 - **Supplies** (Expendable Personal Property) [2 CFR 200.314] - Supplies no longer needed for federally-supported programs shall be retained by the fiscal agent. If the aggregate acquisition cost is \$5,000 or more and the items are sold, the BWDA shall be compensated for its proportionate share of the proceeds. The proportionate share is determined by the percentage of the cost of acquisition. If the aggregate acquisition cost is less than \$5,000, the fiscal agent must treat the proceeds as program income.

- **Types of Entities** [29 CFR 97.32]
 - **Local Workforce Development Area Grantees and Governmental Entities** - Equipment purchased with WIOA funds with a unit acquisition cost of \$5,000 or more may be transferred to another grantee/fiscal agent, sold or otherwise disposed of according to instructions from BWDA. The awarding agency shall be reimbursed a proportionate share based on any contribution provided in the acquisition cost by applying the formula outlined in 29 CFR 97.32. Equipment with a unit acquisition cost of less than \$5,000 may be sold or otherwise disposed of in accordance with procedures outlined in policies as approved by the local board with no further obligation to the awarding agency.
 - **For-Profit Entities** - All questions regarding equipment disposition shall be referred to the awarding agency for instructions.

- **WIOA Property Disposition Plan.** The purpose of this plan is to insure that all WIOA property with a unit acquisition cost of \$5,000 or more is disposed of properly. Please refer to the PA Department of Labor & Industry for a downloadable version of the *WIOA Property Disposition Plan Form* and instructions. This form is to be completed by the grantee/fiscal agent and forwarded to the Department for approval under the following conditions:
 - Determination by a grantee/fiscal agent that some or all WIOA property is no longer needed;
 - A grantee/fiscal agent decides to trade-in property for similar property; or
 - Property is no longer useable.

BWDA will review the information and notify the grantee/fiscal agent of the final action to be taken on the disposition of the property. All forms and supporting documentation for property management must be submitted via email to the following resource account: RA-LIBWDA-FISCALOPS@pa.gov.

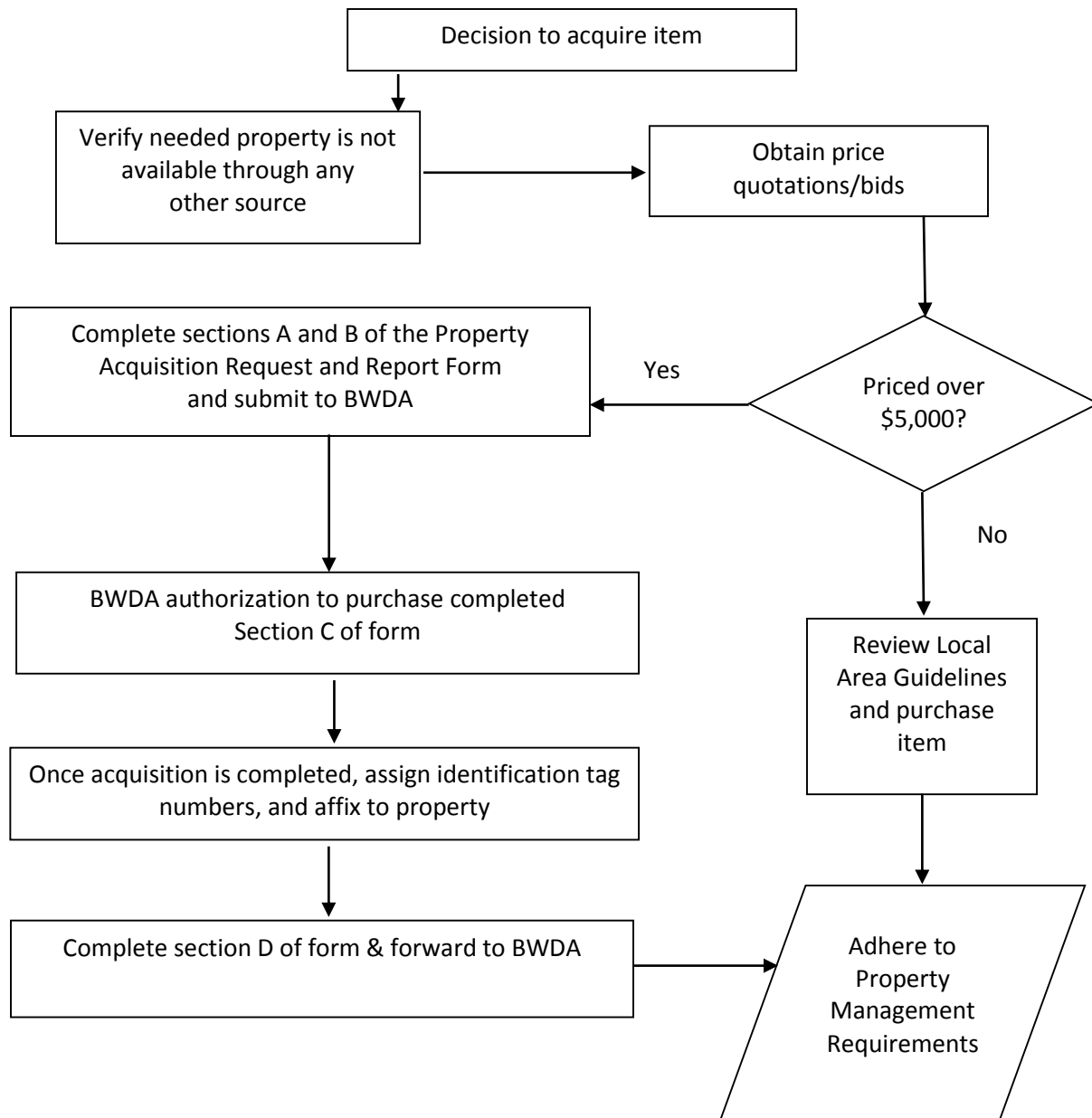
Equipment Ownership

There is no change in the Uniform Guidance for how non-federal entities should account for equipment ownership. The concept of “conditional title” always has been in effect and simply means that equipment ownership vests in the non-federal entity at the time of acquisition and that it is contingent upon meeting the requirements for use, management, and disposition of the equipment as required in 2 CFR 200.313 as well as within this guide.

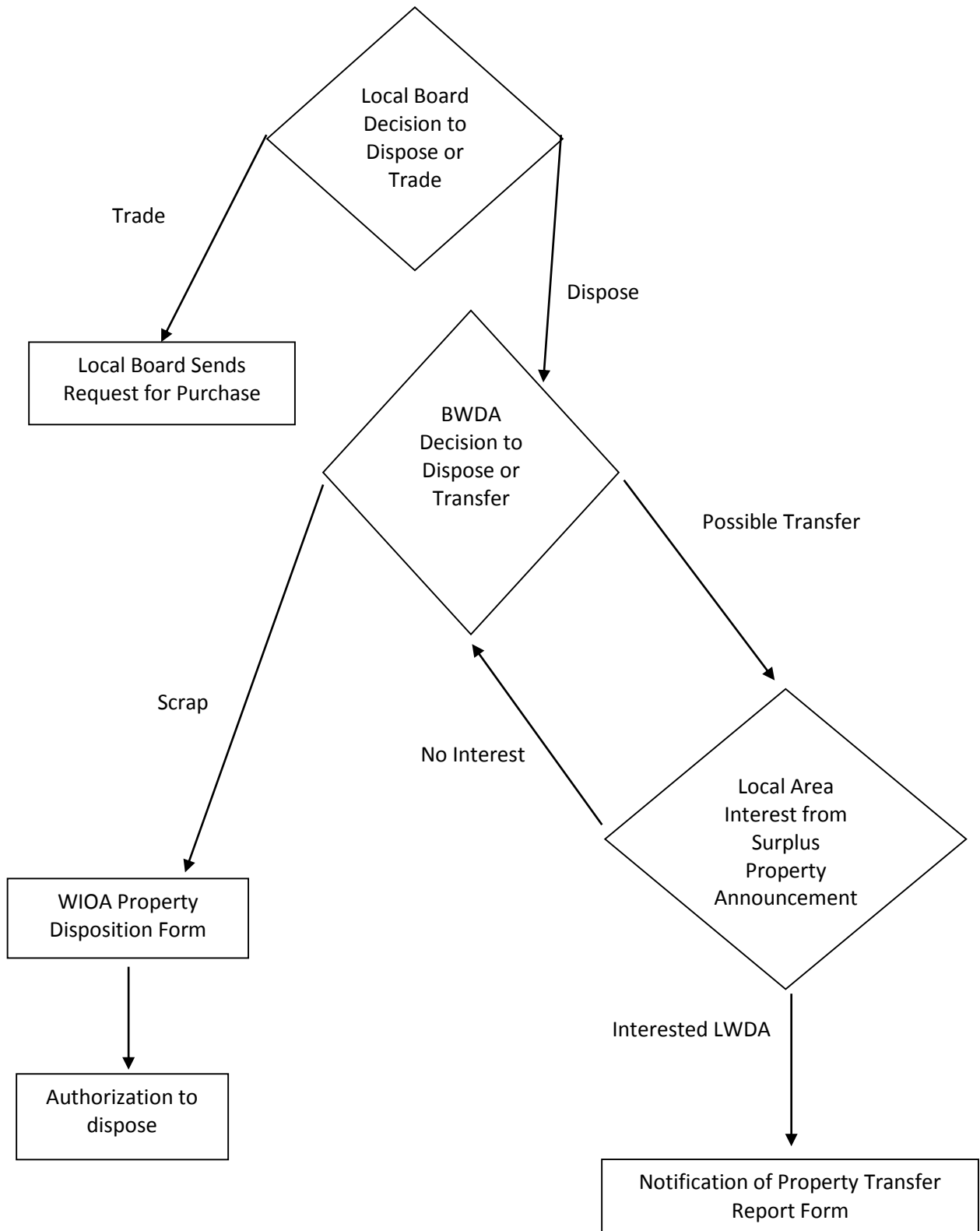
Example: The local board/fiscal agent approves the acquisition of a title I provider phone system and file server, and incorporates a Buyout Provision in acquisition terms. The equipment has a useful life of 6 years. The contract between the local board/fiscal agent and the title I provider runs for 2 years. If the local board/fiscal agent does not renew the contract with the provider, the provider may purchase or buyout the equipment for the depreciated amount identified under year 3.

Item	Unit Cost	Units	Total Cost	BUYOUT PROVISIONS							
				YR1	YR2	YR3	YR4	YR5	YR6	YR7	
Phone System	\$ 1,000.00	32	\$ 32,000.00	\$ 25,600.00	\$ 20,480.00	\$ 16,384.00	\$ 13,107.20	\$ 10,485.76	\$ 8,388.61	Donated	
File Server	\$ 12,500.00	1	\$ 12,500.00	\$ 10,000.00	\$ 8,000.00	\$ 6,400.00	\$ 5,120.00	\$ 4,096.00	\$ 3,276.80	Donated	
			\$ 44,500.00	\$ 35,600.00	\$ 28,480.00	\$ 22,784.00	\$ 18,227.20	\$ 14,581.76	\$ 11,665.41		
The grant can only be charged depreciation for the portion of the useful life of the asset that benefits and falls within the grant period.											
In the event that the grantee does not exercise its option to extend the grant, the subgrantee may buyout											
the equipment using the schedule above or return the equipment to the grantee . After the 6th year, the title to equipment will											
vest with the subgrantee.											

Property Acquisition Steps



Final Disposition of Property



GLOSSARY OF TERMS

This glossary defines financial and other terms that apply to programs and activities referenced in this Financial Management Guide (FMG). In any instance where there is more than one (1) definition of a term, this FMG, to the best possible extent, uses the more extensive definition or the definition indicated in the legislation. If there are any instances where the definition or its use in this FMG seem to conflict with federal regulations, the conflict must be resolved in favor of the federal regulations since they take ultimate precedence.

These definitions are based, in part, from the Uniform Guidance. Different definitions may be found in federal statutes or regulations that may apply more specifically to particular programs or activities.

Accrual Basis of Accounting: A method of accounting that recognizes the financial effect of the transactions, events, and interfund activities when they occur regardless of the timing of related cash flows. (Government Finance Officers Association - Governmental Accounting, Auditing, and Financial Reporting Manual)

Acquisition cost: Acquisition cost means the cost of the asset including the cost to ready the asset for its' intended use. Acquisition cost for equipment, for example, 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. Acquisition costs for software includes those development costs capitalized in accordance with generally accepted accounting principles (GAAP). Ancillary charges, such as taxes, duty, protective in-transit insurance, freight, and installation may be included in or excluded from the acquisition cost in accordance with the non-federal entity's regular accounting practices.

Advance payment: Advance payment means a payment that a federal awarding agency or pass-through entity makes by any appropriate payment mechanism, including a predetermined payment schedule, before the non-federal entity disburses the funds for program purposes.

Area of Substantial Unemployment: Any area of sufficient size and scope to sustain WIOA Title IB Adult and Youth Programs. An area must meet three (3) requirements to be an area of substantial unemployment:

1. **Geographic:** – it must be a contiguous geographic area composed of any combination of counties, cities, census tracts, or other areas within a state/local area;
2. **Population** – its population must be at least 10,000 persons; and
3. **Unemployment rate** – the 12-month average unemployment rate for the most recent reference period must be at least 6.5 percent.

Automated Clearing House: A system of electronic automated transfer of funds between federal, state, and local agencies.

Budget: Budget means the financial plan for the project or program that the federal awarding agency or pass-through entity approves during the federal award process or in subsequent amendments to the federal award. It may include the federal and non-federal share or only the federal share as determined by the federal awarding agency or pass through entity.

The Bureau of Workforce Development Administration (BWDA): The Bureau of Workforce Development Administration is organizationally located within the Pennsylvania Department of Labor & Industry. This entity is responsible for the grant administration on behalf of the Department.

The Bureau of Workforce Partnership and Operations (BWPO): Bureau of Workforce Partnership and Operations is organizationally located within the Pennsylvania Department of Labor & Industry. This entity is responsible for overseeing federal and state workforce programs.

Closeout Package: The required documents to close out a Notice of Obligation, Memorandum of Understanding, or Grants.

Commonwealth: Commonwealth of Pennsylvania.

Commonwealth Workforce Development System - The Commonwealth Workforce Development System (CWDS) is an Internet-based system that links businesses and individuals to Pennsylvania's workforce development and independent living services offered through the PA Departments of Labor & Industry and Human Services. Additionally, CWDS is the commonwealth's "system of record" for the purposes of tracking and reporting the official outcomes of workforce participants. This includes the reporting of expenditures and requesting cash requests.

Comptroller's Office: Commonwealth of Pennsylvania's, Office of the Budget, Comptroller Operations, Bureau of Accounting and Financial Management, Federal Accounting Unit, unless otherwise specified.

Contract: Contract means a legal instrument by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award. The term as used in this Part does not include a legal instrument, even if the non-federal entity considers it a contract, when the substance of the transaction meets the definition of a federal award or sub-award (UG § 200.92 Sub-Award).

Contractor: Contractor means an entity that receives a contract as defined above.

Contractor Responsibility: The program which the commonwealth uses to ensure contracting only with responsible contractors. In determining a contractor to be responsible, factors to be considered shall include, but are not limited to, the following:

- Suspension or debarment by the commonwealth within the past five (5) years;
- Suspension or debarment by the federal government or any other state or governmental entity within the past five years;
- Liabilities owed to the commonwealth, including tax liabilities; and
- Additional factors that are listed in Management Directive 215.9, as amended.

Cost Allocation Plan: The documentation that describes how allowable costs are identified, accumulated, and assigned/allocated to the appropriate cost objective.

Cost Allocation Reimbursable System (CARS): BWDA allocates funds to the local workforce development area grantees through the Notice of Obligation process for each state PA CareerLink® partner total award. These funds are available through the established drawdown process.

Deobligation: The return of WIOA funds from a local area or other grant to the commonwealth.

Department or Department of L&I: The Pennsylvania Department of Labor & Industry.

Disallowed Costs: Disallowed costs are those charges to a federal award that the federal awarding agency or pass-through entity determines to be unallowable in accordance with the applicable federal statutes, regulations, or terms and conditions of the federal award.

Drawdowns: A process by which a grantee requests and receives funds. Drawdown also means a process where sub-grantees request and receive WIOA funds.

Eligible Training Provider: An entity eligible to receive title I funds and whose program(s) of training services are certified for use by adults, dislocated workers, and out-of-school youths determined eligible to receive training services under WIOA.

Equipment: Equipment is tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes or \$5,000. See also §§ 200.12 Capital assets, 200.20 Computing devices, 200.48 General purpose equipment, 200.58 Information technology systems, 200.89 Special purpose equipment, and 200.94 Supplies.

Excess Cash-on-Hand: Any amount greater than needed for immediate disbursements.

Expenditure: Expenditures are charges made by a non-federal entity to a project or program for which a federal award was received. BWDA requires the reporting of expenditures on an accrual basis. For reports prepared on an accrual basis, expenditures are the sum of:

- Cash disbursements for direct charges for property and services;
- The amount of indirect expense incurred;
- The value of third-party in-kind contributions applied; and
- The net increase or decrease in the amounts owed by the non-federal entity for goods and other property received; services performed by employees, contractors, sub-recipients, and other payees; and programs for which no current services or performance are required such as annuities, insurance claims, or other benefit payments.

Final Expenditure Report: A final report after which no additional expenditures can be added, revised, or submitted.

Final Status of Funds: A form that is required as part of the closeout package, which reconciles cash received with expenditures.

Financial Status Report: An official document used in reporting expenditure data for federal and appropriate state-funded grants.

Fiscal Agent: The entity designated by the chief elected official(s) to administer the grant funds for the local workforce development area.

Formula Allocations: The funds allocated by the commonwealth to the local workforce development areas and other programs in accordance with the program requirements.

Fund Availability: The period of time when funds are available for expenditure.

Grant Agreement: A grant agreement is a legal instrument of financial assistance between a federal awarding agency or pass-through entity and a non-federal entity that is used to enter into a relationship the principal purpose of which is to transfer anything of value from the federal awarding agency or pass-through entity to the non-federal entity to carry out a public purpose authorized by a law

Grant Recipient: A legal entity to which a grant is awarded and which is accountable to the commonwealth for use of the funds provided. The recipient is also referred to as “grantee.”

Grant Recipient’s Assignment of Refunds, Rebates, and Credits: A form that is required as part of the closeout package.

Grant Recipient’s Closeout Tax Certification: A form that is required as part of the closeout package.

Grant Recipient’s Release: A form that is required as part of the closeout package.

Individual Training Account (ITA): A mechanism developed by the local workforce development board to finance occupational skills training to become gainfully employed or re-employed. If approved, customers must use their ITAs to purchase occupational skills training from the Department’s eligible training providers (ETP) list.

Information Technology Systems: Information technology systems are computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources. See also UG §§ 200.20 Computing devices and 200.33 Equipment.

Intangible Property: Intangible property means property having no physical existence, such as trademarks, copyrights, patents, and patent applications in addition to property, such as loans, notes and other debt instruments, lease agreements, stock, and other instruments of property ownership (whether the property intangible or tangible). In addition to the guidance set forth in 2 CFR 200.315(d)(3), the Department of Labor requires intellectual property developed under a competitive federal award process to be licensed under a Creative Commons Attribution license. This license allows subsequent users to copy, distribute, transmit, and adapt the copyrighted work and requires such users to attribute the work in the manner specified by the grantee.

Interest Income: Income earned from the interest paid on grant funds. *[2 CFR 200.449, Interest]*

Internal Controls: Internal controls means 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.

Local Area: A local workforce development area.

Local Board: A local workforce development board.

Local Plan: The local workforce development plan, as defined in WIOA Section 108, provides information for a local area in accordance with plan instructions issued by the State.

Local Workforce Development Area: A local workforce development area designated under WIOA.

Local Workforce Development Board: A local workforce development board established under WIOA.

Management decision: Management decision means the evaluation by the federal awarding agency or pass-through entity of the audit findings and corrective action plan, and the issuance of a written decision to the auditee as to what corrective action is necessary.

Micro-purchase: A micro-purchase is a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold. Micro-purchase procedures comprise a subset of a non-federal entity's small purchase procedures. The non-federal entity uses such procedures in order to expedite the completion of its lowest-dollar, small-purchase transactions and minimize the associated administrative burden and cost. The micro-purchase threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions). It is \$3,000 except as otherwise discussed in Subpart 2.1 of that regulation, but this threshold is periodically adjusted for inflation.

Notice of Obligation: An official document signed by the comptroller and BWDA authorizing the expenditure of funds under the terms and conditions of a grant agreement.

Obligations: Amounts of orders placed, contracts and sub-grants awarded, goods and services received, and similar transactions during a funding period that will require payment by the recipient or sub-recipient during the same or a future period.

Office of Management and Budget: The U.S. Office of Management and Budget. The federal agency that develops various policies for federal programs.

Office of Vocational Rehabilitation (OVR): The Office of Vocational Rehabilitation, which is located within the Pennsylvania Department of Labor & Industry.

On-the-Job Training (OJT): The term "on-the-job training" means training by an employer that is provided to a paid participant while engaged in productive work in a job that (a) provides knowledge or skills essential to the full and adequate performance of the job; (b) provides reimbursement to the employer of up to 50 percent of the wage rate of the participant for the extraordinary costs of providing training and additional supervision related to the training; and (c) is limited in duration as appropriate to the occupation for which the participant is being trained, taking into account the content of the training, the prior work experience of the participant, and the service strategy of the participant. (WIOA Section 101)

Out-of-School Youth (OSY): An eligible youth who is a school dropout or an eligible youth who has received a secondary school diploma or its equivalent but is basic-skills deficient, unemployed, or underemployed.

PA CareerLink®: Pennsylvania's one-stop career center system, which provides services to job seekers, employers, and other interested individuals.

Participant Support Costs: Participant support costs means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.

Pell Grant: The federal Pell Grant program is a federal aid program that provides financial assistance to students otherwise unable to afford an undergraduate education. The government awards grants according to each student's financial need as determined by federal methodology, a congressionally established need-analysis formula. Generally, a federal Pell Grant is awarded only to undergraduate students who have not earned a bachelor's or professional degree. Unlike a loan, Pell Grants do not have to be repaid.

Pennsylvania Workforce Development Board (PA WDB): The Pennsylvania Workforce Development Board is the state workforce development board. The Commonwealth of Pennsylvania Governor's Executive Order #2000-2, dated February 14, 2000, established the "Pennsylvania Workforce Investment Board" and defines its functions.

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.

Personally Identifiable Information (PII): PII means information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual. Some information that is considered to be PII is available in public sources such as telephone books, public Web sites, and university listings. This type of information is considered to be Public PII and includes first and last name, address, work telephone number, email address, home telephone number, and general educational credentials. The definition of PII is not anchored to any single category of information or technology. Rather, it requires a case-by-case assessment of the specific risk that an individual can be identified. Non-PII can become PII whenever additional information is made available publicly, in any medium and from any source, that when combined with other available information could be used to identify an individual.

Protected Personally Identifiable Information (Protected PII): Protected PII means an individual's first name or first initial and last name in combination with any one or more of types of information, including, but not limited to, social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, educational transcripts, criminal records, medical records, and financial records,. This does not include PII that is required by law to be disclosed.

Procurement: Procurement means buying, purchasing, renting, leasing, licensing, or otherwise acquiring any supply or service. The term also includes all functions that pertain to the obtaining of any supply or service, including description of requirements, selection and solicitation of sources, preparation and award of agreements and all phases of agreement administration.

Program Income: Program income is gross income earned by the non-federal entity that is directly generated by a supported activity or earned as a result of the federal award during the period of performance. Program income includes but is not limited to income from fees for services performed; the use or rental, real, or personal property acquired under federal awards; the sale of commodities or items fabricated under a federal award; license fees and royalties on patents and copyrights; and principal and interest on loans made with federal award funds. Interest earned on advances of federal funds is not program income. Except as otherwise provided in the terms and conditions of the federal award or federal statutes and regulations, program income does not include rebates, credits, discounts, and interest earned. See: [2 CFR 200.80 Program Income {Definition}], [2 CFR 200.307 Program Income {Post Federal Award Requirements}] and [2 CFR 200.407 Prior written approval]

Program Provider: The agency actually working with participants/clients.

Program Year, WIOA Section 189(g): Unless otherwise defined, a Program Year begins on July 1 in the fiscal year for which the appropriation is made and ends on June 30 of the following year.

Property: Property means real property or personal property.

Questioned Cost: Questioned cost means a cost that is questioned by the auditor because of an audit finding:

- Does this result from a violation or possible violation of the terms and conditions of a federal award or a federal statute or regulation, including for funds used to match federal funds;
- Justification of the costs, at the time of the audit, are not supported by adequate documentation; or
- Because the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

Real Property: Real property means land, including land improvements, structures, and appurtenances but excludes moveable machinery and equipment.

Request for Funds (RFF): An application from the local area submitted to BWDA in accordance with state guidelines that requests additional funding for specified purposes.

Resource Sharing Agreement (RSA): An agreement that is maintained at the local level, which include signatures of all partners providing funding to a PA CareerLink[®]. Agreements contain language to hold parties responsible for all expenditures within the agreement period and reflect the negotiation process parties will conduct to obtain approval of all partners.

Resource Sharing Agreement Budget (RSAB): A consolidated budget report in which the local area grantees enter their new year's budget data and report actual expenditures to BWDA on a quarterly basis. The report is provided through an online spreadsheet housed on a password-protected website maintained by BWDA. BWDA uses the consolidated budget reports provided by the local area grantees to initiate and finalize discussions and internal agreements with each state PA CareerLink[®] partner agency. The results provide the annual allocation of state PA CareerLink[®] funds that are made available for distribution to local area grantees. Grantees identify the costs as Facility, Operating, and Personnel expenses by each PA CareerLink[®] and applicable State PA CareerLink[®] partner agency.

Resource Sharing Agreement Budget—Financial Status Report (RSAB-FSR): In conjunction with the Resource Sharing Agreement Budget, the RSAB-FSR is used when submitting quarterly expenditures for each PA CareerLink[®] within the local workforce development area, as well as the consolidated, local area report. Actual expenditures for personnel/staff, facility/building, and operational cost categories are entered for the quarter. This is not a cumulative entry. The entries should not include any estimated costs but must include all partners' share of state paid expenses billed by BWDA.

Systems Applications and Products (SAP): The commonwealth's enterprise-wide software package that contains the administrative systems of accounting, purchasing, budgeting, human resources, and payroll.

Secretary: Secretary of the U.S. Department of Labor (USDOL).

Sole Source: The justification process that demonstrates that only one provider/bidder can furnish the required/provided service.

Stand-in Costs: The costs paid from non-federal sources that are proposed to substitute for federal costs that have been disallowed as a result of an audit or review.

State Plan: Pennsylvania's Integrated Workforce Plan.

Sub-recipient: Sub-recipient means a non-federal entity that receives a sub-award from a pass-through entity to carry out part of a federal program; but does not include an individual that is a beneficiary of such program. A sub-recipient may also be a recipient of other federal awards directly from a federal awarding agency.

Supplies: Supplies are all tangible personal property other than those described in equipment. 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.

Transfer: If described in the local plan and approved by the governor, the local board may transfer a certain percent of a program year allocation between adult and dislocated worker employment and training activities

Unobligated Balance: The portion of funds authorized by the awarding agency for a program year that has not been obligated by the grantee/sub-grantee and is determined by deducting the cumulative obligations and expenditures from the cumulative funds authorized.

Unliquidated Obligations: For reports prepared on an accrual expenditure basis, these are obligations incurred by the non-federal entity for which an expenditure has not been recorded.

Vendor Data Management Unit (VDMU): To receive a new Systems Application Programming (SAP) vendor number, contact VDMU at 717-346-2676 or toll free at 877-435-7363.

WIOA: Workforce Innovation and Opportunity Act of 2014.

Year-of-Appropriation: The year that funds were appropriated by Congress. The year in which funds were spent and movement of funds by reallocation, reallocation, or transfer do not affect the year of appropriation designation.

ACRONYMS

ACH	Automated Clearing House
ASMB	Assistant Secretary for Management and Budget
ASU	Area of Substantial Unemployment
BWDA	Bureau of Workforce Development Administration
BWPO	Bureau of Workforce Partnership and Operations
CARS	Cost Allocation Reimbursable System
CFR	Code of Federal Regulations
CRP	Contractor Responsibility Program
CVMU	Central Vendor Management Unit
CWDS	Commonwealth Workforce Development System
EARN	Employment and Retention Network
ETA	Employment and Training Administration (USDOL)
FAS	Field Accounting Service
FMG	Financial Management Guide
FMS	Financial Management System
FSR	Financial Status Report
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GAO	U.S. General Accounting Office
GASB	Government Accounting Standards Board
ITA	Individual Training Account
JJI	Joint Jobs Initiative
JTPA	Job Training Partnership Administration Act
LECS	Labor, Education and Community Service (Comptroller's Office)
L&I	Pennsylvania Department of Labor & Industry
LWDA	Local Workforce Development Area
LWDB	Local Workforce Development Board
MOU	Memorandum of Understanding
N/A	Not Applicable
NDWG	National Dislocated Worker Grant
NOO	Notice of Obligation
OIG	Office of the Inspector General
OIT	Office of Information Technology
OJT	On-the-Job Training
OMB	United States Office of Management and Budget
OSY	Out-of-School Youth
OVR	Office of Vocational Rehabilitation
OWCP	Office of Workers Compensation Programs
PA WDB	Pennsylvania Workforce Development Board
PHEAA	Pennsylvania Higher Education Assistance Agency
PY	Program Year
RFF	Request for Funds
RFP	Request for Proposal
RSA	Resource Sharing Agreement
RSAB	Resource Sharing Agreement Budget

RSAB-FSR	Resource Sharing Agreement Budget—Financial Status Report
USDOL	United States Department of Labor
WIA	Workforce Investment Act of 1998 (Pub. L. 105-220)
WIOA	Workforce Innovation and Opportunity Act of 2014 (Pub. L. 113-128)
WSP	Workforce System Policy (<i>of Pennsylvania</i>)

Appendix A: List of Forms

Chapter 3 – Funding Distribution and Provisions

- Request for Funds Form

Chapter 4 – Accounting for Funds

- Request for Payment Form
- Request for Funds Form

Chapter 5 – Reallotment, Reallocation, Transfer and Reporting Requirements

- Transfer of Funds Request Form

Chapter 7 – PA CareerLink® Resource Sharing

- Resources Sharing Agreement Budget (RSAB) Template (*Common Budget Document*)
- Statewide PA CareerLink® Staffing Survey

Chapter 8 – Closeout Procedures

- Grantee Closeout Packages

Chapter 9 – Audits and Deb Collection

- Workforce Innovation and Opportunity Act (WIOA) Fiscal Agent Audit Plan
- Statement of WIOA Expenditures by Contract Number and Year
- WIOA Program Stand-in Costs

Chapter 10 – Procurement and Property Management

- Annual Property Inventory Form
- Property Acquisition Request and Report Form
- Property Incident Report Form
- Property Transfer Report Form
- WIOA Property Disposition Plan Form

Other

- BWDA Grant Agreement

Appendix B: Resources & Information

- US Department of Labor (USDOL), Employment and Training Administration (ETA): www.doleta.gov
- ETA Grant Resources: <http://www.doleta.gov/grants/resources.cfm>
- Workforce Innovation and Opportunity Act (WIOA) Public Law No. 113-128, July 22, 2014: <http://www.gpo.gov/fdsys/pkg/PLAW-113publ128/pdf/PLAW-113publ128.pdf>
- [20 Code of Federal Regulations \(CFR\), WIOA Final Rules and Regulations](#)
- WIOA Related Advisories: http://wdr.doleta.gov/directives/All_WIOA_Related_Advisories.cfm
- Workforce Investment Act of 1998 (WIA): <http://www.doleta.gov/regs/statutes/wialaw.txt>
- WIA Regulations (Final Rule): <http://www.doleta.gov/usworkforce/wia/finalrule.pdf>
- USDOL ETA Reporting - Financial, Administrative and Performance Training for Grantees: <https://etareporting.workforce3one.org/page/home>
- Code of Federal Regulations (CFR) pertaining to the Department of Labor: <http://www.dol.gov/dol/cfr/>
- Office of Management and Budget (OMB) Circulars: http://www.whitehouse.gov/omb/circulars_default
- ETA Resource Guide for all current Uniform Administrative Requirements *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule a.k.a "Uniform Guidance" or the "Super-Circular"*, 2 CFR Chapter I, Chapter II, Part 200, et al., December 26, 2013: <http://www.doleta.gov/grants/UniformGuidance.cfm>
- USDOL One-Stop Financial Management Technical Assistance Guide (TAG) Part I: One-Stop Financial Management (July 2002): http://www.doleta.gov/grants/pdf/TAG_PartI.pdf
- USDOL One-Stop Financial Management Technical Assistance Guide (TAG) Part II: ETA Grant Programs Financial Management (update July 2011): http://www.doleta.gov/grants/pdf/TAG_PartII_July2011.pdf
- USDOL ETA Advisories - location of all TEGs, TENs, and other guidance issuances: <http://wdr.doleta.gov/directives/>
- Training and Employment Notice (TEN) No. 39-09 *On-line Financial Management Training Tutorials*, April 12, 2010: http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=2883
- TEN No. 20-13 *Notification of publication and Webinar for the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule*, February 10, 2014: http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=8497

- Training and Employment Guidance Letter (TEGL) No. 07-04 *Issues Related to Real Property Used for ETA Program Purposes*, October 20, 2004:
http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=1611
- TEGL No. 05-06 *Implementing the Salary and Bonus Limitations in Public Law 109-234*, August 15, 2006: http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=2262
- TEGL No. 31-04 *Payment of Royalties on Intellectual Property Created with Federal Grant Funds*, April 29, 2005: http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=2073
- TEGL No. 28-10 *Federal Financial Management and Reporting Definitions*, May 27, 2011:
http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3030
- TEGL No. 02-12 *Grant Recipient Responsibilities for Reporting Instances of Suspected Fraud, Program Abuse and Criminal Conduct* (OIG 1-156 Incident Report Form attached), July 12, 2012:
http://wdr.doleta.gov/directives/corr_doc.cfm?docn=9222
- USDOL ETA, *The WIA Youth Program RFP Guide*, January 9, 2001:
http://www.doleta.gov/youth_services/pdf/rfpguide.pdf
- Federal Funding Accountability and Transparency Act of 2006 (FFATA) including the associated System for Award Management (SAM) website: www.sam.gov
- Single Audit Act Amendments of 1996: <http://www.gpo.gov/fdsys/pkg/PLAW-104publ156/pdf/PLAW-104publ156.pdf>
- U.S. Government Accountability Office's (GAO), *Generally Accepted Government Auditing Standards*, also known as *The Yellow Book*: <http://www.gao.gov/yellowbook/overview>
- U.S. Office of Personnel Management: <https://www.opm.gov/>
- USDOL Indirect Cost Determination guides and resources:
<http://www.dol.gov/oasam/boc/costdeterminationguide/main.htm>
- Governmental Accounting Standards Board (GASB) Statement 34 on Basic Financial Statements—and Management's Discussion and Analysis for State and Local Governments:
<http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391>
- Pennsylvania Workforce Development: www.paworkforce.state.pa.us
- Commonwealth of Pennsylvania, State Integrated Workforce Plan for WIA and Wagner-Peyser Programs for the period of July 1, 2012 through June 30, 2016:
http://www.portal.state.pa.us/portal/server.pt/community/policy_documents/19047
- PA Department of L&I Workforce Policies and Workforce Investment Information Notices (WIINs):
<http://www.portal.state.pa.us/portal/server.pt/community/wiins/12913>
- WIIN No. 3-05, Guidelines for the Competitive Procurement of Youth Services:
<http://www.portal.state.pa.us/portal/server.pt?open=514&objID=575444&mode=2>

- WIIN No. 6-99, Change 2, WIOA Dislocated Worker Rapid Response-Additional Assistance Funds: <http://www.portal.state.pa.us/portal/server.pt?open=514&objID=575400&mode=2>
- WIIN No. 2-04, Grant Procedures: <http://www.portal.state.pa.us/portal/server.pt?open=514&objID=575445&mode=2>
- WSP 02-2015 Local Governance Policy: <http://www.dli.pa.gov/Businesses/Workforce-Development/Pages/default.aspx#.Vk9bKK3lvcs>
- Commonwealth Workforce Development System's (CWDS) Financial Management System (FMS) and the Cost Allocation Reimbursable System (CARS): www.cwds.pa.gov
- PA Management Directive 215.9, Contractor Responsibility Program (CRP): http://www.portal.state.pa.us/portal/server.pt?open=512&objID=711&PageID=228891&mode=2&contentid=http://pubcontent.state.pa.us/publishedcontent/publish/cop_general_government_operations/oa/oa_portal/omd/p_and_p/management_directives/management_administrative_support/items/215_9_contractor_responsibility_program.html
- PA Department of General Services (DGS) Bureau of Procurement: http://www.dgs.state.pa.us/portal/server.pt/community/department_of_general_services/1230
- PA Procurement Handbook Online: http://www.portal.state.pa.us/portal/server.pt/community/procurement_handbook/14304
- PA State Debarment List: https://www.dgs.internet.state.pa.us/debarment_list/
- PA DGS, COSTARS: <http://www.portal.state.pa.us/portal/server.pt/community/costars/1272>
- PA Disposition of Abandoned and Unclaimed Property Law: <http://www.pacode.com/secure/data/061/chapter951/chap951toc.html>
- PA Information Technology Policies (ITP) Index: <http://www.portal.state.pa.us/portal/server.pt?open=512&objID=416&&PageID=210791&level=3&css=L3&mode=2>
- Pennsylvania State Police Request for Criminal Record Check, Pennsylvania Access to Criminal History (PATCH): <https://epatch.state.pa.us/Home.jsp>
- Electronic Funds Transfer Payment Enrollment: <https://www.vendorregistration.state.pa.us/cvmu/paper/Forms/ACH-EFTenrollmentform.pdf>

Additional citations and references:

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- Federal Register Volume 66, Issue 105, Page 29638, *Resource Sharing for Workforce Investment Act One-Stop Centers: Methodologies for Paying or Funding Each Partner Program's Fair Share of Allocable One-Stop Costs*, May 31, 2001
- Buy American Act (41 U.S.C. 10a et. seq.)

- Energy Policy and Conservation Act
- Occupational Safety and Health Act of 1970
- Executive Order 12549 of Feb. 18, 1986, Debarment and Suspension
- Disposition of Abandoned and Unclaimed Property Law (Escheats Law), 72 P.S. §§ 1301.1-1301.29
- Workers' Compensation Act of June 2, 1915, 77 P.S. 1 et seq., (Pub. L. 736, No. 338)
- Child Labor Law (Act of 2012 Pub. L. 1209, No 151) as amended
- Child Labor Law (43 P.S. §§ 41-71), Regulations Governing the Employment of Minors in Industry, Subchapter B. Employment of Minors in Industry Act
- Pennsylvania Workforce Development Act (24 P.S. § 6250.101 et seq.) as amended
- Commonwealth of Pennsylvania, Governor's Executive Order No. 2000-2, Pennsylvania Workforce Development Board
- Commonwealth of Pennsylvania, Sunshine Act (65 Pa. C.S. § 701 et seq.)
- Commonwealth of Pennsylvania, Right-to-Know Law, 65 P.S. §§ 67.101-3104, ("RTKL")
- Commonwealth of Pennsylvania, Management Directive 325.8, Remedies for Recipient Noncompliance with Audit Requirements
- Commonwealth of Pennsylvania, Manual of Accounting (M310.3)
- Commonwealth of Pennsylvania, Procurement Code, Act 57 of 1998