

Core Monitoring Guide

Financial Supplement

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eta

UNITED STATES DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION

FINANCIAL SUPPLEMENT TO THE CORE MONITORING GUIDE

PREFACE

This FINANCIAL SUPPLEMENT to the *Core Monitoring Guide* is a tool for Federal staff to perform an in-depth review of Core Activities 2 and 3 when monitoring ETA grants. This supplement, along with other supplements to the *Core Monitoring Guide*, constitute an important part of the Employment and Training Administration's (ETA's) overall strategy to improve grant administration, specifically on-site monitoring of grantees. Combined, these guides will become an integral part of a grant management "tool kit." Improving grant administration is a crucial element of the Department of Labor's and ETA's management improvement plans supporting the President's Management Agenda. ETA's successful achievement of its Mission, Vision, and Guiding Principles is premised on the delivery of high quality, outcome focused job seeker and business services through effective financial agreements with the state and local workforce system organizations.

This FINANCIAL SUPPLEMENT is meant to be used with the *Core Monitoring Guide* and focuses on the areas generally reviewed by fiscal staff. It provides the additional questions and tools to perform the tests of systems and procedures that constitute an in-depth review of the administrative and financial management requirements that are applicable to most ETA grant programs. The supplement also includes background resource material as a convenient and ready reference to the requirements in a number of areas. This will help to provide consistency in how we review and assess grantees and their adherence to those requirements.

For the most part, this supplement is *generic*, covering an examination of basic requirements that are found in ETA grants, but specific questions have been included that may apply only to certain grant programs, such as formula grants, or to certain types of grantees, such as state level or discretionary grantees. In such cases, the questions are labeled to indicate this distinction.

This guide is the outcome of many different individuals and offices within ETA working together to produce the best possible product to meet a diverse set of needs. The guide is intended to be continually reviewed and updated based on experience, practice, and changing requirements.

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GENERAL INSTRUCTIONS

INTRODUCTION

This FINANCIAL SUPPLEMENT to the *Core Monitoring Guide* (CMG) is intended to be used by fiscal staff as a component of an overall grant management strategy developed by each regional or national office responsible for grant oversight. Where the *Core Monitoring Guide* is designed for use by Federal Project Officers (FPOs) to monitor all core activities of grantees, the FINANCIAL SUPPLEMENT focuses only on activities 2 and 3, Program and Grant Management Systems and Financial Management Systems, which are generally the focus of financial and administrative review of ETA grants. For FPOs, the indicators and guidance in the CMG are designed to help the reviewer identify the attributes or criteria that attest whether the objectives or requirements are being met. A fiscal review probes deeper in certain areas, looking into policies, procedures and systems, and includes sampling, testing of transactions, and documentation in order to draw conclusions. The indicators and tools in the financial supplement are designed to facilitate such a review. The guide may be used to review ETA-funded grant activities.

HOW THE GUIDE IS ORGANIZED

This guide is organized around the two core activities: Program and Grant Management Systems (Core Activity 2) and Financial Management Systems (Core Activity 3). The FINANCIAL SUPPLEMENT is intended to be used in conjunction with the *Core Monitoring Guide*. It has the same format, and starts with the same objectives. The objectives and indicators in the *Core Monitoring Guide* provide the starting point for the fiscal review. As needed, new objectives and indicators have been added in the FINANCIAL SUPPLEMENT relevant to the program or topic.

Each core activity is organized around specific financial and administrative requirements derived from legislation, regulations, and grant provisions that relate to that core activity. These requirements or expectations are called objectives. Each objective is accompanied by indicators. The indicators are the criteria that are used to determine that the objective or requirement is being met. The indicators are labeled (C) for compliance indicators that must be met or (E) for effectiveness indicators. There are some (E) indicators in the *Core Monitoring Guide* that become compliance issues in the FINANCIAL SUPPLEMENT, e.g., Indicator 3.5.1. Allowable Costs, because of the depth and type of the testing that is done. Occasionally, effectiveness questions are added to a compliance indicator. In these cases, only the effectiveness questions are labeled (E).

As in the *Core Monitoring Guide*, indicators in the FINANCIAL SUPPLEMENT come with guidance on how to assess the indicator and a space to add notes or indicate the sources of information used in your assessment. In addition, to make the FINANCIAL SUPPLEMENT useful for fiscal staff with varying levels of experience, as well as providing some consistency in how we look at grantees, the supplement includes background material and tools. The background material is a convenient reference to requirements for some areas, such as match and property. Tools, such as checklists and spreadsheets, are included to assist fiscal reviewers to gather and record relevant information and data.

The references and tools are in a separate section of the guide. Each tool is identified by the activity, objective and indicator it relates to. In the electronic version, the tools are hyperlinked to the appropriate section. All tools include a description of their purpose and how they are to be used. The reference materials include a list of definitions for terms found in the guide or requirement, a cross reference of administrative requirements and a chart detailing allowable cost standards.

To get a better idea of the difference in the depth of the FINANCIAL SUPPLEMENT, look at Objective 2.1 Administrative Controls. The “Toolbox” of the FINANCIAL SUPPLEMENT includes a resource providing background information for administrative controls (R2.1) in addition to a checklist of policies and procedures that are generally found with grantees (T2.1.1). Not all may apply to every grantee, but the checklist assists the reviewer to ask about them all and identify which ones are applicable, and which are needed but may not be present.

There are also questions that assist the reviewer to determine whether grantee fiscal staff are familiar with and have access to the financial and administrative requirements, and how subgrantees are provided information about the requirements.

For reviewing the administrative and financial activities of grantees, the FINANCIAL SUPPLEMENT includes the following objectives and indicators that are in addition to those of the CMG:

Activity 2 – New Objectives

OBJECTIVE 2.11 Facilities and Other Capital Assets

OBJECTIVE 2.12 Intangible Property

Activity 3 – New Objectives

OBJECTIVE 3.9 Cost Classification

OBJECTIVE 3.10 Participant Training Resource Management

Additional indicators have been added to a number of the objectives, as needed, to address additional requirements that the fiscal staff generally review and test.

PREPARING FOR AN ON-SITE VISIT

Gather background materials. To prepare for the site visit, review this guide and identify documents called for as reference documents for the grantee organization. In addition, familiarity with the operations of the grantee can make the on-site visit and monitoring process more efficient. This may be achieved by reviewing the grant agreements and budgets, financial reports, past monitoring reports, incident reports, news clips and audits. List questions that may arise as to how the grantee is organized, relationships with subrecipients, and the location of documents and staff that will be sources of information for the monitoring visits. Are their expenditures unusually high or low? Have they addressed the clarifying issues in Part IV of their grant agreement? Have they submitted a proposal for an indirect cost rate agreement or cost allocation plan? Obtain copies of cash drawdown reports for all direct DOL grantees from the Payment Management System, and real property reports (for state grantees). If a grantee’s policies and directives are available online, you may be able to review them in advance of the visit.

Coordinate guide with data sources. The guide is organized around key topics, rather than sources of information. The reviewer must plan how interviews will be organized and documents and administrative systems reviewed to maximize grantee staff availability and avoid going back and forth between agencies, departments, or personnel. This might be done by marking the guide so that questions for a particular set of respondents are easily located. It is also most efficient to develop a list of source documents you wish the grantee to have available for your review. This list can be sent to the grantee in advance so that arrangements can be made to have staff and documents ready for your visit.

USE OF THE GUIDE ON-SITE

Use the entrance conference to set the tone of the review. Begin the meeting with an explanation of the purpose of the review. Discuss your methodology, objectives, and planned activities. Request policies and procedures and any other documents you will need to get started. Confirm meetings with relevant parties including subrecipients. Listen to the feedback the grantee provides and try to make them feel comfortable. Reassure the grantee that the review will assist in identifying technical assistance needs, which, to the extent possible, will be provided during the review.

Objective conclusions. Based upon your review of the indicator(s), you will need to determine if the objective has been met. If there are multiple indicators for an objective, you will need to base your decision whether the objective has been met on the relative importance of the indicators and if there is a compliance factor involved. Use the tools to document selected samples of various types of transactions and documents. The guidance provided in the guide and with the tools should assist in the analysis and help you draw conclusions about whether the objective has been met.

USE OF THE RESULTS IN THE REPORT

Once the on-site review has been completed, the guide is to be used to develop a report to the grantee. The report must address all compliance findings. While there is no prescribed format for the report, each report should include the following, at a minimum:

Background – summarizing details of the review, when it was conducted, staff interviewed, etc.

Results of the review – should address each issue and be organized to provide the grantee with appropriate detail. All reports should include sections on promising practices, findings, and other observations.

- Promising Practices should detail those practices or processes that are particularly effective or efficient and/or may be replicated.
- All violations of compliance requirements would be considered as Findings or High Risk Factors. Each finding should contain a description of the compliance violation, the cause of the violation if known, the citation supporting the finding as a compliance issue, and the requirement for appropriate corrective action by the grantee, including time frames for completion.
- Other Observations should detail those grantee activities related to effectiveness objectives or indicators that have not been met and could possibly result in a finding at some later point if not addressed. The report is to be structured around the objectives of each core activity and any findings or other information must be related to a specific numbered objective.

Subsequent to the review, results are to be entered into GEMS at the objective level for each core activity.

SUPPLEMENTAL MATERIALS

The specific tools that have been developed to assist reviewers using the FINANCIAL SUPPLEMENT to the *Core Monitoring Guide* should become part of the documentation that supports the conclusions of the reviewer. They should be maintained along with the reviewer's notes and other copies of documents gathered on-site. It is important that the reviewer develop a system to cross reference the documents and tools to the relevant objectives and indicators.

CONCLUSION

As stated before, the FINANCIAL SUPPLEMENT is intended to be used by fiscal staff to review the financial and administrative systems, policies and procedures generally applicable to ETA-funded grant activities. There will be instances, however, where the objectives or indicators do not apply to the specific grant or grants you are reviewing. The guide may be customized to best fit your needs. The guide will be available electronically, and you may excerpt for your on-site use those objectives and/or indicators that apply specifically to the type of grant(s) you are reviewing, as well as the necessary references and tools needed. It is critical that any potential compliance issues identified on-site be supported with copies of documents that demonstrate and support the finding. Any additional materials obtained during the review or additional pages of discussion need to be maintained along with the review guide. The completed guide becomes part of the documentation for the monitoring report that should provide the reader with a clear understanding of the reviewer's reasoning for conclusions drawn. The guide also provides the detail that may be needed to articulate specific corrective actions.

CORE ACTIVITY 2 PROGRAM AND GRANT MANAGEMENT SYSTEMS

Program and grant management systems support grant functions or activities that are necessary for the operation of a project but are not related to the direct provision of services. These grant functions include personnel, administrative and oversight, management information, and reporting systems. Those functions NOT incorporated in Core Activity 3—Financial Management Systems—are incorporated herein. In addition, activities are included when their purpose is to ensure compliance with applicable statutory, regulatory, and grant requirements common to all ETA grants.

CORE ACTIVITY 2 GENERAL INSTRUCTIONS

The purpose of the Core Activity 2 monitoring component is to evaluate the grantee’s capacity to perform the broad management functions that are required when operating Federally-funded workforce development grants. During this phase of monitoring, you will focus on program and grant management systems. Each objective focuses on a separate system or requirement and includes one or more indicators to assist in determining if the objective has been met.

To prepare for monitoring these core management functions, review the referenced authoritative citations that are in Appendix A. The appendix contains outlines of the compliance requirements that provide a quick reference for use in the field.

Summary of Findings for Core Activity 2	
Promising Practices	
Findings or High Risk Factors	
Other Observations	

OBJECTIVE 2.1 Administrative Controls:
Administrative Controls are sufficient to ensure grant integrity [29 CFR 97.40; 29 CFR Part 95].

Tools Directory:

- [R2.1 Background for Administrative Controls](#)
- [R2.1.4 Retention of Records Table](#)
- [T2.1.1 Policies and Procedures Checklist](#)
- [T2.1.2 Fiscal Monitoring Reports Worksheet](#)

2.1.1 The organization maintains policies and procedures for core management functions and program operations. C

2.1.2 Written monitoring tools and procedures are used to monitor all elements of the grant Statement of Work (SOW) against performance objectives and compliance with uniform administrative requirements. Monitoring tools and procedures are appropriate for subrecipient monitoring. E

2.1.3 The organization maintains written documentation including monitoring reports, findings, corrective actions, and resolutions for each grant monitored. E

2.1.4 Record retention policies that meet the requirements of applicable Federal laws and regulations are in place and followed. (Appendix A contains additional information on these requirements.) C

2.1.5 The grantee maintains a process for the closeout of grants and subgrants. E

2.1.6 The grantee has a written grievance and complaint process that meets the requirements of applicable Federal law and regulations, and follows its process. C

2.1.7 The grantee appropriately reports fraud, waste, abuse, and criminal activity through the U.S. Department of Labor (DOL) incident reporting system. C

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2.1.1 The organization maintains policies and procedures for core management functions and program operations. C

Interview the primary staff responsible for the development and issuance of policy.

- What determines that a policy is needed? Are there areas in which the need for policy has not been addressed?
- What is the process for developing and issuing policies? Is it followed?
- Who is on the distribution list? How is the list developed and maintained?
- Are all grantee policies currently in force included in the written record?

Sources and Notes:

- Review the applicable policies from the checklist, T2.1.1, to determine if they are adequate to meet the Federal requirements.
- Does the grantee fiscal staff have a copy of all necessary tools, e.g., the One-Stop Financial Management Technical Assistance Guide (TAG), Office of Management and Budget (OMB) Circulars, Uniform Administrative Requirements, and state policy? (E)
- How has the grantee ensured that subgrantees are aware of requirements imposed upon them by Federal statute and regulations?

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2.1.2 Written monitoring tools and procedures are used to monitor all elements of the grant Statement of Work (SOW) against performance objectives and compliance with uniform administrative requirements. Monitoring tools and procedures are appropriate for subrecipient monitoring. E

Review monitoring tools, e.g., protocols, manuals, & general instructions that relate to program monitoring. Compare these documents to the grant goals & applicable Federal requirements.

- In terms of content, is the information reviewed in the monitoring tools aligned to both individual grant goals and the Federal requirements? If not, what is missing?
- Are the monitoring protocols and instructions clear and adequate to guide the monitoring process? Are the monitoring tools adaptable to all grants, or are there individual tools for each grant and subrecipient?
- How does the grantee develop its subrecipient monitoring schedule? Is it followed?
- Does there appear to be an assignment of risk to either subrecipients or to grants operated by the grantee? What is the basis for determining high risk/low risk levels?
- Are all elements of every grant and subgrant SOW monitored on at least an annual basis?

- Have grantees' monitors had specific training on administrative and financial management requirements on a regular basis?
- Have staff responsible for subrecipient monitoring received similar training?

Sources and Notes:

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2.1.3 The organization maintains written documentation including monitoring reports, findings, corrective actions, and resolutions for each grant monitored. E

Review all written documentation related to the grantee's monitoring activities, especially monitoring reports for the past year. Interview monitoring supervisor for clarification of any inconsistencies between the records and the information provided above.

- Are there any discrepancies between the records and the monitoring process and tools that were reviewed above? If so, what accounts for those?
- Are corrective actions followed-up? Are there any examples of how monitoring has led to corrective actions that either averted misuse of funds or resulted in improvements to program quality or efficiency?
- Is there a pattern in the records that shows:
 - √ monitoring procedures were not properly followed or inconsistently applied; or
 - √ other weaknesses in monitoring and oversight?

Sources and Notes:

- Are written monitoring reports issued?
- How soon after the monitoring is completed is the report issued?
- Are the monitoring findings resolved?
- What is the process for addressing uncorrected monitoring findings? (see also: Objective 2.8 Audit and Audit Resolution)

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2.1.4 Record retention policies that meet the requirements of applicable Federal laws and regulations are in place and followed. (Appendix A contains additional information on these requirements.) C

Review the grantee organization records retention and access policy. Interview staff responsible for record retention.

- Is the policy in compliance with applicable Federal laws and regulations? Ask for any clarification needed based on the review of the written policy document.
- Does it appear the written records retention and access policy reflect actual grantee organization practice?
- Is the physical location of the space used for record retention adequate and accessible?
- If records are in an electronic medium, is the medium likely to be outdated in three years and not accessible?

Sources and Notes:

- Does the record retention policy address the following:
 - √ Required periods of retention for records such as financial records, participant records, cost allocation plans, property records, and litigation? (See R2.7 Background for Contract Provisions – Record Retention and Access Requirements.)
 - √ If there are subrecipients, are these policies accurately reflected in the subagreements and/or interagency agreements?
 - √ Local and Federal privacy requirements?
- Does the record retention requirement address circumstances under which custody of the records should be taken by the grantee? **(E)**

Note to Reviewer: Records may be in any medium deemed acceptable by the organization or awarding agency, e.g., electronic media, photocopy, microfiche, etc. Records need not be retained on site, but must be accessible.

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2.1.5 The grantee maintains a process for the closeout of grants and subgrants. E

Review the grantee’s closeout policies and procedures and verify that closeouts are completed on a timely basis. Interview staff responsible for internal and external closeout activities.

- Does the entity have a written closeout process for subrecipients?
- Does the process address:
 - √ Reconciliation of obligations or award amount, expenditures, and cash disbursements?
 - √ Property and supply disposition?
 - √ Final payment?
 - √ Prepaid costs?
 - √ Outstanding checks?
 - √ Post closeout adjustments?

Note to reviewer: If not, these may become compliance issues under other objectives or indicators.

- If not, how do they ensure their compliance with the closeout requirements at 29 CFR 97.50 and/or 95.71?
- Does the entity have policies that clearly state that all costs incurred and to be paid with grant funds have been incurred during the period of performance?

Sources and Notes:

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2.1.6 The grantee has a written grievance and complaint process that meets the requirements of applicable Federal law and regulations, and follows its process. **C**

Obtain a copy of the recipient's grievance or complaint log(s).

- Do(es) the log(s) include:
 - √ Name(s) of grievant(s)?
 - √ Name(s) of defendants?
 - √ Names of subrecipients involved or other interested parties?
 - √ Dates of significant actions?
 - √ Status of the grievance or complaint (closed, in process, open, etc.)?

Obtain and review a copy of the policy or policies. Use the following questions at either the state or local level.

- Is there a written grievance and complaint policy and process in place as described at 20 CFR 667.600(e), if applicable?
- Do these include:
 - √ Resolution process?
 - √ Hearing policy?
 - √ Timely scheduling of hearings?
 - √ Name of hearing officer?
 - √ Notification process for all parties?
 - √ Communication of results?
- Have all interested parties been informed of the policies and processes? (Note: interested parties include but are not limited to participants, staff, One-Stop partners and service providers.)
- Have any grievances been received?
- Is a log kept of grievances received? **(E)**
- If yes, is the log up to date? **(E)**

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2.1.7 The grantee appropriately reports fraud, waste, abuse, and criminal activity through the DOL incident reporting system. C

*Check to see if any incident reports have been filed by the entity in the last three years.
Interview grantee staff to make sure that they are aware of the DOL incident reporting process.*

- Is the grantee aware of DOL incident reporting procedures and process?
- Has the grantee filed any incident reports?
- Were they filed with the DOL Office of the Inspector General and ETA?
- What is the system for tracking & resolving?
- Have they been resolved? If not, what is the current status?
- Where appropriate, have local authorities also been notified?

Note to reviewer: Incident reporting procedures are included in Training and Employment Guidance Letter 6-84. The hotline number is 1-800-347-3756.

OBJECTIVE 2.2 Personnel: The management structure and staffing of the grantee organization are aligned with the grant SOW and designed to assure responsible general management of the organization [OMB Circular A-87 Attachment A, A.2.(3); OMB Circular A-122 Attachment A, A.3].

Tools
Directory

2.2.1 A current written personnel policy (including hiring process and procedures) that meets the requirements of applicable Federal laws and regulations is on file and in force. (Appendix A contains additional information on these requirements.) C

2.2.2 An organizational chart and job descriptions illustrate a staffing structure that is sufficient to perform grant management functions and implement the grant SOW. E

2.2.3 Organizational chart staff positions are filled with individuals that possess the qualifications indicated on job descriptions. E

2.2.4 Salaries are reasonable and comparable to the local market. C

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2.2.1 A current written personnel policy (including hiring process and procedures) that meets the requirements of applicable Federal laws and regulations is on file and in force. (Appendix A contains additional information on these requirements.) C

Review the personnel policy of the grantee organization. Interview staff responsible for personnel or human resources for the organization. Review a listing of the grantee organization's job openings for the past 12 months.

- Does the organization have a written discrimination complaint procedure?
- Is the policy in compliance with applicable Federal laws and regulations? (Refer to Appendix A to reference requirements.)
- Does it appear the written personnel policy reflects current grantee organization practice?
- Do records indicate that hiring procedures were conducted according to the grantee's organization personnel policy?
- Do procedures for hiring personnel pose an impediment to meeting grant implementation schedules?
- Are there any examples of how hiring delays caused by grantee organization hiring procedures impeded project startup or implementation?

Sources and Notes:

Conduct tests to ensure that the personnel policies are followed in practice at the grantee level.

- In your testing, have you come across anything that is not addressed by a policy? (See the tool T2.1.1 Policies and Procedures Checklist)
- Do policies and practices appear to be reasonable?
- Are they consistently applied across the organization?
- Are the policies in compliance with applicable local and Federal laws and regulations governing such topics as social security, unemployment, insurance, workers' compensation, wage standards, FMLA, Davis Bacon, and Whistle Blowers Act, etc?

Sources and Notes:

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2.2.2 An organizational chart and job descriptions illustrate a staffing structure that is sufficient to perform grant management functions and implement the grant SOW. E

Review the grantee organization chart. Interview the executive staff person responsible for the direction and management of the grantee organization.

- Does the “EO (Equal Opportunity) Is The Law” (see Objective 2.3.1) notice provide contact information for the grantee organization’s EO officers, an overview of the discrimination complaint process, and how complaints may be filed?
- Does the organizational chart present a staffing structure that provides capacity for the key functions such as:
 - √ Executive
 - √ Fiscal
 - √ Management Information Systems
 - √ Program Operations
- Are there any gaps evident in the grantee organization management and staffing structure?
- Review job descriptions for one or two primary staff responsible for performing key grant functions. Do the job descriptions delineate responsibilities, duties, and required experience, skills, and qualifications that clearly describe the expectations and requirements of the positions in order to provide grantee organization capacity in these key functional areas?
- If the grant contains specific staffing requirements, review a written description of the current staffing pattern and compare this information with staffing patterns as described in the grant contract. Are the current project staffing patterns in accordance with the grant contracts? If there are deviations, how are they being addressed?

Sources and Notes:

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2.2.3 Organizational chart staff positions are filled with individuals that possess the qualifications indicated on job descriptions. E

Review documentation that lists organizational chart positions, qualifications for the positions as delineated on job descriptions, and the qualifications of staff currently employed in each position. Note: you may be required to compile the list from grantee source documentation. You may also choose a sample to document.

- Are positions currently filled with individuals that possess the qualifications indicated on job descriptions?
- If there are deviations, how are they being addressed?

Sources and Notes:

- Are appropriate grantee financial staff bonded?
- If not, is the grantee conducting background or qualification checks (e.g., past employment records, criminal activity)?

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2.2.4 Salaries are reasonable and comparable to the local labor market. C

Review the grantee’s approved budget against actual personnel expenditures. Interview the executive staff person responsible for the direction and management of the grantee organization.

- Are salaries and fringe benefits reasonable to the extent that they are comparable to that paid for similar work in the same labor market?
- Select a sample from the top positions within the organization (and, for formula grantees, the Board) and validate the compensation packages for each.
- Ensure that sufficient documentation is available to support salaries and fringe benefits charged to this grant/project. (See Objective 3.4 Cost Allocation.)
- Are bonuses, raises, leave practices, etc. covered in written personnel policies?
- (For discretionary grantees only) Are current project staffing patterns and salaries in accordance with the number of positions and salaries approved in the grant agreement? If there are deviations, have they been approved by the awarding agency?
- (For discretionary grantees only) If there are deviations in both salary structure and the number of positions funded, has the grantee or subgrantee notified DOL of these changes? If required, has the grantee requested a budget modification?
- (For funds appropriated under the ETA appropriation only) Are salaries and bonuses paid from grant funds in compliance with the Executive Level II threshold as stated in TEGL 5-06?

Sources and Notes:

OBJECTIVE 2.3 Civil Rights: Recipients of financial assistance from DOL must comply with applicable Federal Civil Rights laws [Title VI, Section 504 of the Rehabilitation Act of 1973; Title IX, Age Discrimination Act of 1975; Section 188 of the Workforce Investment Act (WIA); 29 CFR Part 31; 29 CFR Part 32; 49 CFR Part 25; 29 CFR Part 35; and, 29 CFR Part 37, respectively]. Note: all findings and observations need to be shared with the Civil Rights Center.

Tools
Directory

2.3.1 Policies and procedures developed in accordance with applicable laws and regulations are in place that demonstrate the grantee's commitment to the principles of the laws and regulations. (Appendix A contains additional information on these requirements.) C

2.3.2 Notices (in languages appropriate to the populations served) are visibly posted to inform staff, project participants, and service providers of the discrimination complaint process, Equal Opportunity (EO) and Section 504 policies. C

2.3.3 The grantee location and facility, or part of the facility, is physically accessible to and usable by disabled individuals. C

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2.3.1 Policies and procedures developed in accordance with applicable laws and regulations are in place that demonstrate the grantee's commitment to the principles of the laws and regulations. (Appendix A contains additional information on these requirements.) C

DOL financial assistance recipients must comply with these Federal civil rights laws:

- ***Title VI – Civil Rights Act of 1964***
- ***Section 504 – Rehabilitation Act***
- ***Title IX, Education Amendments Act of 1972***
- ***Age Discrimination Act of 1975***
- ***Section 188 of the Workforce Investment Act (WIA)***

Interview the grantee's EO officer and/or staff assigned responsibility for ensuring the organization's compliance with these laws. Does the organization have a written discrimination complaint procedure?

- Does the organization use wording required by 29 CFR 37.34 in publications, materials, and brochures?
- Does the organization have a system for periodically monitoring its compliance with the EO law?
- Does the organization prominently post an "EO Is The Law" notice with wording mirroring 29 CFR 37.30?
- Does the organization have any previously submitted cases awaiting decision from the Civil Rights Center? If yes, contact Civil Rights Center Office of Enforcement/External at 202-693-6502 for updates.

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2.3.2 Notices (in languages appropriate to the populations served) are visibly posted to inform staff, project participants, and service providers of the discrimination complaint process, EO and Section 504 policies. C

Observe the notices that the grantee organization has posted to inform individuals of their rights related to complaints regarding compliance with EO and Section 504.

- Does the “EO Is the Law” (see 2.3.1 bullet) notice provide contact information for the grantee organization’s EO officers, an overview of the discrimination complaint process, and how complaints may be filed?
- Are notices prominently posted in a reasonable number of places to include administrative and service delivery areas, and are they available in appropriate formats to individuals with visual impairments?
- If a significant number of the population eligible to be served speaks a language or languages other than English, has the grantee organization taken reasonable steps to provide the notice in the appropriate language(s)?
- Do employment notices, participant recruitment flyers, or other written materials published by the grantee contain a statement providing the required written EO notice?

Sources and Notes:

Core Monitoring Guide

Financial
Supplement

2.3.3 The grantee location and facility, or part of the facility, is physically accessible to and usable by disabled individuals. C

Do a walk-through of the grantee organization facility.

- Does the location and facility meet physical access requirements? (Refer to Appendix A to reference requirements.)

Sources and Notes

OBJECTIVE 2.4 Sustainability: If required, there is a viable plan for sustaining grant activities for those grants whose funds are scheduled to expire [Statement of Work (SOW)]. Note: not applicable to formula grants.

Tools
Directory

2.4.1 The organization has identified resources that will support project activities after the grant expires. E

2.4.2 A plan is in place for continuation of services to participants who have not completed the program by the end of the grant period. E

Core Monitoring Guide

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Supplement

2.4.1 The organization has identified resources that will support project activities after the grant expires. E

Interview a number of grantee organization project directors.

- How does project staff work to secure resources to sustain project activities after the expiration of a Federal grant?
- Can the staff cite resources that have been identified to support project activities after the grant expires?
- Does it seem likely that project activities will continue after the grant expires?

Sources and Notes:

Core Monitoring Guide

Financial
Supplement

2.4.2 A plan is in place for continuation of services to participants who have not completed the program by the end of the grant period. E

Interview a number of grantee organization management and operations staff.

- Have the staff describe, in general, how they work to ensure that project participants who are active at the end of a grant period have continued access to services so that participants can achieve their goals?
- If the grant is about to end, how will services continue to be available to participants who have not completed the program by the end of the grant period?
- Does it seem likely that participants will have continued access to services?

Sources and Notes:

OBJECTIVE 2.5 Match and Leveraged Resources: If applicable, policy and procedures to meet grant match requirements are met [27 CFR 95.23; 29 CFR 97.24]. When applicable, the organization provides for the use of leveraged resources.

Tools Directory:

[R2.5 Background for Match and Leveraged Resources](#)
[T2.5.1 Worksheet for Evaluating Allowable Match Items](#)

2.5.1 Written policy and procedures that describe grant match requirements, allowable match, and methods for tracking match have been issued to all parties affected. C

2.5.2 When applicable, the organization maintains a system to calculate and track the use of leveraged resources. E

2.5.3 Records are available and demonstrate that match is being tracked. C

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2.5.1 Written policy and procedures that describe grant match requirements, allowable match, and methods for tracking match have been issued to all parties affected. C

Review the grantee organization's written policy and procedures for grant match and interview staff responsible for documenting match.

- Does the policy address match requirements, costs and contributions allowable to meet match requirements, and methodology for tracking and documenting match?
- Does it appear that the written match requirement policy and procedures reflect actual grantee organization practice?

Sources and Notes:

Note: For the H-1B funded projects, employer share of wages does not include fringe benefits.

Complete tool T2.5.1 Worksheet for Evaluating Allowable Match Items. Based on the information, does the grantee comply with the appropriate requirements for valuing match contributions?

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2.5.2 When applicable, the organization maintains a system to calculate and track the use of leveraged resources. E

Review the grant to determine if the use of leveraged resources is required to support grant activity. Ask to review the process used by the grantee organization to determine the calculation of leveraged resources. Interview staff responsible for documenting the use of leveraged resources

- Does the organization have a written process to define and track the use of leveraged resources? If not, how does the grantee track their use?
- Does the organization appropriately report the use of leveraged resources in their performance reports?

Sources and Notes:

Core Monitoring Guide

Financial Supplement

2.5.3 Records are available and demonstrate that match is being tracked. C

Review financial records that document required match grant(s) being operated by the grantee organization.

- Are costs and third party in-kind contributions that are being counted toward satisfying the match requirement verifiable from the financial records?
- Do records indicate the extent to which match is being tracked?

Sources and Notes:

Check the Solicitation for Grant Applications (SGA) and/or the grant agreement to determine if match requirement exists. Utilize tool T2.5.1 Worksheet for Evaluating Allowable Match Items to document your review of this indicator.

- To what extent is the organization meeting its match requirements? How do they ensure that they bear the required amount of grant costs with non-Federal dollars?
- How does the organization determine the fair market value (FMV) of third party in-kind contributions?
- To what extent is the organization tracking and including subrecipient match?
- Review the grantee's SF-424A and SOW for match proposals. Keep in mind that grantees are not only subject to the match requirements listed in Federal Register (FR) notices related to their grants but are also held to whatever ***self-imposed*** match requirements that they propose in their SF-424As.

Note: In most cases, it is ***not*** in the grantee's best interest to include match amounts beyond those required in FR notices.

OBJECTIVE 2.6 Equipment: Grantees who purchase equipment with grant funds have a system in place, including written policies and procedures, to ensure it receives written approval *prior* to purchasing equipment. The grantee maintains a property management system in accordance with requirements [29 CFR 95.34 and 29 CFR 97.32].

Tools
Directory
[R2.6
Background
for Property](#)

2.6.1 The grantee has a system for the acquisition, management, and disposition of equipment purchased with grant funds. C

2.6.2 The grantee has sought and received approval prior to purchasing equipment and has written evidence of prior approval received for items of equipment it has purchased with grant funds. E

Core Guide

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2.6.1 The grantee has a system for the acquisition, management, and disposition of equipment purchased with grant funds. C

Review the organization's policies and procedures on purchasing, managing, and disposing of equipment.

- Do they have policies and procedures? If not, how do they comply?
- Does the organization maintain an inventory of equipment purchased with ETA funds?

The requirements for use, management, and disposal of grant-purchased equipment for nonprofit and commercial organizations are found at 29 CFR 95.34 and for local government agencies at 29 CFR 97.32(c) through (e). For states, whether a recipient or subrecipient, 29 CFR 97.32(b) requires that it use, manage, and dispose of grant-purchased equipment in accordance with its own laws and procedures.

Obtain a copy of those procedures and determine if the grantee is following the process as prescribed. Obtain a copy of the grantee's inventory of equipment. Use the background resource on property for reference and answer the following:

- Does the grantee acquire, use, manage, and dispose of grant-purchased equipment in accordance with its own laws and procedures? Do the grantee's procedures comply with the Federal requirements?
- If equipment was purchased or leased, did the grantee make a determination of the best option (lease or purchase)? [See also Objective 2.7 Procurement]
- Is the equipment being **used** by the grantee or subgrantee in accordance with the program for which it was acquired?
- If not, how is it being used?
- Does the equipment inventory include all required elements?
- Has a control system been developed to ensure adequate safeguards to prevent loss, damage, and theft of the property?
- Does the entity (other than states) have a disposition procedure that includes all necessary elements? Are disposition instructions obtained from DOL when property with a fair market value in excess of \$5,000 is no longer needed for purposes for which it was acquired?

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

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2.6.2 The grantee has sought and received approval prior to purchasing equipment and has written evidence of prior approval received for items of equipment it has purchased with grant funds. E

Ask the organization how and when it obtains approval for purchasing equipment. Request evidence that the organization has sought and received written approval prior to purchasing equipment. Document their responses to your inquiries and the extent to which they are in compliance with this indicator.

- How and when does the organization obtain approval for the purchase of equipment?

Sources and Notes:

- For capital leases of equipment, has prior approval been received?

Note: For discretionary programs, prior approval must come from the DOL Grant Officer. For formula programs, prior approval requirements are specified in the grant agreement or the applicable regulation.

Sources and Notes:

OBJECTIVE 2.7 Procurement:
All procurement actions are conducted in a manner that provides for “full and open competition” [29 CFR 97.36; 29 CFR 95.40-48].

Tools Directory:

[R2.7 Background for Contract Provisions](#)

[T2.7.1a Request For Proposal \(RFP\) Elements](#)

[Checklist](#)

[T2.7.1b Worksheet to Review the Procurement Award Process](#)

[T2.7.2a Contract and Subagreement Review Worksheet](#)

[T2.7.2b Contract and Subagreement Review Worksheet](#)

2.7.1 The organization follows its own procurement procedures which reflect applicable state and local laws and regulations, provided that its procurements conform to applicable Federal laws and standards. C

2.7.2 The organization maintains a system for the administration of contracts, including appropriate contract or subrecipient clauses. C

2.7.3 Reasonable profits paid to a commercial organization are negotiated separately as a dollar amount. C

Core Monitoring Guide

Financial Supplement

2.7.1 The organization follows its own procurement procedures which reflect applicable state and local laws and regulations, provided that its procurements conform to applicable Federal laws and standards. C

Ask for a copy of procurement rules or other written guidelines that are used in the procurement of both goods and services. Interview staff or members who are familiar with procurement requirements.

- Does the organization have written procurement policies and procedures?
- Do the organization’s procurement policies and procedures conform to applicable rules and regulations?
- How does the organization assure that it conducts procurement activities in a manner to ensure full and open competition? Document your observations of the extent to which the organization appears to use full and open competition to procure its goods and services.

Sources and Notes:

- Does the organization have a code of conduct policy in place? Does it include signed “Conflict of Financial Interest” statements from local board and youth council members as well as individuals involved in the procurement process?
- View a sample of contracts. Do the contracts include the signatures and dates of the authorized parties and specify duration and award amount? Was the selection approved by the appropriate body, e.g., LWIB or organizations Board of Directors)?
- Do the organization’s procurement procedures include all of the required elements and are they in compliance with all of the applicable Federal and state requirements? See tool T2.7.1b Worksheet to Review the Procurement Award Process for a complete checklist.

Sources and Notes:

Core Monitoring Guide

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2.7.2 The organization maintains a system for the administration of contracts, including appropriate contract or subrecipient clauses. C

Interview staff or members who are familiar with subgrant or subcontract processes. Ask for a copy of required contract and/or grant clauses.

- Does the organization have a boilerplate contract or subrecipient format?
- Are the required clauses included?

Sources and Notes:

- Who is designated to be responsible for procurement actions?
- Who is responsible for signing agreements?
- Are these authorized individuals?
- Are there authorizing documents?

Note to reviewer: Lack of separation of duties could result in an internal control weakness.

For a list of required clauses, see R2.7 Background for Contract Provisions

Based on a sample tested through the use of tool T2.7.2a or T2.7.2b, does the organization maintain a system of administration sufficient to ensure compliance for each of the following topics:

- Acquisition Planning
- Determination of Needs
- Selection Methods [as described at 29 CFR 97.36(d)]
- Cost/Price Analysis
- Evaluation
- Award
- Procurement File Documentation
- Agreements (type & content)
- Tracking/Performance
- Payment

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2.7.3 Reasonable profits paid to a commercial organization are negotiated separately as a dollar amount. C

- Is profit recognized in whole dollars (not as a percentage of cost) and reasonable in terms of the services rendered or goods provided?

Note to Reviewer: The Federal Acquisition Regulations (FAR) suggest that profit on governmental contracts for services not exceed 10%.

Note: Profit should be negotiated as a separate budget line item and should not be earned on the basis of the contract award amount.

- How did the grantee determine the amount of profit to be earned under the contract?
Risk factors include:
 - √ Complexity of work
 - √ Risk borne by contractor
 - √ Contractor's investment
 - √ Amount of subcontracting
 - √ Record of past performance
 - √ Industry profit rates in the geographic area for similar work
- Is the determination appropriate to the nature of the agreement, e.g., fixed price, performance-based, cost reimbursement, etc.?
- Are the amounts paid consistent with the terms of the agreement?

OBJECTIVE 2.8 Audit and Audit Resolution: The organization has a system in place for an audit of financial activity in accordance with the provisions of OMB Circular A-133, if applicable. The organization maintains an audit and audit resolution process, including debt collection in accordance with Federal grant requirements [29 CFR 99.200; 29 CFR Part 96; 29 CFR 95.20; 29 CFR 97.20].

Tools Directory:

[T2.8.2a Subrecipient Single Audit Status Table](#)

[T2.8.2b Audit Appeals Process](#)

[T2.8.2c Audit Resolution Tracking Checklist](#)

2.8.1 The organization maintains a system for audit in compliance with OMB Circular A-133. C

2.8.2 The organization has a system in place to assure subrecipient audits are conducted and resolved. C

2.8.3 The organization is aware of and has met the financial system requirements, including established processes for debt collection. C

Core Monitoring Guide

Financial Supplement

2.8.1 The organization maintains a system for audit in compliance with OMB Circular A-133. C

Organization-wide or program-specific audits must be conducted under the auspices of OMB Circular A-133, which implements the Single Audit Act, when total Federal expenditures are \$500,000 or more for an organizational fiscal year ending after December 31, 2003. Interview appropriate staff and document their response. If the organization had an audit done, and questioned cost or findings arose as a result of the audit, obtain a copy of the organization's audit report. If applicable, obtain a written status report of the questioned costs and/or findings

- Is the organization aware of the audit requirements?
- What is the latest period for which an audit was conducted?
- Was the latest audit organization-wide (A-133) or program-specific?

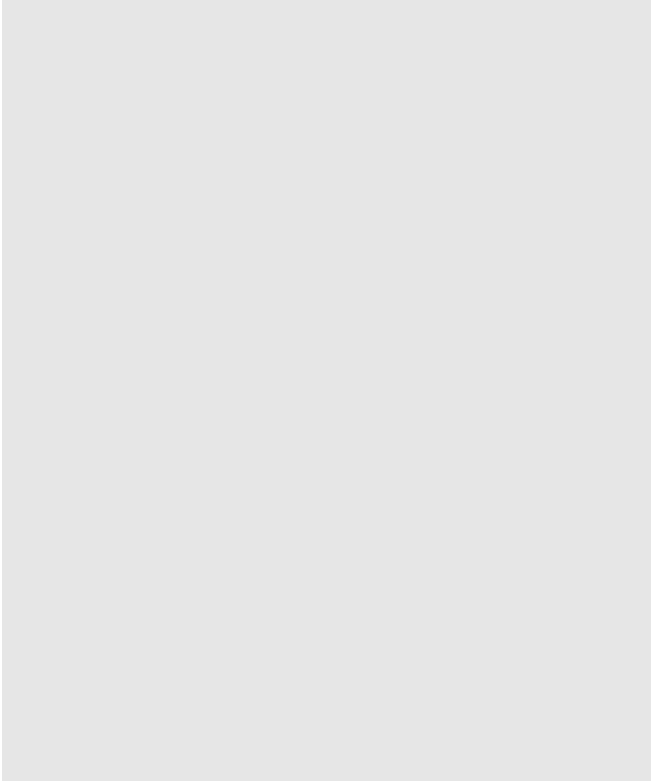
Sources and Notes:

Obtain a copy of the entity's most recent audit report. It may be helpful to query the www.harvester.census.gov website to see if the entity filed its most recent single audit. Based on the report, answer the following questions.

- Was the audit completed in a timely manner (no later than nine months after the end of the entity's fiscal year)?
- Examine the section of the audit report called "Schedule of Findings and Questioned Costs":
 - √ Are material weaknesses identified?
 - √ Are reportable conditions identified?
 - √ Are Federal award findings identified?
 - √ Are Federal award questioned costs identified?

If you answered yes to any of the above, what is the current corrective action plan employed by the agency to resolve these matters?

- Does the organization revise its financial status report, if necessary, based upon the expenditure amounts identified in the audit report?

- 
- Does the organization have a clear understanding of ‘stand-in’ costs?
Consider:
 - √ Are they recorded in the books of account?
 - √ Are they reported on the financial status reports?
 - √ Are they included in the scope of the audit for the period in which they were incurred?
 - √ If stand-in costs are used, does the organization have sufficient documentation to support stand-in costs and is this readily available for review by DOL?
 - How long has the organization employed the existing audit firm for the work related to the OMB Circular A-133 Audit Report?
 - When does the organization expect to resolicit its auditing services? What procurement method will be used to secure the services of a new auditing firm?

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Financial Supplement

2.8.2 The organization has a system in place to assure subrecipient audits are conducted and resolved. C

Organization-wide or program-specific audits must be conducted under the auspices of OMB Circular A-133, which implements the Single Audit Act, when total Federal expenditures are \$500,000 or more for an organizational fiscal year ending after December 31, 2003. Interview appropriate staff and document their response. Review documentation that would support the answers below (tracking system, audit reports, contract requirements).

- How does the organization determine the need for audits of subrecipients?
- What processes are followed to resolve subrecipient audit findings?

Does the organization have a tracking system in place to ensure that all required subrecipient audits are received in a timely manner and resolved in accordance with audit requirements?

Complete tools T2.8.2a, T2.8.2b, and T2.8.2c. Use this information to determine the following:

- If applicable, has the organization obtained an audit report from its subrecipients?
- Does the grantee review audits for adequacy and compliance with A-133 requirements?
- Review a sample of the subrecipient audits and resolutions.
 - √ Are findings resolved adequately and in a timely manner?
 - √ Was an appropriate appeals process followed, if applicable?
- As part of its monitoring responsibilities, does the organization follow up with the proposed corrective action on outstanding audit findings?
- Does the subrecipient revise its financial status report, if necessary, based upon the expenditure amounts identified in the audit report?
- Are audit report findings and their resolution considered as a selection factor when extending or issuing a contract to a current or new subrecipient?
- [For WIA Title I-funded grants only] Does the organization have a system in place to request a waiver of liability from debt collection or advanced approval of corrective action when appropriate? (20 CFR 667.720 and 667.730)

Note to Reviewer: Commercial subrecipients whose Federal expenditures exceed the minimum expenditure level specified in OMB Circular A-133 are required to have either an organization-wide or program-specific audit conducted in accordance with A-133 requirements. Commercial *direct recipients* are audited at the discretion of the Secretary.

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2.8.3 The organization is aware of and has met the financial system requirements, including established processes for debt collection. C

Ask the financial staff what procedures are in place to establish a debt, when necessary, and what procedures are in place to recover an established debt.

- Does the organization have procedures to establish a debt when necessary with a subrecipient, contractor, or another other organization?
- Does the organization have procedures in place to ensure debts are collected?
- Does the organization have policies concerning writing off debts (receivables)?

Sources and Notes:

OBJECTIVE 2.9 Reporting Systems: The organization maintains data collection and reporting systems to fulfill external reporting requirements, both financial and programmatic [29 CFR 95.21(b)(1); 29 CFR 97.20(b)(1); 29 CFR 97.40; 29 CFR 97.41; 29 CFR 95.51; 29 CFR 95.52].

Tools
Directory

2.9.1 Federally-required reports are submitted within designated timeframes and are consistent with data in the Management Information System (MIS). C

2.9.2 The MIS produces periodic management reports related to project goals and the work plan. E

2.9.3 The MIS includes a data validation process to ensure accurate input of source data, including source documentation. E

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2.9.1 Federally-required reports are submitted within designated timeframes and are consistent with data in the (MIS). C

Review MIS reports representing a sample of different reporting periods for both program reports and financial reports and compare them with the required corresponding Federal reports applicable to the same grants and time period. Consult with the appropriate staff for clarification as needed. Prior to going on-site, review the submission record of the organization for Federal Financial Reports to ensure they are submitting accurate and complete reports electronically in a timely manner.

- Does the organization submit its financial reports electronically (if available)?
- Does the organization submit its Federal Financial Reports in a timely manner?
- Do the MIS reports reflect the same data for the time period and grant sampled as it appears on the Federal report? If not, what is the explanation for the variance?
- Where MIS reports are not directly linked to the Federal reports, how is data cross-walked to complete Federal reporting requirements?
- Summarize your conclusions about any identified weaknesses in the procedures for linking MIS data to the Federal reports. Confirm or correct your understanding of the system and its weaknesses, if any, based on staff interviews.

- How does the organization meet the requirement for submission of narrative reports?
- How are they recorded and logged?

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2.9.2 The MIS produces periodic management reports related to project goals and the work plan. E

Review interim or periodic project reports produced by the MIS. Interview project administrators of the sampled grants.

- Is there a logical link between the progress report formats and the grant goals?
- If there are no MIS reports on interim objectives, are there other means for capturing this information?

Sources and Notes:

Core Monitoring Guide

Financial Supplement

2.9.3 The MIS includes a data validation process to ensure accurate input of source data, including source documentation. E

Review MIS policies and procedures, examples of source data, and relevant performance data. Are positions currently filled with individuals who possess the qualifications indicated on job descriptions?

- Is a data validation process included in the policies and procedures?
- Does the staff follow the policies and procedures for editing and checking source data?
- Is the source documentation available and consistent with MIS data?
- Do you believe that policies and procedures in place are adequate to ensure accuracy?

Sources and Notes:

OBJECTIVE 2.10 Not applicable to Financial Supplement.

Tools Directory:

OBJECTIVE 2.11 Facilities and Other Capital Assets, including State Workforce Agencies (SWA) [formerly, State Employment Security Agency (SESA)] Real Property: Grantees who pay facilities costs and other capital assets costs with grant funds have a system in place to ensure that costs are reasonable and allowable under the cost principles, and are charged to grants based on benefit received; that cost of operations and maintenance and space costs billed to the program are equitable, based upon usage/occupancy; that idle space is not billed to the program; that only depreciation or use allowance costs are charged if capital leases are used, or if property is owned by the entity or related parties [29 CFR 97.31, 29 CFR 95.32, TEGL 7-04, TEGL 3-07].

Tools Directory:

[T2.11.1a Occupancy and Costs Worksheet](#)

[T2.11.1b](#)

[Supplemental Occupancy and Costs Worksheets](#)

See also:

[R2.6 Background for Property](#)

2.11.1 The grantee has a system in place to assure that facilities and space-related costs (e.g., operation and maintenance) are reasonable, allowable and allocable to the grant or grants charged, in accordance with Federal requirements. C

2.11.2 The grantee has a system in place to assure that amounts charged to the grants for capital leases, less than arms length transactions, grantee owned facilities, and capital improvement projects are limited to the cost recovery using the use allowance or depreciation methods (based upon the percentage of program occupancy). C

2.11.3 The grantee has a system for the acquisition, management, and disposition of real property purchased with grant funds. C

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2.11.1 The grantee has a system in place to assure that facilities and space-related costs (e.g., operation and maintenance) are reasonable, allowable and allocable to the grant or grants charged, in accordance with Federal requirements. C

Review the organization's policies and procedures for charging costs for space and related costs. Related costs can include operations and maintenance, such as grounds upkeep, janitorial, repairs, security, parking, etc. Review charges to the grants for space and facilities.

- Is the entity charging space rental, lease cost or other related facilities costs to the grant?
- Do they have policies and procedures? If not, how do they assure compliance?
- Does the grantee have a system to make a determination of the best option for its facilities (lease versus purchase)?
- If leasing, did the grantee do an appropriate market survey to determine they are paying a fair market rental rate?

- Is all space paid for by the program being used strictly for the program?
- If not, is a fee collected from the other occupants of the property?
- Are there any rental or lease deposits? If yes, how are the deposits tracked in the books of account? These deposits should be booked as assets. They should be accounted for at closeout and can move from one grant to another where there is continuous funding, or they should be returned to the grant.
- Is the program only paying for its fair share of the space costs based upon occupancy?
 - √ Walk through the building and look at occupancy. Does any of the space charged to the program appear to be excessive or unoccupied? If so, refer to the tool to determine questionable costs related to idle facilities.
 - √ Is the amount of space rented or leased proportionate to occupancy?
 - √ What is the plan to eliminate unused space/unused facilities?
- If there is a lease, is there a provision to terminate the lease if grant funding expires?

Sources and Notes:**Core Guide****Financial Supplement**

2.11.2 The grantee has a system in place to assure that amounts charged to the grants charged, in accordance with Federal requirements. C

Determine the ownership of the building occupied by the grant program. Obtain grantee records of occupancy and all occupancy-related costs. Use this information to answer the questions in this section if there is a capital lease, the lessor is a related party, or the grantee owns or is purchasing the building. If the grantee has paid or is paying for capital improvements outside of the lease agreement, you should determine if the grant is being charged appropriately.

- Are annual facilities costs held to a use allowance not to exceed two percent (2%) of the total cost of the property, including interest, or has a depreciation schedule been set up to determine the allowable rental costs based upon the useful life of the facility?
- If the facility has been fully depreciated using Federal grant funds, are costs limited to operations and maintenance?

Note to Reviewer: for buildings where there has never been a depreciation or use allowance charged to the Federal grant, the charging of a use allowance not to exceed two percent (2%) of the original acquisition cost is permitted.

- If costs of capital improvements are charged directly to the grant, was prior approval or waiver requested and approved by higher tier or by DOL, as appropriate?
- If not specifically approved by DOL or not part of tenant improvements, is the total cost of the capital improvement depreciated over the useful life of the improvement?

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2.11.3 The grantee has a system for the acquisition, management, and disposition of real property purchased with grant funds. C

Review the organization's policies and procedures on purchasing, managing, and disposing of real property. For state grantees, download the SESA real property report from Enterprise Business Support System (EBSS) and compare to the grantee records. Obtain grantee records of occupancy, operations and maintenance costs. Compare these documents when answering the following questions.

- Does the entity have any property with DOL equity?
- Does the organization have a system for tracking the historical cost and equity of real property?
- Compare the percentage of equity to occupancy for the properties with DOL program equity. Are there equity versus occupancy imbalances for any of the properties? Note them.
- Are there any unused proceeds from the sale of property? If so, list them.
- Has the grantee updated the real property report to reflect any changes?
- Has the grantee provided appropriate documentation for transactions that affect DOL equity?
- Is any revenue generated through the use of any facility, e.g., rent, mineral rights, charges in excess of costs, leases, etc?
- If revenue is received, is it reflected on the financial report as program income (29 CFR 97.25)?

Note to Reviewer: For properties disposed of after 2/15/07, refer to the requirements of TEGL 03-07.

Sources and Notes:

OBJECTIVE 2.12 Intangible Property: The grantee’s system for the acquisition, management, and disposition of intangible property (copyrights, inventions, data, patents and software) is sufficient to assure compliance with requirements [29 CFR 97.34; 29 CFR 95.36; OMB Circular A 87, Attachment B.38].

Tools Directory

[R2.6 Background for Property](#)

2.12.1 The grantee has a system for the acquisition, management, and disposition of intangible property (copyrights, inventions, data, patents and software). C

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Guide

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2.12.1 The grantee has a system for the acquisition, management, and disposition of intangible property (copyrights, inventions, data, patents and software). C

Intangible property must be used for the grant or grants from which the funding comes, but the acquisition of the intangible property does not require prior approval. The treatment of intangible property is broadly addressed only in 29 CFR Part 95.36 for non-governmental entities; 29 CFR Part 97.34 addresses only the issue of copyrights for governmental entities. Common occurrences of intangible property under our grants are the acquisition or development of software systems, and development of research data.

TEGL 31-04 addresses the issue of the Federal grantees being charged royalties by private entities for the use of software originally developed with Federal funds. This is generally not allowable unless the Federal funding agency has given up its right to title to the license. The Department of Labor has not ever given up its rights for software or other intellectual property developed under our grants.

- Does the grantee have policies and procedures covering intangible property? If not, how do they ensure compliance?
- Has the grantee acquired or developed any intangible property with grant funds?
- If so, is grant-funded intangible property being used strictly for the program? If usage is shared, see Objective 3.4 Cost Allocation.
- If grant funds are used to pay a vendor to produce or acquire intangible property for grant use, does the agreement ensure that the grantee retains the right to continued use?
- Is the grantee selling a product (e.g., software) produced with grant funds, or charging a license or use fee, to other Federal grant recipients?

Note: This is not allowable unless the costs charged are limited to recovery of the additional costs incurred to provide the product to the buyer (such as shipping, copying, maintenance, etc.) Other recipients of Federal funds should be given the right to use the product without any additional charges to Federal grant funds.

- [For Part 95 grantees only] Do the grantee’s policies and procedures for disposition of property no longer needed for its original purpose comply with the provisions at 29 CFR 95.34(g)? (C)
- Do governmental grantees have procedures in place for disposition of intangible property? (E)

CORE ACTIVITY 3 FINANCIAL MANAGEMENT SYSTEMS

Financial management systems are part of the overall organizational administrative systems that support grant functions or are those activities necessary for the operation of a project but not related to the direct provision of services. The standards for financial management systems are in 29 CFR 95.21 and 29 CFR 97.20.

CORE ACTIVITY 3 GENERAL INSTRUCTIONS

The purpose of the Core Activity 3 component is to evaluate the grantee’s capacity to perform the financial management functions that are required when operating Federally-funded workforce development grants and assure the proper safeguards are in place to protect grant assets. During this phase of monitoring, you will focus specifically on the financial management systems that relate to budgets, cash management, program income, cost allocation, allowable costs, internal controls, and financial reporting.

To assist reviewers in determining the answers to multiple objectives in Core Activity 3, three new tools have been developed. The information in these tools is gathered once, but is used to answer questions in a number of different objectives such as Objective 3.4 Cost Allocation, Objective 3.5 Allowable Costs, and Objective 3.9 Cost Classification.

To prepare for monitoring these financial management functions, review the referenced authoritative citations that are in Appendix A. Appendix B also includes a list of definitions related to grant activities and Appendix C outlines allowable costs addressed in the OMB Cost Principles Circulars.

Summary of Findings for Core Activity 3	
Promising Practices	
Findings or High Risk Factors	
Other Observations	

OBJECTIVE 3.1 Budget Controls: The organization has a method for tracking planned expenditures that allows it to compare actual expenditures or outlays to planned or estimated expenditures [29 CFR 97.20(b)(4); 29 CFR 95.21(b)(4)].

Tools Directory:

[T3.1.1 Budget Comparison Tool](#)

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3.1.1 The organization has an approved budget that is compared to actual expenditures on a regular basis (i.e. quarterly) to determine if it needs to modify its budget. C

Interview the staff primarily responsible for modifying the budget and comparing budgeted to actual expenditures. Review the organization's most current approved budget. Cross reference to Objective 5.1 to answer as needed.

- Does the organization have a current approved budget?
- How does the staff compare actual costs to budgeted costs to ensure that the program operates within the budget and the organization submits budget modification requests in a timely manner?
- Has the organization done a recent planned versus actual cost analysis?
- Does the organization have a method for ensuring that obligations do not exceed availability?

Sources and Notes:

In addition to answering the questions below, use the SF-424A and the data in the grantee's books of account to perform a budget-to-actual comparison.

- What process does the organization use to tie the account codes used in its internal accounting or budgeting system to the budget categories specified in the grant agreement or contract that it has with the state, Department of Labor, or other entities?
- [For discretionary grants only] Does the budget narrative include an adequate explanation of the actual line item costs in the SF424A, including modifications? (See grant clause for budget line item flexibility requirements.)
- Based on the analysis of budget-to-actual, are the items of cost included in appropriate budget line items?
- Are managers regularly informed of changes in the budget or given routine updates comparing budgeted items to actual costs?
- Are budgets established in conjunction with program delivery and performance goals?
- What procedures are in place to handle significant fluctuations in program budgets or spending?
- If indirect costs are included on the SF424A, what documentation supports those costs? See also Objective 3.4 Cost Allocation.

Sources and Notes:

OBJECTIVE 3.2 Cash Management: The organization’s cash draws are necessary and reasonable, and the timing and amount of such draws appear to be as close as possible to the actual disbursement of grant funds for the payment of allowable and allocable costs incurred by the grant [29 CFR 97.20(b); 29 CFR 95.21(b)(4) & (5) & 95.22].

Tools Directory:

[T3.2.1 Cash on Hand Analysis Tool](#)

[R3.6 Background for Internal Controls](#)

3.2.1 Grant recipients have a mechanism in place, including policies and procedures, to minimize the time between the transfer of funds from the U.S. Department of the Treasury and disbursement of funds to pay allowable costs. The grantee draws cash as close to the time of making disbursements as possible. If applicable, grantees monitor the cash management activities of their subrecipients to ensure that the subrecipients conform to the same standards of timing and amount that apply to the grantees. C

3.2.2 Grant recipients have mechanisms in place, including policies and procedures, to ensure accountability over other cash related activities. C

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3.2.1 Grant recipients have a mechanism in place, including policies and procedures, to minimize the time between the transfer of funds from the U.S. Department of the Treasury and disbursement of funds to pay allowable costs. The grantee draws cash as close to the time of making disbursements as possible. If applicable, grantees monitor the cash management activities of their subrecipients to ensure that the subrecipients conform to the same standards of timing and amount that apply to the grantees. C

Review the organization’s policies and procedures on cash management. Ask the organization for a summary of its drawdowns and expenditures for one month. Compare their drawdowns for one month to their expenditures for the same month. Document the organization’s responses to your inquiries, the extent to which they are in compliance with the indicators, and the results of your review of their expenditures in relation to their draws. Keep in mind that drawdowns should lag behind reported accrued expenditures. If the grantee has a subrecipient, request evidence that the grantee is monitoring the cash management activities of their subrecipients.

Complete the Cash on Hand Analysis Tool (T3.2.1). In addition, there is a series of questions regarding internal controls that relate to cash management located with Objective 3.6 Internal Controls. It may be helpful to address those questions concurrent with this review.

- Based on the cash-on-hand analysis, determine whether there is excess cash-on-hand.
- How long is the period between the grantee’s request for funds and the availability of those funds for expenditure? If there appears to be more than a one day lag, investigate the cause.
- [For state grant recipients only.] Determine whether the program(s) being reviewed are covered by the state treasury Cash Management Improvement Act (CMIA) agreement. If yes, the issues of excess cash and interest earned are governed by the agreement.
- Examine an organization’s daily cash balance noted on its monthly bank statements. If the organization carries a balance of more than \$100,000, does it have sufficient

- How often does the organization draw down cash and how does it determine when and how much cash to draw down?
- Does the organization follow its policies and procedures on cash management?

Sources and Notes:

collateral on record with the bank to cover any potential losses that are not covered by the Federal Deposit Insurance Corporation (FDIC)?

- Does the organization have policies in place for payment of non-sufficient funds, overdraft fees and other penalties which cannot be paid using Federal funds?

Note to reviewer: Ask the state what the dollar threshold is for a program's inclusion in the CMIA agreement. If our program funding exceeds that level, suggest the state contact the U.S. Department of the Treasury to update the CMIA agreement.

[For grantee cash transactions with subrecipients.]

- How is cash requested from the higher tier? Describe the process.

Cash Advances

- What is the organization's policy on issuing cash advances?
- How are cash advances liquidated? Cash advances need to be liquidated prior to the release of additional funds.
- How is a cash advance recovered from an agency with which work or a contract has terminated?

Reimbursements

- Under what circumstances does the organization use reimbursement for payment to its subrecipients?
- Are reimbursements processed in a timely manner by the organization?

Working Capital Advances

- Does the organization use working capital advances?
- If yes, is this method used only when there is not a system for regular advanced payment and the organization cannot operate on a reimbursement basis?
- Do its procedures ensure that the amount of advance is limited to the subrecipient's needs for the initial disbursement period [20CFR 97.21(e)]?

Wire Transfers

- Does the organization have a system and procedures in place to address the use of wire transfers?
- Does the organization maintain a log of wire transfers? Are wire transfers included as part of monthly bank reconciliation?

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3.2.2 Grant recipients have mechanisms in place, including policies and procedures, to ensure accountability over other cash related activities. C

- Are funds maintained in an interest-bearing account? If not, why? [see 29CFR 95.22(k)]

If the organization uses any of the following, are there sufficient safeguards? (See additional questions in R3.6 Background for Internal Controls.)

- Credit/debit cards?
- Petty cash fund?
- Other cash-type transactions (e.g., bus tickets, vouchers, signature stamps, etc.)?

Does the organization have policies and procedures to govern these other cash-related activities?

Bank Reconciliations

- Compare sample items contained in the check register and the cash journal to the bank statement and vice versa:
- Are check numbers that are out of sequence adequately explained and justified?
- Are temporary checks destroyed once printed checks are received?
- Are policies in place to ensure that the bank is notified immediately when there is a change in signatory authority?
- Are all voided checks accounted for?
- Is there a procedure to investigate uncleared checks?

OBJECTIVE 3.3 Program Income: The organization is aware of the requirements for earning, spending, and reporting program income [29 CFR 97.25; 29 CFR 95.24].

Tools
Directory:

Core Monitoring Guide

Financial Supplement

3.3.1 The organization understands the definition of program income, knows whether it is earning program income, and if it is earning program income, is documenting it correctly and using the cash to provide additional services under the grant prior to drawing grant funds. C

Review the organization’s Financial Report to determine if it is earning, using, and reporting program income. Based on your review, if the organization does not appear to be earning, using, and reporting program income, use the guidance above to determine if the organization is earning program income but has failed to use, document, and report it.

- Does the organization know whether it is earning program income?
- Are they aware of the definition of program income as it relates to their activities?
- How does the organization ensure that program income earned is being documented correctly and used to provide additional services under the grant?
- Do the organization and its subrecipients use cash from program income activities before requesting additional Federal grant funds (cash draw)?

Sources and Notes:

To answer the core guide questions, remember that different funding sources include different items within the realm of program income, e.g., for WIA-funded activities, interest income, revenue in excess of costs, etc. See Appendix B for a definition of “program income.”

- Verify that all program income is properly accounted for, reported, and used for allowable purposes.
- Are all sources of program income identified, e.g., fees for services, use fees, conference fees, honoraria?
- Is there a process to ensure program income must be liquidated prior to the grant expiration?
- Is program income generated by multiple funding sources properly allocated?

OBJECTIVE 3.4 Cost Allocation: The organization only allocates costs to the grant to the extent that a benefit was received [OMB Circular A-87 Attachment A; A-122 Attachment A; A-21 Section J].

Tools Directory:

[T3.4.1a Cost Allocation Worksheet](#)
[T3.4.1b Resource Sharing Worksheet](#)
[T3.4.3 Cost Allocation Plan Checklist](#)
[R3.4 Guidance on Cost Allocation in the Resource Sharing Process](#)

3.4.1 There is written evidence, such as a timesheet, that costs being allocated to the grant are being treated consistently over time and within the accounting system, are necessary and reasonable, and are allocated to the grant based on the benefit received. The organization has written policies and procedures for distributing program costs, staff time, and general and administrative costs among programs. C

3.4.2 The organization has written policies and procedures for distributing program costs, staff time, and general and administrative costs among programs. E

3.4.3 The organization has an approved indirect cost rate or cost allocation plan. C

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3.4.1 There is written evidence, such as a timesheet, that costs being allocated to the grant are being treated consistently over time and within the accounting system, are necessary and reasonable, and are allocated to the grant based on the benefit received. The organization has written policies and procedures for distributing program costs, staff time, and general and administrative costs among programs. C

Allocability is the extent to which a cost benefits the grant. A common allocation issue arises when personnel compensation costs are charged to a grant. Allocate to the grant only that portion of time that staff spends implementing allowable activities. If the organization receives funds from more than one source or administers more than one grant program, obtain copies of the timesheets of two staff who work on more than one grant to determine how they are allocating their time among the grant programs. Use timesheets to document grantee staff that work on more than one program.

- How does the organization, which receives funds from more than one source or administers more than one grant program and has staff that work on more than one grant, allocate their staff's time among the various grant programs they work on?

Sources and Notes:

[General cost allocation]

Review the cost allocation or similar document to answer the following questions. Complete the Cost Allocation Worksheet (T3.4.1a). What are the methods used for those costs that are required to be allocated among a number of programs?

- Identify the number of fund sources the entity receives.
- What method(s) are used to allocate:
 - √ staff salaries and benefits?

Note to Reviewer: Tool T3.0.2 may also be useful in reviewing time distribution.

- √ operating costs?
- √ facilities costs?

Note: If other than traditional allocation methods are used, did the organization receive approval from its Federal cognizant agency?

Determine:

- Whether the bases for allocation are allowable and reasonable,
- Whether bases are consistent for similar types of costs,
- If programs are charged a share when:
 - √ They receive no benefit or
 - √ They receive a benefit greater or less than they are charged.

[One-Stop Resource Sharing]

For grantees who participate in the local One-Stop system, review the resource sharing or similar document to answer the following questions. Complete the Resource Sharing Agreement Checklist (T3.4.1b).

- Does the resource sharing agreement or similar document...
 - √ Identify common or shared costs, and provide a budget?
 - √ Determine the bases for allocating costs?
 - √ Allocate the common costs among all participating partners?
 - √ Identify the resources to be provided by each partner?
 - √ Are the provisions of this document in place and operating?
 - √ Does the included allocation process assign cost based on the benefit received?
- Based on all of the above, does the agreement as implemented appear to be reasonable in your judgment?

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3.4.2 The organization has written policies and procedures for distributing program costs, staff time, and general and administrative costs among programs. E

Review the organization's written policies and procedures for distributing program costs, staff time, and general and administrative costs among programs.

- Does the organization maintain written policies and procedures for distributing program costs, staff time, and general and administrative costs among programs?

Sources and Notes:

Core Monitoring Guide

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3.4.3 The organization has an approved indirect cost rate or cost allocation plan. C

Ask the organization if they have an approved indirect cost rate or a cost allocation plan. Obtain a copy of the organization's indirect cost rate or cost allocation plan and give it to regional fiscal staff as appropriate.

- Does the organization have an approved indirect cost rate or cost allocation plan?

Sources and Notes:

Indirect cost rate

- Does the organization have an approved rate?
- If no, should it have one?
- Has it submitted a proposal to the appropriate cognizant agency on a timely basis?
- Does the organization apply this rate against the appropriate bases in accordance with the terms of the approved indirect cost rate agreement?
- Is the rate the organization is using approved for the current period?

Cost allocation plans

- Are similar costs consistently treated? For example, are there costs that should be charged as direct costs that are included in the indirect cost pool or vice versa?
- Is the grant charged cost from a statewide or local government-wide cost allocation plan?
- If yes, obtain a copy of the plan and validate whether the costs included are:
 - √ Allowable
 - √ Non-duplicative
 - √ For items utilized by the program(s)

OBJECTIVE 3.5 Allowable Costs: The organization has a system in place to ensure the program is incurring necessary and reasonable costs and is only charging allowable and allocable costs to the grant [OMB Circular A-87 Attachment A; A-122 Attachment A; A-21 Section C].

Tools Directory:

[T3.0.3 Transaction Testing Tool](#)

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3.5.1 The organization has a copy of its applicable OMB cost principles circular and is aware of which costs are allowable, allowable under certain conditions, or unallowable. E

Ask program and financial staff which OMB cost circular they use to determine the extent to which a cost charged to the grant is allowable. If applicable, review the letter from the Grant Officer giving the organization approval to purchase equipment listed in their budget.

- How does the organization ensure that the grant is not charged unallowable costs based on applicable cost principles and the provisions of the grant agreement?
- If the organization has subrecipients, how do they ensure that their subrecipients are following appropriate cost guidelines and the policies of the awarding agency? Has the organization issued written cost policies to their subrecipients?

Sources and Notes:

This indicator becomes a [C] Compliance indicator when reviewed as part of a financial review. Using the transaction testing tool (T3.0.3), select a sample of transactions and test for a variety of actions associated with cost allowability.

- Based on analysis of the results of the transaction testing worksheet, do the costs of the organization meet the allowable cost standards?
- Does the organization's financial system allow for the tracing of transactions to supporting documents?
- Does the entity have a written allowable cost policy for internal use that addresses the OMB Circulars, program statutory and regulatory requirements and/or the grant agreement?
- If the organization has subrecipients, has an external written allowable cost policy been issued that addresses prior approval requirements?
- Who is responsible for obtaining prior approval from the DOL Grant Officer?
- Who reviews requests from subrecipients for prior approval for the items in the OMB Cost Principles that require prior awarding agency approval?
- How does the awarding entity ensure that costs requiring prior approval by the Federal cognizant agency are approved, e.g., mass severance pay and statistical time sampling methods?

OBJECTIVE 3.6 Internal Controls: Effective control, integrity, and accountability are maintained for all grant and subrecipient cash, personal property, and other grant assets [29 CFR 97.20(a)(2) and (b)(3); 29 CFR 95.21(b)(3)].

Tools Directory:

[T3.6.1 Separation of Duties Worksheet](#)

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3.6.1 Grant recipient has adequate safeguards for all grant property and ensures that it is used solely for authorized purposes; has mechanisms in place to prevent unauthorized purchases and disbursements of grant funds; and safeguards its cash and other assets so no one person controls the order, receipt, payment, and reconciliation of an asset. **C**

Ask the organization's financial staff for evidence, including written policies and procedures, of separation of duties or other safeguards that they have in place to prevent unauthorized purchases and disbursements of grant assets. Observe the activities of staff to determine the extent to which they have implemented their internal control policies and procedures. Inquire about how the organization manages its assets so no one person has complete control over all aspects of a financial transaction. Document their responses to your inquiries, the extent to which they are in compliance with the indicators, and your observations.

- How does the organization manage and safeguard its cash and protect its other assets so no one person has complete control over all aspects of a financial transaction?
- What safeguards exist to prevent unauthorized purchases or disbursements of funds?

Sources and Notes:

Internal controls must be present in a number of areas to safeguard grant assets appropriately. Prior to conducting your analysis, review the organization's single audit report on internal controls to identify noted deficiencies.

The tool, T3.6.1 Separation of Duties Worksheet, includes a comprehensive list of required internal controls. Complete worksheet T3.6.1 and use the information to address the questions

- Review the results of the internal control worksheets. Do the results of those reviews ensure that the following are in place, communicated to appropriate staff, and followed:
 - √ Duties are separated adequately to ensure that one single person is not requesting, authorizing, and issuing payment or checks.
 - √ Transactions are appropriately authorized.
 - √ Assets are safeguarded.
 - √ Budgetary controls are in place.
 - √ IT systems are secure.
 - √ Internal controls are periodically tested and modified when necessary.

OBJECTIVE 3.7 Financial Reporting: The organization has an accounting system that allows it to maintain accurate and complete disclosure of the financial results of its grant activities and those of its subrecipients according to the financial reporting requirements of the grant [29 CFR 95.21(b)(1); 29 CFR 97.20(b)(1)].

Tools Directory:

[T3.7.1 Accrual Worksheet Tool](#)

3.7.1 If the organization maintains its books of account on a cash basis, it develops and reports accrual data on the financial status report. C

3.7.2 If there are subrecipients, the grantee has a system in place to ensure the subrecipient is reporting the financial results of its grant activities on an accrual basis and in a timely manner. C

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3.7.1 If the organization maintains its books of account on a cash basis, it develops and reports accrual data on the financial status report. C

If the organization keeps its books on a cash basis, ask the organization for evidence that the financial data included in its quarterly financial status reports to ETA are on an accrual basis. This may be in the form of a spreadsheet or another type of document that will link to the accounting records.

- Does the organization maintain its books of account on a cash or accrual basis?
- Is the financial data included in the costs reported to ETA on an accrued basis? What evidence is there to support accruals (spreadsheets, MIS reports, etc.)?

Sources and Notes:

Complete Tool T3.7.1 and use the information to determine:

- Does the organization have a methodology to capture recipient's share of costs on the reporting form?
- Does the organization have a methodology to capture program income data on the reporting form?
- If the organization maintains its books on a cash basis, how does it identify and report expenditures on an accrual basis?
- Regardless of how the grantee maintains its books, how does it ensure it captures the costs of all activities that took place in the reporting period?
- If estimated accrual amounts are used, what is the basis of the estimate?
- Review supporting documentation; trace selected cost(s), such as participant training, to/from financial reports.
- Review the financial reports and accrual spreadsheets.
- Do the reports reflect costs captured in:
 - √ the appropriate funding stream,
 - √ the appropriate year of fund availability, and/or
 - √ the appropriate HHS-PMS subaccount?
- Does the organization have procedures in place to ensure that it uses the funds within the period of availability, i.e. on a first in, first out (FIFO) basis?
- Does the grantee have a procedure to accurately report Federal cash items?

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3.7.2 If there are subrecipients, the grantee has a system in place to ensure the subrecipient is reporting the financial results of its grant activities on an accrual basis and in a timely manner. C

If applicable, determine if the organization is receiving financial data from its subrecipients in a timely manner so that it can include this data in its reports to ETA. Ask for copies of any policies or contract clauses related to subrecipient reporting.

- Is the organization receiving timely data from its subrecipients?
- Are there policies or contract clauses concerning financial reporting?

Sources and Notes:

- Has the organization issued reporting instructions and formats to its subrecipients?
- Does the organization have a methodology to capture subrecipients' share of costs on the reporting form?
- Does the organization have a methodology to capture subrecipients' program income data on the reporting form?
- Does the organization require its subrecipients to identify and report expenditures on an accrual basis?
- How does the organization verify that all accruals are included?
- If estimated accrual amounts are used, what is the basis of the estimate?
- Are administrative costs being reported appropriately?

OBJECTIVE 3.8 Not applicable to Financial Supplement.

Tools Directory:

OBJECTIVE 3.9 Cost Classification: The organization maintains a system to ensure that grant costs are charged to the appropriate cost category [OMB Circular A-87; 20 CFR 667.220].

Tools Directory:

[R3.9 Matrix for Classification of Specific Cost Items](#)

3.9.1 The organization has a methodology for accounting separately for administrative and program costs in accordance with the WIA Administrative cost definition. C

3.9.2 If there are subrecipients, the grantee has a system in place to ensure the subrecipient is properly charging costs to cost categories. C

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Financial Supplement

3.9.1 The organization has a methodology for accounting separately for administrative and program costs in accordance with the WIA Administrative cost definition. C

For reviews of discretionary grants with administrative cost limits, utilize the guidance and questions in the formula guide.

The organization must maintain a system for tracking and reporting its administrative expenditures as well as its program expenditures. Codes should be established in the organization's Chart of Accounts for appropriately charging costs defined as administrative in accordance with the WIA definition at 20 CFR 667.220, or other required categories, in its accounting records.

- Does the entity's Chart of Accounts provide for a method to track the cost by administration and program categories?
- Does the Chart of Accounts provide for both administrative and program categories in the various object classes that could be chargeable as either one, depending on the related function? (See R3.9.1 Matrix for Classification of Specific Cost Items)
- Is the grantee tracking administrative expenditures against its administrative limit to ensure that it will not exceed its allowable administrative cap?
- Are administrative activities improperly classified as program activities?
- If the grantee has an indirect cost rate, does it charge all indirect costs as administration?
- If not, have they performed an analysis of the costs in the pool to determine what proportion of the indirect costs are properly chargeable to program? Review the analysis and justification to determine if it is reasonable.
- If administrative costs exceed the administrative limit for the grant, does the organization charge the excess to non-Federal funds?
- If directly charged staff (i.e. not in the indirect pool) perform activities that are chargeable to both administration and program, does the organization maintain adequate actual activity report records to document the split of these staff costs?

(WIA only) For 15% Statewide Funds:

- If funds are awarded by the state to another state agency, are reported costs properly allocated between the program and administrative categories and charged to the 5% Statewide Administration?

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3.9.2 If there are subrecipients, the grantee has a system in place to ensure the subrecipient is properly charging costs to cost categories. C

Select a sample of subrecipients and determine whether the subrecipient costs are being classified appropriately.

- Has the grantee properly identified subrecipients who must classify costs in both program and administrative cost categories?
- Does the grantee require subrecipients who must classify costs in both administration and program categories to record their costs by category in their books of account?
- Utilizing resource R3.9 for a sample of subrecipients, test to verify that costs are appropriately classified.

OBJECTIVE 3.10 Participant Training Resource Management: The organization has a system in place to ensure that participant training resources are appropriately managed. (See also Objective 4.2 Participant Files) E

**Tools
Directory:**

3.10.1 The organization has an appropriate process to award and track the use of Individual Training Account (ITA) resources. E

3.10.2 The organization has an appropriate process to award and track the use of training grant funds. E

Core Monitoring Guide

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3.10.1 The organization has an appropriate process to award and track the use of ITA resources. E

(For WIA local areas; for formula program review only)

- Does the organization have a financial system (e.g., record or ledger) that tracks the overall and per ITA balances, obligations and expenditures at least quarterly?
- Do the organization's policies and procedures include:
 - √ A method for recovering any ITA funds if the participant drops out of the training?
 - √ Maximization of training funds by limiting long term commitments?
- Does the organizational program provide for keeping internal management notified when the local ITA fund is approaching its total?
- Select a sample of ITAs and test for the following:
 - √ Are the ITAs within the local limits for time and amount?
 - √ Is the case manager or the participant alerted when the individual ITA accounts approach the (state or locally established) maximum?
 - √ Does the ITA provide for the appropriate costs items, e.g., tuition, books, fees, supplies, etc.?
 - √ Has the organization collected refunds for participants who have dropped out of training?
- Test to ensure that the deobligation of leftover funds is timely.

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3.10.2 The organization has an appropriate process to award and track the use of grant training funds. E

- Does the organization have a financial system (e.g., record or ledger) that tracks the overall and per training balances, obligations and expenditures at least quarterly?
- Do the organization's policies and procedures include:
 - √ A method for recovering appropriate portion of tuition payment if the participant drops out of the training?
 - √ Assurance that appropriate match is provided for customized training and/or any other training for which match is required?
 - √ Maximized use of training funds by limiting long term commitments?
 - √ Select a sample of training transactions and verify the following:
 - √ Is there a signed agreement with the training provider(s)?
 - √ Payments are consistent with the terms of the training agreement and grantee policies?
 - √ Is the case manager and/or the participant notified when the individual's training expenditures are approaching the total amount allotted for the participant's training?
 - √ Do the training expenditures provide for the appropriate costs items, e.g., tuition, books, fees, supplies, etc.?
 - √ Has the organization collected refunds for participants who have dropped out of training?
 - √ Test to ensure that the deobligation of leftover funds is timely.
 - √ Test to ensure that payments to employers for training are in compliance with appropriate reimbursement limits, e.g., on-the-job-training (OJT), work experience, etc.

Core Monitoring Guide – Financial Supplement – TOOLBOX Appendices to the Core Monitoring Guide

CMG Appendix A: Cross Reference of Administrative Requirements

Requirement	Governmental Organizations	Nonprofit Organizations	Institutions of Higher Education	Commercial Organizations
Audit	29 CFR Part 99	29 CFR Part 99	29 CFR Part 99	29 CFR Part 96
Audit Resolution	29 CFR Part 96	29 CFR Part 96	29 CFR Part 96	29 CFR Part 96
Basic Principles for Allowable Costs	A-87 Attachment A	A-122 Attachment A	A-21 Section C	48 CFR 31.201 through 204
Treatment of Selected Items of Cost	A-87 Attachment B	A-122 Attachment B	A-21 Section J	48 CFR 31.205
Uniform Administrative Requirements	29 CFR Part 97	29 CFR Part 95	29 CFR Part 95	29 CFR Part 95 (grants only)
Lobbying Restrictions	29 CFR Part 93	29 CFR Part 93	29 CFR Part 93	29 CFR Part 93
Suspension and Debarment	29 CFR Part 98 Subparts A-E	29 CFR Part 98 Subparts A-E	29 CFR Part 98 Subparts A-E	29 CFR Part 98 Subparts A-E
Drug-Free Workplace	29 CFR Part 98 Subpart F	29 CFR Part 98 Subpart F	29 CFR Part 98 Subpart F	29 CFR Part 98 Subpart F
Non-Discrimination (Civil Rights)	29 CFR Part 31	29 CFR Part 31	29 CFR Part 31	29 CFR Part 31
Non-Discrimination (Basis of Handicap)	29 CFR Part 32	29 CFR Part 32	29 CFR Part 32	29 CFR Part 32
Age Discrimination of 1975	29 CFR Part 35	29 CFR Part 35	29 CFR Part 35	29 CFR Part 35
EO Requirements (WIA only)	29 CFR Part 37	29 CFR Part 37	29 CFR Part 37	29 CFR Part 37
Title IX – Education Amendments Act of 1972	49 CFR Part 25	49 CFR Part 25	49 CFR Part 25	49 CFR Part 25

Note: Additional requirements may be contained in program regulations related to ETA-funded grant programs.

Electronic versions of the requirements may be downloaded from:

DOL Regulations (29 CFR): http://www.access.gpo.gov/nara/cfr/waisidx_06/29cfrv1_06.html

OMB Circulars: <http://www.whitehouse.gov/omb/circulars/>

CFRs: <http://www.gpoaccess.gov/nara/index.html>

CMG Appendix B: Selected Definitions and Acronyms

Accrued expenditures. The charges incurred by the grantee during a given period requiring the provision of funds for (1) goods and other tangible property received; (2) services performed by employees, contractors, subgrantees, subcontractors, and other payees; and (3) other amounts becoming owed (by the grantee) under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit payments. [29 CFR 95.2] [29 CFR 97.3]

Accrued income. Sum of: (1) earnings during a given period from (i) services performed by the recipient, and (ii) goods and other tangible property delivered to purchasers; and (2) amounts becoming owed to the recipient for which no current services or performance is required by the recipient. [29 CFR 95.2] [29 CFR 97.3]

Acquisition cost of equipment. The net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose for which it was acquired. Other charges, such as the cost of installation, transportation, taxes, duty or protective in-transit insurance, shall be included or excluded from the unit acquisition cost in accordance with the recipient's regular accounting practices. [29 CFR 95.2] [29 CFR 97.3]

Advance. A payment made by Treasury check or other appropriate payment mechanism to a recipient upon its request either before outlays are made by the recipient or through the use of predetermined payment schedules. [29 CFR 95.2]

Administrative requirements. Those matters common to grants in general, such as financial management, types and frequency of reports, and retention of records. These are distinguished from *programmatic* requirements, which concern matters that can be treated only on a program-by-program or grant-by-grant basis, such as kinds of activities that can be supported by grants under a particular program. These are the uniform administrative requirements codified at OMB Circular A-102 and A-110. OMB Circular A-102 is also referred to as the common rule. [29 CFR 97.3]

Approval or authorization of the awarding or cognizant Federal agency. Documentation evidencing consent prior to incurring a specific cost. If such costs are specifically identified in a Federal award document, approval of the document constitutes approval of the costs. If the costs are covered by a state/local cost allocation plan or an indirect cost proposal, approval of the plan constitutes the approval. [OMB Circular A-87]

Award. Financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money or property in lieu of money, by the DOL to an eligible recipient. The term does not include technical assistance, which provides services instead of money; other assistance in the form of loans, loan guarantees, interest subsidies, or insurance; direct payments of any kind to individuals; or contracts that are required to be entered into and administered under procurement laws and regulations. [29 CFR 95.2]

Calendar Year. The period between January 1 and December 31 of any year. For example, calendar year 2001 is January 1, 2001, through December 31, 2001.

Cash contributions. A recipient's cash outlay, including the outlay of money contributed to the recipient by third parties. [29 CFR 95.2] [29 CFR 97.3]

Catalog of Federal Domestic Assistance (CFDA). An online database of all Federal programs available to state and local governments, Federally-recognized Indian tribal governments, territories and possessions of the United States, domestic public, quasi-public, and private profit and nonprofit organizations and institutions, specialized groups, and individuals.

CFDA Number. The identifying number a Federal program is assigned in the CFDA. [29 CFR 99.105]

Closeout. Process by which the awarding agency determines that all applicable administrative actions and all required work of the award have been completed by the recipient and the awarding agency. [29 CFR 95.2] [29 CFR 97.3]

Common Rule. The *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments; Final Rule*, originally issued at 53 FR 8034-8103 (March 11, 1988). Other common rules will be referred to by their specific titles. [OMB Circular A-87]

Contract. A procurement contract under an award or subaward, and a procurement subcontract under a recipient's or subrecipient's contract. [29 CFR 95.2] [29 CFR 97.3]

Cooperative agreement. An award of financial assistance that is used to enter into the same kind of relationship as a grant; and is distinguished from a grant in that it provides for substantial involvement between the Federal agency and the recipient in carrying out the activity contemplated by the award.

Cost. An amount as determined on cash, accrual, or other basis acceptable to the Federal awarding or cognizant agency. It does not include transfers to a general or similar fund. [OMB Circular A-87]

Cost sharing or Matching. The portion of project or program costs not borne by the Federal Government. [29 CFR 95.2] [29 CFR 97.3]

Data Universal Numbering System (DUNS). A unique nine character identification number provided by the commercial company Dun & Bradstreet (D&B).

Date of completion. The date on which all work under an award is completed or the date on the award document, or any supplement or amendment thereto, on which awarding agency sponsorship ends. [29 CFR 95.2]

Disallowed costs. Charges to an award that the awarding agency determines to be unallowable, in accordance with the applicable Federal cost principles or other terms and conditions contained in the award. [29 CFR 95.2]

Discretionary award. A grant or cooperative agreement for which the Federal awarding agency generally may select the recipient among all eligible recipients, may decide to make or not make an award based on the programmatic, technical, or scientific content of an application, and can decide the amount of funding to be awarded.

Equipment. Equipment is defined as tangible, nonexpendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit, including all costs related to the property's final intended use. See Acquisition Cost of Equipment. Grantees may use their own definition of "equipment" provided it meets these minimum standards. [29 CFR 95.2] [29 CFR 97.3]

Federal financial assistance. Assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest, subsidies, insurance, food commodities, direct appropriations, and other assistance but does not include amounts received as reimbursement for services rendered to individuals described in 29 CFR 99.205 (h) and (i). [29 CFR 99.105]

Federal Fiscal Year (FY). The period between October 1 of a calendar year and September 30 of the following calendar year, with the subsequent year as the FY designator. For example, Fiscal Year 2002 or FY 2002 is the period between October 1, 2001, and September 30, 2002.

Funding period. The period of time when Federal funding is available for obligation by the recipient. [29 CFR 95.2]

GAAP. Generally Accepted Accounting Principles. Accounting rules and procedures established by authoritative bodies or conventions that have evolved through custom and common usage. Issued by the American Institute of Certified Public Accountants (AICPA). [29 CFR 99.105]

Government. A state, local, or a Federally recognized Indian tribal government. [29 CFR 97.3]

Grant. An award of financial assistance the principle purpose of which is to transfer a thing of value from a Federal agency to a recipient to carry out a public purpose of support or stimulation authorized by a law of the United States. A grant is distinguished from a contract, which is used to acquire property or services for the Federal government's direct benefit or use. [29 CFR 97.3]

Internal control pertaining to the compliance requirements for Federal programs (internal control over Federal programs). A process, affected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of the following objectives for Federal programs. (1) Transactions are properly recorded and accounted for to (a) permit the preparation of reliable financial statements and Federal reports; (b) maintain accountability over assets; and (c) demonstrate compliance with laws, regulations, and other compliance requirements. (2) Transactions are executed in compliance with (a) laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and (b) any other laws and regulations that are identified in the compliance supplement. (3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition. [29 CFR 99.105]

Local government. A local unit of government, including specifically a county, municipality, city, town, township, local public authority, school district, special district, intra-state district, council of governments (whether or not incorporated as nonprofit corporation under state law), any other regional or interstate entity, or any agency or instrumentality of local government. [29 CFR 97.3]

Mandatory award. A grant or cooperative agreement awarded under a program where the authorizing statute requires the head of the agency or designee to make an award to each eligible under the conditions and in the amount (or based on a formula) specified in the statute.

Obligations. The amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period. [29 CFR 95.2] [29 CFR 97.3]

Organization. A company, state, local, or tribal government, academia or research institution, not-for-profit entity, or any other type of institution.

Outlays (expenditures). Charges made to the project or program. They may be reported on a cash or accrual basis. For reports prepared on a cash basis, outlays are the sum of actual cash disbursement for direct charges for goods and services, the amount of indirect expense incurred, the value of in-kind contributions applied, and the amount of cash advances and payments made to contractors and subgrantees. For reports prepared on an accrued expenditure basis, outlays are the sum of actual cash disbursements, the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase (or decrease) in the amounts owed by the grantee for goods and other property received, for services performed by employees, contractors, subgrantees, subcontractors, and other payees, and other amounts becoming owed under programs for which no current services or performance are required, such as annuities, insurance claims, and other benefit payments. [29 CFR 95.2] [29 CFR 97.3]

NOTE: ETA requires outlays (expenditures) to be reported on an accrual basis.

Pass-through entity. A non-Federal entity that provides a Federal award to a subrecipient to carry out a Federal program. [29 CFR 99.105]

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. [29 CFR 95.2]

Prior approval. Written approval by an authorized agency official evidencing prior consent. [29 CFR 95.2] [29 CFR 97.3]

Program. A coordinated set of services to individuals.

Program income. Program income is income received by a recipient that was directly generated by a grant supported activity, or earned only as a result of the grant agreement *during the grant period*. It includes fees for services performed, income from the use or rental of personal property acquired with grant funds, income from the sale of items fabricated under the grant, interest income for WIA Title I programs only, and revenues in excess of expenditures for governmental and nonprofit agencies.

Program income does not include refunds, rebates, credits, or discounts, proceeds from the sale of personal property, income from royalties and license fees for copyrights, patents, and inventions, unless such income is specifically identified in the grant agreement as program income. Program income also *does not include* income earned after the grant period has ended, contributions and donations, profits of commercial organizations, and funds used as a match. [29 CFR 95.2]

Program Year (PY). The period between July 1 of a calendar year and June 30 of the following calendar year. The PY designator is the year the period begins. For example, Program Year 2001 or PY 2001 is the period between July 1, 2001, and June 30, 2002.

Project. All activities incorporated in a grant statement of work (SOW), which may include a program as well as the administrative and accountability elements as defined in the SOW.

Project costs. All allowable costs, as set forth in the applicable Federal cost principles, incurred by a recipient and the value of the contributions made by third parties in accomplishing the objectives of the award during the **project period**. [29 CFR 95.2]

Project period. The period established in the award document during which awarding agency sponsorship begins and ends. [29 CFR 95.2]

Questioned cost. A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances. [29 CFR 99.105]

Real property. Land, including land improvements, structures and appurtenances thereto, but excludes movable machinery and equipment. [29 CFR 95.2] [29 CFR 97.3]

Recipient. A non-Federal entity that expends Federal awards received directly from a Federal awarding agency to carry out a Federal program. [29 CFR 99.105]

Single audit. An audit which includes both the entity's financial statements and the Federal awards as described in 29 CFR 99.500. [29 CFR 99.105]

State. Any of several states of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any agency or instrumentality of a state exclusive of local governments. [29 CFR 97.3]

Subaward (Subgrant). An award of financial assistance in the form of money, or property in lieu of money, made under an award by a recipient to an eligible subrecipient or by a subrecipient to a lower tier subrecipient. The term includes financial assistance when provided by any legal agreement, even if the agreement is called a contract, but does not include procurement of goods and services nor does it include any form of assistance which is excluded from the definition of "award." [29 CFR 95.2] [29 CFR 97.3]

Subrecipient. A non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency. Guidance on distinguishing between a subrecipient and a vendor is provided in 29 CFR 99.210. [29 CFR 99.105]

Supplies. All tangible personal property, equipment. Title to supplies, or other expendable property, and the value of goods and services directly benefiting and specifically identifiable to the project or program. [29 CFR 95.2] [29 CFR 97.3]

Suspension. A post-award action by the awarding agency that temporarily withdraws the agency's financial assistance sponsorship under an award, pending corrective action by the recipient or pending a decision to terminate the award. [29 CFR 95.2] [29 CFR 97.3]

Termination. The cancellation of awarding agency sponsorship, in whole or in part, under an agreement at any time prior to the date of completion. [29 CFR 95.2] [29 CFR 97.3]

Third-party in-kind contributions. The value of non-cash contributions provided by non-Federal third parties. Third-party in-kind contributions may be in the form of real property, equipment, supplies, or other expendable property, and the value of goods and services directly benefiting and specifically identifiable to the project or program. [29 CFR 95.2] [29 CFR 97.3]

Unliquidated obligations. For reports prepared on a cash basis, the amount of obligations incurred by the grantee that has not been paid. For reports prepared on an accrued expenditure basis, they represent the amount of obligations incurred by the grantee for which an outlay has not been recorded. [29 CFR 95.2] [29 CFR 97.3]

Unobligated balance. The portion of the funds authorized by the Federal agency that has not been obligated by the grantee and is determined by deducting the cumulative obligations from the cumulative funds authorized. [29 CFR 95.2] [29 CFR 97.3]

Vendor. A dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program. These goods and services may be for an organization’s own use or for the use of beneficiaries of the Federal program. Additional guidance on distinguishing between a subrecipient and a vendor is provided in 29 CFR 99.210. [29 CFR 99.105]

Acronyms

DOL	Department of Labor
ETA	Employment and Training Administration
EDP	Employment Development Plan
EO	Equal Opportunity
FPO	Federal Project Officer
GEMS	Grants e-Management System
LMI	Labor Market Information
LWIB	Local Workforce Investment Board
MIS	Management Information System
MOU	Memorandum of Understanding
OMB	Office of Management and Budget
SOW	Statement of Work

CMG Appendix C: Summary of Cost Items

KEY NT = Not treated in circular
 A = Allowable
 AC = Allowable with conditions
 AP = Allowable with prior approval of either the Grant Officer or Governor
 U = Unallowable
 A/U = Some categories within the particular activity are allowable, while some are not. Please consult respective circular for precise explanations.

Note: Some of the costs on this chart are allowable under the circulars and prohibited under the Workforce Investment Act or other program-specific regulations. You should refer to the program-specific regulations if you have any questions on allowability of a particular cost. This chart is for reference only.

In addition, when reviewing the provisions related to selected items of cost in the OMB circulars, the cost principles applied in establishing the allowability of certain items of cost apply whether the cost is treated as a direct or indirect cost. Failure to address a particular item of cost is not intended to imply that it is unallowable. Rather, the determination of allowability in each case should be based on the treatment or principles provided for similar or related costs. Note also that, in some instances, different cost items may be similarly named, and there may be some overlap in the cost items treated by the different circulars. Again, this chart is for reference only.

	Cost Item	Circular A-21	Circular A-122	Circular A-87	48 CFR Part 31
1	Advertising/public relations	AC/U	AC/U	AC/U	AC
2	Advisory councils	A	A	A	NT
3	Alcoholic beverages	U	U	U	U
4	Alumni/ae activities	U	NT	NT	NT
5	Asset valuations resulting from business combinations	NT	NT	NT	A
6	Audit services	A	A	A	NT
7	Bad debts	U	U	U	U
8	Bonding costs	A/AC	A/AC	A/AC	A/U
9	Commencement and convocation costs	U	NT	NT	NT
10	Communication costs	A	A	A	NT
11	Compensation for personal services	A/U	A/U	AC/U	A/U
12	Contingency provisions	U	U	U	A/U
13	Deans of faculty and graduate schools	A	NT	NT	NT
14	Defense & prosecution of criminal & civil proceedings, claims, appeals, & patent infringement	AC/U	AC/U	A/U	U
15	Deferred research and development costs	NT	NT	NT	AC/U
16	Depreciation and use allowances	AC	AC	AC	AC
17	Donations and contributions	U	U	U	U
18	Economic planning costs	NT	NT	NT	A/U
19	Employee morale, health, welfare costs, and credits	A/AC	A	A	A/U
20	Entertainment costs	U	U	U	U
21	Equipment and other capital expenditures	AP/U	AP/U	AP/U	AP
22	Fines and penalties	AP/AC/U	AP/AC/U	AP/AC/U	AC/U
23	Fund-raising and investment management costs	U/A	U	U	U
24	Gains and losses on depreciable assets (See Item 72)	AC	AC	AC	A
25	General government expenses	NT	NT	U	NT

26	Goods/services for personal use	U	U	U	NT
27	Goodwill	NT	NT	NT	U
28	Housing and personal living expenses	U	AP/U	NT	NT
29	Idle facilities and capacity	AC/U	AC/U	AC/U	AC/U
30	Independent research and development	NT	NT	NT	AC
31	Insurance and indemnification	AC/U	AC/U	AC/U	A
32	Interest	A/AC/U	A/AC/U	A/AC/U	U
33	Labor relations costs	A	A	NT	AC/U
34	Lobbying (including Executive Lobbying)	U	U	U	U
35	Losses on other sponsored agreements/contracts	U	U	U	U
36	Maintenance and repair costs	A	A	AC	A
37	Manufacturing and repair costs	NT	NT	NT	A
38	Manufacturing and product engineering costs	NT	NT	NT	A
39	Material costs	A	A	A	A
40	Meetings and conferences	A	A	A	See Item 2
41	Memberships, subscriptions, professional activity costs	A/U	A/AP/U	A/AP/U	NT
42	Organization costs	NT	U/AP	NT	U
43	Other business expense	NT	NT	NT	A
44	Overtime, extra-pay shift, and multi-shift premiums	NT	AP	NT	See Item 14
45	Page charges in professional journals	A	A	AC	NT
46	Participant support costs	NT	AP	NT	NT
47	Patent costs	A/U	A/U	A/U	A/U
48	Plant and homeland security costs	A	A	A	A
49	Pre-award/Pre-agreement	U/AP	AC/AP	AC/AP	AC
50	Professional services costs	AC	AC	AC	A
51	Proposal costs	AC	NT	A	AP
52	Publication and printing costs	A	A	A	NT
53	Rearrangement and alteration costs	A	A	A	NT
54	Reconversion costs	A	A	A	AC/U
55	Recruiting costs	A	A	A	A
56	Relocation costs	NT	AC	NT	A/U
57	Rental costs of buildings and equipment	AC	AC	AC	AC
58	Royalties and other costs for use of patents	AC	AC	AC	A
59	Scholarships and student aid costs	A	NT	NT	NT
60	Selling and marketing	AC/U	U	U	A/U
61	Service and warranty costs	NT	NT	NT	A
62	Severance pay	NT	AC/U	AC	AC
63	Special tooling and special test equipment costs	NT	NT	NT	A
64	Specialized service facilities	AC	AC	NT	NT
65	Student activity costs	U	NT	NT	NT
66	Substantial relocation of Federal programs (Related to gains and losses in A-87)	NT	NT	AC	See Item 22
67	Taxes	AC	AC	AC	AC
68	Termination costs	AC	AC	AC	A/U
69	Training and education costs	A	AC/AP/U	A	AC
70	Transportation	A	A	NT	AC
71	Travel costs	AC	AC	AC	AC
72	Trustees	AC	AC	NT	NT
73	Under recovery of costs under Federal agreements	NT	NT	NT	U

Source: Attachment II-4-1, One-Stop Comprehensive Financial Management TAG, Revised July, 2004.

Core Monitoring Guide – Financial Supplement – TOOLBOX (Resources – R; Tools – T)

R2.1 Background for Administrative Controls

Purpose: to aid the reviewer in understanding grantees’ financial management systems.

Financial Management Systems

In approaching the overarching financial management systems of the state, subrecipients, and other grantees, reviewers must determine if the practices, policies, and direction of the state and its subrecipients and other direct grantees addresses the following:

Table of Federal Requirements		
Source of the Requirement	Subpart(s)	Requirement(s)
Office of Management and Budget (OMB) Uniform Administrative Requirements 29 CFR	Part 95 Non-governmental Organizations Part 97 State, Local & Indian Tribal Government	These provisions outline the requirements for financial and property management, procurement, reporting and other administrative grant management requirements.
29 CFR	Part 32 Part 36 Part 37 Part 93 Part 96 Part 98	Non-discrimination on the basis of handicap in programs or activities conducted by the Department of Labor (DOL). Non-discrimination on the basis of sex in education programs or activities receiving Federal financial assistance. Implementation of the Non-discrimination and Equal Opportunity Provisions of the Workforce Investment Act of 1998. New restrictions on lobbying. Audit requirements for grants contracts and other agreements. Government wide debarment and suspension requirements.
OMB Circular A-133 29 CFR	Part 99	Audits of states, local governments, and non-profit organizations.
PLUS: the requirements set forth in the Congressional Acts and U.S. Department of Labor Regulations for each of the DOL-funded programs and additional guidance issued by DOL in Employment and Training Guidance Letters; OMB Cost Principles for States and the other cost principles for the specific entities with which the state is doing business.		

R2.1.4 Retention of Records Table

Purpose: to aid the reviewer in understanding the various record retention requirements.

Retention and Access Requirements for Records				
What records are affected?	All grantee financial & programmatic records, supporting documents, or other records required by program regulations, grant agreement, or reasonably considered pertinent to program regulations or grant agreement.	What records are not affected?	Records maintained by contractors or subcontractors, unless required in contract.	However, to avoid duplication, an awarding agency can make special arrangements with grantees and subgrantees to maintain records that are of joint use, and may transfer the records to its custody when it determines them to be of long term retention value.
Length of retention period	3 years from start date	Or, until any litigation, claim, negotiation, audit, or other action involving the records, which was started before the end of the 3-year period is resolved – such actions never to reduce the period to less than 3 years.		
Start date of retention period	General: For grant support continued or renewed quarterly, retention period starts on the day grantee submits its expenditure report for the last quarter of the Federal fiscal year. For any other period of funding, retention period begins on the day grantee or subgrantee submits its single or last expenditure report for the period. If report is waived, retention period starts on what would have been report due date.	For real property & equipment: Retention period starts from the date of disposition, replacement, or transfer at the direction of the awarding agency.	For income earned post-grant: When required, begins from the end of grantee's fiscal year in which the income is earned.	For indirect cost rate computations or proposals, cost allocation plans or similar computations of rate per group, period starts from the date of submission to Federal government for negotiation of rate. If not submitted for negotiation, period starts from the end of the fiscal year or other accounting period covered by the proposal, plan, or computation.
Acceptable forms for records	In addition to original records, microfilm, photocopy, or similar methods are acceptable.			
Access to records	Awarding agency, U.S. Comptroller General, or their representatives have right of access to any records pertinent to a grant to make audits, examinations, excerpts, and transcripts.	Expiration of right of access	Not limited to period of retention, but as long as the records are retained.	Freedom of Information Act does not require grantees and subgrantees to give public access to their records.

R2.5 Background for Match and Leveraged Resources

Purpose: to aid the reviewer in understanding the definitions, similarities, and differences between match expenditures and leveraged resources.

Match is defined in the Uniform Administrative Requirements applicable to ETA grants at 29 CFR 97.24 and 29 CFR 95.23. Match is defined as *additional non-Federal resources expended to further the grant objectives, if required either by statute or within the grant agreement as a condition of funding*. All matching funds must be spent on allowable grant activities and in accordance with the cost principles. The grantee cannot claim both an allowable cost (to be reimbursed from grant revenue) and a match expenditure.

There are two types of match expenditures: cash and in-kind contributions. *Cash* match reflects additional funds or services (allowable costs) provided and paid for by the grantee from non-Federal funds that are in support of grant objectives and outcomes. The value of the cash match is the actual costs incurred as reflected in the grantee’s accounting system. *In-kind contributions* are allowable costs and services that are not paid by the grantee, but rather a third party organization. Again, these costs and services must support allowable grant activity and outcomes. The rules that apply to determining the value of such services are found in the regulations at 29 CFR 97.24(b)(7) and 95.23(c-h). Examples of in-kind contributions would be personal services provided by volunteers or paid non-grantee staff, equipment and supplies, or space provided by another organization at no cost to the grant.

In order to qualify as match, the costs cannot have been paid from Federal funds, been charged to program income or used to match other Federal match requirements, nor have been for costs that are unallowable under grant regulations. Records must be maintained that support the cash match costs within the grantee’s accounting system and be available for audit and review. For third party contributions, the support for the value must be verifiable from subgrantee records or be maintained by the grantee, including the methods used to determine the value.

For ETA programs, match may be required by statute (as in the former Welfare to Work program) or as a condition of funding (reflected in the grant agreement). Currently (January 2006), the only required match is for selected grants under the President’s High Growth Job Initiative. If match is required, it will be reflected on the SF-424A Budget and reported on the Federal Financial Report.

Leveraged Resources are not defined in regulation or any related administrative requirements. However, most Federal agencies use the term “leveraged resources,” and for ETA programs, the term has been defined to mean *all resources used by the grantee to support grant activity and outcomes, whether those resources meet the standards applied to match or not*. So for ETA programs, leveraged resources means both allowable match and other costs that do not rise to the requirements of the regulations, but which support the outcomes of grant activity. All leveraged resources must be expended on costs that are allowable under the Circulars and are used to further grant activity and outcomes. Examples of costs that would be considered as leveraged resources are services provided to grant participants funded by another Federal program such as WIA, the purchase of a building to house grant activity by the organization using non-Federal resources, or employer release time paid to participants while in training. Leveraged resources are reported to ETA on the grant performance reports, not on the Federal Financial Report.

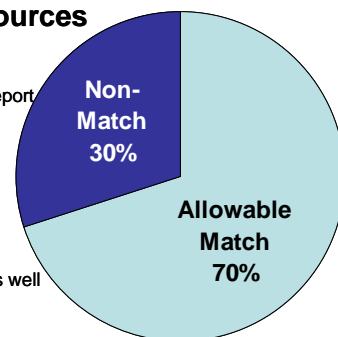
Leveraged Resources

Non-Match

- Reported on the Performance Report
- Examples:
 - Other federal program costs
 - Match above requirements

Allowable Match

- Reported on the SF269 if required
- Reported on the Performance Report as well
- Examples:
 - Unclaimed Indirect Costs
 - Donated Space Costs
 - Employer-paid Wages



R2.6 Background for Property

Purpose: to assist the reviewer in understanding the distinctions among various types of property that a grantee may have purchased and purchasing requirements that apply to particular types.

Types of Property				
	Real	Personal		
Definitions	Land, including land improvements, structures, and appurtenances ¹ thereto, but excluding moveable machinery and equipment (not allowable under the WIA program and Earmark grants)	Tangible		Intangible
		Nonexpendable (Equipment)	Expendable (Supplies)	
		Useful life of more than 1 year and a unit cost of \$5,000 or more	All else	Without physical existence: patents, trademarks, or copyrights that are produced or acquired under the grant.
Acquisition Approval	Requires approval of the Grant Officer unless delegated	Requires approval of the Grant Officer unless delegated	No prior approval	No prior approval
Ownership	Entity that acquired it	Entity that acquired it	Entity that acquired it	Entity that developed the product*

*The Federal Government always reserves the right to use or make available intangible products developed with its funding.

Note: Debt instruments and inventions are classified as intangible property under OMB Circular A-110 and 29 CFR Part 95, and are excluded from the supplies category.

The following requirements are described in the DOL grant management regulations:

- 29 CFR Part 97 addresses property requirements for governmental organizations, as follows:
 - √ Real Property 97.31
 - √ Equipment 97.32
 - √ Supplies 97.33
 - √ Copyrights 97.34
- 29 CFR Part 95 addresses property requirements for higher education institutions, hospitals and other non-profit organizations, as follows:
 - √ Purpose of Property Standards 95.30
 - √ Insurance Coverage 95.31
 - √ Real Property 95.32
 - √ Equipment 95.34
 - √ Supplies and Other Expendable Property 95.35
 - √ Intangible Property 95.36
 - √ Property Trust Relationship 95.37

¹ Appurtenance, General definition -- An adjunct; an accessory; something added to another, more important thing.

Legal definition -- An incidental right attached to a principal property right for purposes such as passage of title, conveyance, or inheritance.

R2.7 Background for Contract Provisions

Purpose: to provide the reviewer with guidance regarding contract provisions/clauses.

Contract Provisions 29 CFR Part 97.36(i) 1-13

(i) **Contract provisions.** A grantee's and subgrantee's contracts must contain provisions in paragraph (i) of this section. Federal agencies are permitted to require changes, remedies, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Federal Procurement Policy.

(1) Administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as may be appropriate. (Contracts more than the simplified acquisition threshold)

(2) Termination for cause and for convenience by the grantee or subgrantee including the manner by which it will be effected and the basis for settlement. (All contracts in excess of \$10,000)

(3) Compliance with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR chapter 60). (All construction contracts awarded in excess of \$10,000 by grantees and their contractors or subgrantees)

(4) Compliance with the Copeland Anti-Kickback Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR Part 3). (All contracts and subgrants for construction or repair)

(5) Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR Part 5). (Construction contracts in excess of \$2000 awarded by grantees and subgrantees when required by Federal grant program legislation)

(6) Compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR Part 5). (Construction contracts awarded by grantees and subgrantees in excess of \$2000, and in excess of \$2500 for other contracts which involve the employment of mechanics or laborers)

(7) Notice of awarding agency requirements and regulations pertaining to reporting.

(8) Notice of awarding agency requirements and regulations pertaining to patent rights with respect to any discovery or invention which arises or is developed in the course of or under such contract.

(9) Awarding agency requirements and regulations pertaining to copyrights and rights in data.

(10) Access by the grantee, the subgrantee, the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions.

(11) Retention of all required records for three years after grantees or subgrantees make final payments and all other pending matters are closed.

(12) Compliance with all applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. 1857(h)), section 508 of the Clean Water Act (33 U.S.C. 1368), Executive Order 11738, and Environmental Protection Agency regulations (40 CFR part 15). (Contracts, subcontracts, and subgrants of amounts in excess of \$100,000)

(13) Mandatory standards and policies relating to energy efficiency which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act (Pub. L. 94-163, 89 Stat. 871).

Retention and Access Requirement for Records 29 CFR Part 97.42

(a) Applicability. (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

(i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or

(ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement.

(2) This section does not apply to records maintained by contractors or subcontractors. For a requirement to place a provision concerning records in certain kinds of contracts, see Sec. 97.36(i)(10).

(b) Length of retention period. (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.

(2) If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

(3) To avoid duplicate recordkeeping, awarding agencies may make special arrangements with grantees and subgrantees to retain any records which are continuously needed for joint use. The awarding agency will request transfer of records to its custody when it determines that the records possess long term retention value. When the records are transferred to or maintained by the Federal agency, the 3-year retention requirement is not applicable to the grantee or subgrantee.

(c) Starting date of retention period--(1) General. When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due.

(2) Real property and equipment records. The retention period for real property and equipment records starts from the date of the disposition or replacement or transfer at the direction of the awarding agency.

(3) Records for income transactions after grant or subgrant support. In some cases grantees must report income after the period of grant support. Where there is such a requirement, the retention period for the records pertaining to the earning of the income starts from the end of the grantee's fiscal year in which the income is earned.

(4) Indirect cost rate proposals, cost allocations plans, etc. This paragraph applies to the following types of documents, and their supporting records: indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer usage chargeback rates or composite fringe benefit rates).

(i) If submitted for negotiation. If the proposal, plan, or other computation is required to be submitted to the Federal Government (or to the grantee) to form the basis for negotiation of the rate, then the 3-year retention period for its supporting records starts from the date of such submission.

(ii) If not submitted for negotiation. If the proposal, plan, or other computation is not required to be submitted to the Federal Government (or to the grantee) for negotiation purposes, then the 3-year retention period for the proposal, plan, or computation and its supporting records starts from end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

(d) Substitution of microfilm. Copies made by microfilming, photocopying, or similar methods may be substituted for the original records.

(e) Access to records--(1) Records of grantees and subgrantees. The awarding agency and the Comptroller General of the United States, or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and subgrantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts.

(2) Expiration of right of access. The rights of access in this section must not be limited to the required retention period but shall last as long as the records are retained.

(f) Restrictions on public access. The Federal Freedom of Information Act (5 U.S.C. 552) does not apply to records, unless required by Federal, state, or local law, grantees and subgrantees are not required to permit public access to their records.

Institutions of Higher Education, Hospitals and other Non-profit Organizations, and with Commercial Organizations, Foreign Governments, Organizations under the Jurisdiction of Foreign Governments, and International Organizations

Contract Provisions 29 CFR Part 95.48

The recipient shall include, in addition to provisions to define a sound and complete agreement, the following provisions in all contracts. The following provisions shall also be applied to subcontracts:

(a) Contracts in excess of the small purchase threshold shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms, and provide for such remedial actions as may be appropriate.

(b) All contracts in excess of the small purchase threshold shall contain suitable provisions for termination by the recipient, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.

(c) Except as otherwise required by statute, an award that requires the contracting (or subcontracting) for construction or facility improvements shall provide for the recipient to follow its own requirements relating to bid guarantees, performance bonds, and payment bonds unless the construction contract or subcontract exceeds \$100,000. For those contracts or subcontracts exceeding \$100,000, DOL may accept the bonding policy and requirements of the recipient,

provided DOL has made a determination that the Federal Government's interest is adequately protected. If such a determination has not been made, the minimum requirements shall be as follows.

(1) A bid guarantee from each bidder equivalent to five percent of the bid price. The bid guarantee shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder shall, upon acceptance of his bid, execute such contractual documents as may be required within the time specified.

(2) A performance bond on the part of the contractor for 100 percent of the contract price. A performance bond is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.

(3) A payment bond on the part of the contractor for 100 percent of the contract price. A payment bond is one executed in connection with a contract to assure payment as required by statute of all persons supplying labor and material in the execution of the work provided for in the contract.

(4) Where bonds are required in the situations described herein, the bonds shall be obtained from companies holding certificates of authority as acceptable sureties pursuant to 31 CFR part 223, Surety Companies Doing Business with the United States.

(d) All negotiated contracts (except those for less than the small purchase threshold) awarded by recipients shall include a provision to the effect that the recipient, DOL, the Comptroller General of the United States, or any of their duly authorized representatives shall have access to any books, documents, papers and records of the contractor which are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts and transcriptions.

(e) All contracts, including small purchases, awarded by recipients and their contractors shall contain the procurement provisions of Appendix A to this part, as applicable.

Retention and Access Requirements for Records 29 CFR Part 95.53

(a) This section sets forth requirements for record retention and access to records for awards to recipients. DOL shall not impose any other record retention or access requirements upon recipients.

(b) Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by DOL. The only exceptions are the following:

(1) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.

(2) Records for real property and equipment acquired with Federal funds shall be retained for 3 years after final disposition.

(3) When records are transferred to or maintained by DOL, the 3-year retention requirement is not applicable to the recipient.

(4) Indirect cost rate proposals, cost allocations plans, etc., as specified in paragraph (g) of this section.

(c) Copies of original records may be substituted for the original records if authorized by DOL.

(d) DOL shall request transfer of certain records to its custody from recipients when it determines that the records possess long term retention value. However, in order to avoid duplicate recordkeeping, DOL may make arrangements for recipients to retain any records that are continuously needed for joint use.

(e) The Federal grantor awarding agency, the Inspector General, the Comptroller General of the United States, or any of their duly authorized representatives have the right of timely and unrestricted access to any books, documents, papers, or other records of recipients that are pertinent to the awards, in order to make audits, examinations, excerpts, transcripts and copies of such documents. This right also includes timely and reasonable access to a recipient's personnel for the purpose of interview and discussion related to such documents. The rights of access in this paragraph are not limited to the required retention period, but shall last as long as records are retained.

(f) Unless required by statute, DOL shall not place restrictions on recipients that limit public access to the records of recipients that are pertinent to an award, except when DOL can demonstrate that such records shall be kept confidential and would have been exempted from disclosure pursuant to the Freedom of Information Act (5 U.S.C. Sec. 552) if the records had belonged to DOL.

(g) Indirect cost rate proposals, cost allocations plans, etc. Paragraphs (g)(1) and (g)(2) of this section apply to the following types of documents, and their supporting records: indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer usage chargeback rates or composite fringe benefit rates).

(1) If submitted for negotiation. If the recipient submits to DOL or the subrecipient submits to the recipient the proposal, plan, or other computation to form the basis for negotiation of the rate, then the 3-year retention period for its supporting records starts on the date of such submission.

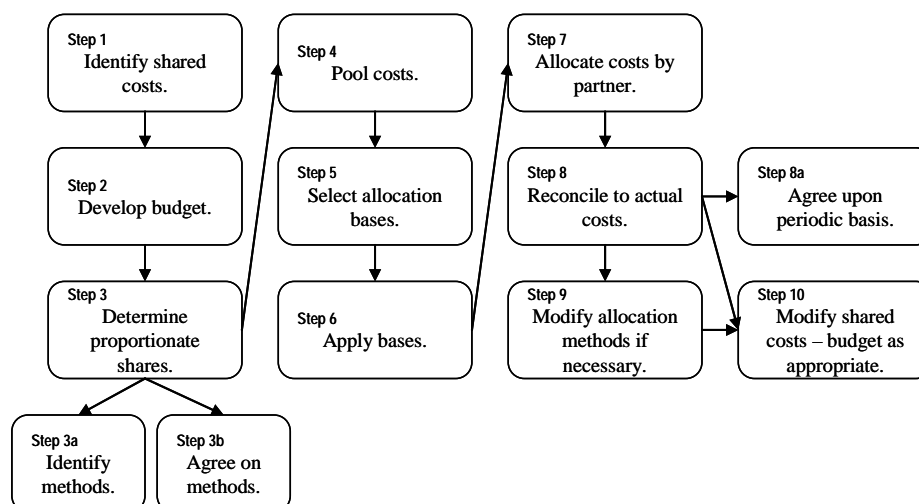
(2) If not submitted for negotiation. If the recipient is not required to submit to DOL or the subrecipient is not required to submit to the recipient the proposal, plan, or other computation for negotiation purposes, then the 3-year retention period for the proposal, plan, or other computation and its supporting records starts at the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

R3.4 Guidance on Cost Allocation in the Resource Sharing Process

Purpose: to assist the reviewer in understanding the types of costs that are typically allocated in the resource sharing process and some of the bases that are used to allocate those costs.

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.
Common Intake System: Costs of developing common intake data formats, preparation and interview of customers, and similar costs.	Use of common data formats and bytes of information required for each program. Use of a time study to determine the amount of time required for specific program data compared to the time needed to complete the process for an individual customer.
One-Stop Center Management: Costs of the center director, receptionist, staff of the resource center.	Number of customers eligible for or receiving specific program services. Direct costs by partner. Total costs by partner as compared with total of all partners.
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.
Common Core Services: Staff and benefit costs, development of common forms for case management, and similar costs.	Time distribution system (time sheets, work sampling, time and motion studies); numbers of clients eligible for specific program; weighted participation numbers.

Purpose: to provide guidance to the reviewer on the steps involved in the allocation of shared costs in the development of the Resource Sharing Agreement.



R3.6 Background for Internal Controls (IC)

Use: The following General Accounting Office (GAO) internal control standards apply across the board in any organization. They should be reviewed and used as guidelines in interpreting the answers to the specific questions. Adequate internal control systems should comply with these general and specific standards. These standards and questions will assist with the reviewer of multiple objectives within Activity 3.

General Standards for Internal Controls Systems

1. Reasonable Assurance
 - √ Does the IC system provide reasonable assurance that objectives will be accomplished?
 - √ What ICs have been put in place to assure the program objectives will be accomplished?
2. Supportive Attitude
 - √ Do managers and supervisors demonstrate a positive and supportive attitude toward ICs?
 - √ What guidelines/instructions/messages have been provided by management to staff to communicate the importance of maintaining controls and program integrity?
3. Competent Personnel
 - √ Are staff assigned duties consistent with their level of experience and competence?
 - √ Does the organization have written qualifications for staff positions? How does it assure that staff meets the qualifications for their assigned positions?
4. Control Objectives
 - √ Are IC objectives clearly stated, logical, applicable and complete? Do they relate to the mission of the organization?
5. Control Techniques
 - √ Are IC techniques effective and efficient in accomplishing their IC objectives?

Specific Standards

1. Documentation
 - √ Transactions and significant events are to be clearly documented, and documentation should be readily available for examination.
2. Recording of Transactions and Events
 - √ Transactions and significant events are to be promptly recorded and properly classified.
3. Execution of Transactions
 - √ Transactions are to be authorized and executed only by persons acting within the scope of their authority.
4. Separation of duties
 - √ Key duties and responsibilities should be assigned so that authorizing, processing, recording and reviewing are separated among individuals.
5. Supervision
 - √ Qualified and continuous supervision is to be provided to ensure IC objectives are achieved.
6. Access to and Accountability for Resources (Security)
 - √ Access to resources and records should be limited to authorized individuals, and accountability for the custody and use of resources should be assigned and maintained.
 - √ Periodic comparison should be made of the resources to the recorded accountability (e.g., physical inventory, system reconciliations); frequency of the comparison shall be a function of the vulnerability of the asset.

Additional Questions

1. Are there adequate safeguards for financial, property and participant records? Are official records readily accessible only to those who are authorized to use them? How is access controlled? Are daily backups performed for automated records?
2. Do these procedures provide step-by-step instructions for processing the various transactions? If not, what additional guidelines/instructions are provided to the individuals performing these duties?
3. Do procedures identify and assign responsibilities for financial and cash functions to specific positions/individuals?
4. Do these assignments reflect adequate separation of duties so that within each category the functions of authorizing, processing, recording and reviewing transactions are separated among individuals? (If written procedures do not contain this information, obtain it by identifying the names and titles of the individuals who perform the various cash and financial functions.)

Cash Transactions

Cash requests

1. How is cash requested? Describe the process.
2. Who prepares the request?
3. Who authorizes and approves the request? What supporting information is provided to the person(s) who approves the amounts requested?

Cash receipts – policies & procedures

Review the policies and procedures for processing cash receipts.

Describe the process(es) for making cash deposits (for payments and any other checks or cash received by the entity, e.g., refunds from subrecipients). Does the process follow the written procedures?

Cash receipts – security

Review the policies to see if the following are addressed:

- √ Logging of cash receipts at earliest point of receipt (e.g., mailroom or receptionist)
- √ Immediate (upon receipt) restrictive endorsement of checks
- √ Security for undeposited checks
- √ Periodic reconciliation of receipt log to actual deposits

Review the operation for appropriate separation of duties. The person opening the mail and logging checks in should be someone other than the person who makes deposits. Another individual should be responsible for reconciling deposits.

Multiple bank accounts

Ask to see records of all bank accounts/funds used for ETA grant funds, e.g., program income, interest, miscellaneous reimbursements, rebates, cash drawdowns, and cash transfers (including balances in central payment accounts, e.g., payroll and any other pooled payments).

How often are balances in central payment accounts liquidated? (For example, if funds are transferred into a payroll account based on an estimate prior to final payroll, how are any balances cleared out?)

Cash disbursements

Does the grantee or organization maintain an accounts payable system which:

- √ requires supervisory or management level authorization for payments?
- √ compares vendor invoices to purchase orders (for amounts ordered and price) and credit memos (for existing credits due from vendor)?
- √ checks invoices for accuracy?
- √ ensures timely payment of invoices to ensure discounts are taken and penalties are not paid?
- √ stamps invoices paid to avoid duplicate payments?

Does the system:

- √ prohibit making checks payable to cash, except for petty cash replenishments?
- √ require more than one signature on checks?
- √ prohibit signing checks for own expenses or payroll?
- √ prohibit pre-signing checks?
- √ provide adequate security for blank check stock and check signing machines?
- √ provide for comparison of signatures on checks to actual authorized signatures?
- √ call for periodic reviews of authorized signature cards and have policies for immediate removal of signature authority when staff leave or change positions?

What documentation is required to support payments?

What controls are in place to ensure that payments to subrecipients do not exceed the total amount of funding authorized in the contract(s)?

What controls are in place to liquidate cash balances in expired contracts?

Bank reconciliation

Is responsibility assigned to someone not also responsible for any portion of receipt or disbursement processing and approval?

Does the bank reconciliation process provide for the following:

- √ itemizing and investigating checks outstanding for long periods?
- √ periodically voiding outstanding checks and maintaining information for future claims?
- √ controlling voided checks by tracking them through the general ledger?
- √ accounting for check numbers?
- √ at a minimum, reconciling disbursement/receipts ledger monthly to bank/treasury records?
- √ comparing all checks, including voided ones, to the check register to verify date, check number, amount, and payee?

Credit Cards

Does the entity possess or issue to staff any of the following: Phone cards, gas credit cards, automated teller cards (ATM), or any other types of charge cards (Mastercard, Visa, American Express, etc.) for use under the ETA grants?

- √ If so, does the entity have written policies and procedures governing the use of the cards?
- √ Are the credit cards adequately safeguarded? Do the procedures restrict access to authorized individuals? Are authorizations for usage reasonable? How many cards exist? How are they safeguarded?
- √ Are card users required to submit documentation to support the charges incurred?
- √ Is there a higher level review of the charges incurred before payment (or reimbursement)?

- √ Do procedures provide for sanctions to be taken against individuals who abuse credit card privileges?
- √ Have there been any incidents of abuse?

Petty Cash

1. Are there petty cash account(s)?
2. If so, are there written procedures, which provide for the following (Y/N)?
 - √ documentation of receipts and disbursements
 - √ approval requirements
 - √ appropriateness of amount
 - √ replenishment procedures
 - √ limits on disbursements
 - √ at least monthly reconciliation
 - √ periodic surprise counts by an individual who is not the custodian and is not involved in the reconciliation
3. Review recent petty cash transactions for reasonability, allowability of costs, proper authorizations, compliance with payout limits, and other requirements which may be included in the written procedures.
4. Does it appear that purchases are frequently made through petty cash that should be made through a more formal process?
5. Does the amount in petty cash funds seem appropriate given the size and frequency of disbursements and replenishment?

Staff and Participant Payroll procedures

1. Is payroll handled by:
 - √ a separate bank account?
 - √ contracted payroll service?
2. What differences in procedures are there between staff and participant payroll?
3. Are payrolls based on time and attendance reports which are certified by employee/participant and reviewed by the supervisor?
4. Are leave requests signed by both employee and supervisor?
5. Do the procedures require certification (initials) for any changes made to the time sheets by employees/participants, payroll staff and/or management? Do they prohibit the use of white-out to obliterate original entries on timesheets?
6. Is payroll paid only by check for staff and participants?
7. Are the functions of payroll preparation and payroll certification separate from paycheck distribution?
8. Are payrolls verified for accuracy and that all payees are bona fide staff or participants?
9. What procedures are there for safeguarding undistributed checks?

R3.9 Matrix for Classification of Specific Cost Items

Purpose: The Cost Classification Matrix is used to aid the reviewer in determining whether costs are appropriately classified for administration or program.

Grantee Costs	Admin	Program
Salaries and Fringe Benefits		
Staff		
Accounting	X	
Administrative Overhead	X	
Advertising	X	X
Audit Services	X	
Audit Staff	X	
Automatic Data Processing	X	X
Budgeting	X	
Case Management		X
Clerical Asst. to a Supervisor	X	X
Clerical Asst. to Training Personnel		X
Coordination of Participant Services		X
Counseling		X
Data Processing Staff	X	X
Development of OJT/Workforce Excellence Training Plans		X
Eligibility Determination		X
Executive Staff	X	X
Fiscal Staff	X	
Follow-Up Analysis		X
Initial Assessment		X
Intake		X
Job Coach		X
Job Developer		X
Job Search Assistance		X
Labor Market Analysis		X
Legal Staff	X	
Maintenance Staff	X	X
Monitoring	X	X
Objective Assessment (Employability/Testing)		X
Outreach to Employers to Obtain Job Listings		X
Participant Follow-Up		X
Personnel Staff	X	
Placement Staff		X
Program Analysts		X
Program Design/Curriculum		X
Supervisors	X	X
Training Personnel (includes remedial education, basic skills, institutional training)		X
Other		
Capital Expenditures	X	X

Grantee Costs	Admin	Program
Communication	X	X
Equipment Expenditures	X	X
Indirect Costs	X	X
Insurance & Indemnification	X	X
Interest	X	X
Maintenance & Repair	X	X
Management Studies	X	X
Materials & Supplies	X	X
Memberships	X	X
Motor Pools	X	X
Premises	X	X
Professional Services	X	X
Profit	X	X
Publication and Printing	X	X
Rental Costs	X	X
Staff Training & Education	X	X
Subscriptions	X	X
Taxes	X	X
Transportation	X	X
Travel	X	X
Utilities	X	X
Participant Costs		
100% of Participant Payments for Work Experience Program		X
100% of Participant Payments for Vocational Exploration		X
100% of Participant Payments for Limited Internships		X
Allowances		X
Incentive/Bonus Payments		X
On-the-Job-Training		X
Tuition		
Entrance Fees for Participants (lab fees, activity fees, parking fees, application fees, accounting fees, graduation fees)		X
Supportive Services and Financial Assistance		X
Tuition for Participants		X
Support Services		
Child Care		X
Family Planning and Counseling		X
Financial Counseling (incl. counseling on budget & money mgt.)		X
Health Care (incl. diagnostic & treatment svcs. for identification & correction of physical, mental, & dental problems)		X
Legal Services		X
Meals		X
Post Placement Services		X
Special Services and Materials for the Handicapped		X
Temporary Shelter (incl. providing clean & comfortable places to eat, sleep & study)		X
Transportation (includes fares for public transportation, mileage for personal auto, transportation allowances)		X

T2.1.1 Policies and Procedures Checklist

Use: The following is a list of likely areas for an organization to have explicit policies or procedures. Check to ensure that an organization has those policies and procedures that are applicable to its operation. Check also to ensure that all policies and procedures are up to date.

Likely Policy Areas for an Organization	Applicable? Y/N If no, why?	Up to Date? Y/N	Cross References
Accounting Systems			
Budget Control & Modifications			
Chart of Accounts			
Receivables & Payables			
Audits			
Audit Completion & Tracking			
Audit Resolution			
Appeals			
Debt Collection			
Cash Management			
Petty Cash			
Bank Resolutions			
Compensation & Fringe Benefits			
Payroll and Time Distribution (staff and participants, as appropriate)			
Fringe Benefits Package			
Vacation and Leave			
Pension			
Severance Package (if any)			
Salary & Bonus Limits (when applicable)			
Complaints and/or Grievances (participants, staff, & bidders)			
EEO			
Resolutions			
Appeals			
Hearings			
Conflict of Interest, including Board members			
Cost Policies			
Allowable Costs			
Indirect Costs (Cost Allocations Plans or Approved Indirect Costs Rates)			
Cost Limitations Tracking Policy			
Disaster & Recovery Plan			
Incident Reporting			
Meals (staff, board, participants)			
Monitoring & Monitoring Resolution, Appeals & Hearings			
Participant/Program Services			
Supportive Services			
Incentives/stipends			
Training (ITA, Refunds, etc.)			
Property Management			
Procurement/Purchasing			
Written Code of Conduct			
Written Protest Policies			
Closeout – Grants & Contracts			
Program Income, Match, & Leveraged Resources			
Record Retention			
Reporting – Federal & Subrecipient			
Travel			

T2.1.2 Fiscal Monitoring Reports Worksheet

Purpose: to assist reviewers in determining the adequacy of the grantee’s monitoring process including resolution and follow-up.

Use: Select a sample of subrecipients who should be monitored. Answer the questions in the table below and use the information to complete the questions in 2.13.

Fiscal Monitoring Reports Worksheet				
Entity	Name	Name	Name	Name
Was it monitored? (Y/N)				
Date of monitoring				
Date of report				
Number of findings				
Questioned costs? (Y/N)				
Resolution of findings	# closed # open # in process	# closed # open # in process	# closed # open # in process	# closed # open # in process
Follow-up actions taken (Describe)				

Use the space below and additional pages, if necessary, to explain any issues identified.

T2.7.1a Request for Proposals (RFP) Elements Checklist

Purpose: to assist the reviewer in determining that the grantee’s RFP includes all the required elements.

Use: Select an RFP and review for the following elements:

Name of solicitation:		
RFP element	Included? ✓ or Y/N	Comments
Table of Contents		
Technical Requirements		
Proposal formats		
Submission requirements		
Bidders conference		
Award process		
Protest rights		
Signature authorization		
Required certifications (list)		
Statement of Work		
Target populations		
Services to be provided		
Technical approach requirements		
Required outcomes		
Ties to grantee’s plan of service		
Cost Requirements		
Budget formats		
Line item definitions		
Evaluation Criteria		
Technical criteria		
Cost criteria		
Scoring / rating sheets		

T2.7.1b Worksheet to Review the Procurement Award Process

Purpose: to aid reviewer in collecting information related to the organization’s competitive bid process.

Use: Select a sample of RFPs (at least 1) and complete a worksheet for each individual bidder. Use the information in assessing compliance with the competitive procurement standard.

Solicitation for:

RFP Issued:

Total Responses Received:

	Y	N	Comments
Bidder Name			
Received by the deadline?			
Technical evaluation done?			
Is past performance reviewed and evaluated?			
Is the proposal responsive?			
Does the organization disqualify unresponsive proposals?			
Is there an explanation why proposals are deemed unresponsive?			
Are rating sheets available?			
Are rating sheets present?			
What is the score?			
Does documentation interpret the score?			

T2.7.2a Contract and Subagreement Review Worksheet (use Tool T2.7.2a or T2.7.2b)

Purpose: to aid the reviewer in gathering information used to determine if the grantee has an adequate system for administration of grants and contracts.

Use: Select a sample of contracts and subagreements. For each contract or subagreement, complete the checklist below.

Name of Grantor Organization		
Name of Subgrantee		
Name of Monitor		
Type of Procurement Transaction	<input type="checkbox"/> Invitation for Bid (IFB) <input type="checkbox"/> Sole Source <input type="checkbox"/> Request for Proposal (RFP) <input type="checkbox"/> Other, specify:	
Type of Goods or Services Purchased		
Purchase Amount		
Source of Purchase		
	Y/N	Provision or Requirement
Was the award made in compliance with written procurement procedures of 29 CFR Parts 95 and 97?* Note: States follow their own written procedures (see State Procedures). Other grantees follow their own written procedures so long as they conform to the requirements of parts 95 and 97.		Include a provision regarding administrative, contractual, or legal remedies?
		Include a provision regarding termination for cause?
		Include required clauses at 29 CFR Part 97.36(i)(1-13) and 29 CFR Part 95 Appendix A?
		Include program regulations?
		Include appropriate Cost Principles?
		Include Audit Requirements?
		Include EEO?
		Include 29 CFR Part 37?
		Include cap on administrative cost, if applicable?
		Include minimum expenditure requirement for out-of-school youth, if applicable?
	Include cap on consultant fees, if applicable?	
	Include a provision against assignment, if applicable?	

*These provisions (and requirements) do not apply to vendor contracts.

T2.8.2b Audit Appeals Process

Purpose: to assist reviewers in determining whether the recipient has adequate appeals policies and follows them.

Use: Select a sample of audits that were appealed and complete this worksheet.

Audit Appeal Management System					
Is there a written audit appeal process/policy?			Y/N		
Who is responsible for appeals received?			Name		Phone
			Title		
Review the policy for compliance:	Is the policy adequate? Y/N	Have any appeals been received? Y/N	Is there a log kept of the appeal? Y/N	If yes, is the log up to date? Y/N	
Date Appeal Received	Appellant	Name	Summary of Findings	Status	Comments
Test to determine if the appeals policy was followed.					
Explain results.					

Is there a local hearing policy in place?			Y/N		
Who is the hearing officer?					
Have the results of hearings been properly communicated to the parties who need to know?			Y/N		
Describe the process for notification among the parties, staff, agencies and offices, or other parties, including the defendants.					

Note: Cross reference with debt collection if there are unresolved questions of costs.

T2.8.2c Audit Resolution Tracking Checklist

Purpose: to assist reviewers in determining compliance with requirements for subrecipient audit resolution.

Use: Select a sample from the previous worksheet that had findings. Use the table below to track the necessary actions.

Audit Resolution Tracking Checklist		
Entity Audited	Auditor	Audit Period
Activity	Comments	Check (√)
Reviewed the independent auditor's report and supplementary information.		
Reviewed the auditor's statements regarding the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.		
Reviewed the auditor's statements regarding the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.		
Reviewed the Schedule of Expenditures of Federal Awards and Other Financial Assistance. Verified that all programs expending Federal funds during the period of the audit were included on the schedule and were properly identified.		
Reviewed Schedule of Findings and Questioned Costs - Summary of Audit Results.		
Reviewed statement regarding Prior Year Audit Findings.		
Reviewed Management Letter.		
Identified in Audit Report as:	<input type="checkbox"/> High Risk <input type="checkbox"/> Low Risk	
Action	Y/N or Date	Initial
Report Received		
Requested Corrective Action		
Response Received		
Initial Determination		
Response Received		
Final Determination		
Response Received		
Comments		
File Closed		

T2.11.1a Occupancy and Costs Worksheet

Use: Complete the worksheet to compare space, operations and maintenance (O&M) costs to occupancy. See TEGL 7-04 and TEGL 3-07 for guidance.

- √ If unused space, unneeded space, idle space, or idle facilities are found, you have a finding.
- √ If the grant is bearing more costs than its fair share based upon occupancy or usage, you have a finding.
- √ If operations and maintenance charges are excessive, you have a finding.
- √ If proper approvals were not obtained, you have a finding.

Individual Location Cost Compared with Occupancy					
(Complete a copy of the table for each or a sample of facilities)					
Property Name			City, State		
Property Street Address					
Is this building owned or leased?					
If leased...			If owned...		
What is the period for which a single payment is made?			Is depreciation or a use allowance charged? (note: if fully depreciated, only O&M charges are allowed)		
What is the amount paid for that period?					
Was there a deposit?					
If yes, what was the amount?			What is the amount of the allowance charge?		
Was it recorded as an asset in the books of account?					
Occupancy percentages compared with charges by program					
Program	Actual % Occupancy	Amount of Space Cost Paid	Calculate Percent	Amount of O&M Cost Paid	Calculate Percent
UI					
NEG					
WIA					
Wagner-Peyser Trade Programs					
Other DOL Programs					
Other Federal Programs					
Other Occupants					
Grantee Funds & Source					
Unused Space					
Total					

Note: If there are variances between occupancy and cost paid percentages, explain. See also, Indicator 3.4.1 Cost Allocation: Resource Sharing.

T2.11.1b Supplemental Occupancy and Costs Worksheet

Purpose: to assist the reviewer in determining if occupancy costs charged are appropriate

Use: Complete for each property if the property is owned and is being depreciated or a use allowance charged; if there is a less-than-arm’s-length transaction; if there is a sale and leaseback arrangement.

Allowable charges for Federally-funded programs must be based on the actual costs of occupancy. Fair market rental rates are not allowed for Federally-funded programs in these situations. The data will be used in preparing your written reports. See TEGL 7-04 and TEGL 3-07 for guidance.

Land and Building Costs			
Name of property			
Year of Acquisition		Original Fund Source:	
Useful Life		1. Reed Act	
Original Costs:		2. Gen. Obligation Bond	
1. Land		3. Transfer of UI Equity	
2. Building		4. Transfer of ES Equity	
3. Interest		5. Penalty and Interest	
4. Total		6. Grantee Funds (Specify)	
% of depreciation or use allowance previously paid with Federal \$		7. Other DOL	
% of remaining depreciation or use allowance		8. Other Federal (Specify)	
Total square footage		9. Other Non-Federal	
		10. Total – All Fund Sources	

Note: Recovery of use and depreciation cannot exceed 100% of the acquisition costs including capital improvement projects.

Improvements Worksheet			
Name of property and name of improvement:			
Note: Each improvement should be listed separately & should be added to the original cost of the property.			
Description		Distribution of depreciation or use allowance charges (all occupants of the space)	
Year of improvement		UI	
Cost		NEG	
Useful Life		WIA	
		Wagner Peyser	
		Trade	
		Migrant	
		Other Federal (specify)	
		Grantee funds (specify)	
		Other	
		Total Cost \$	

Note: For capital improvements not approved as direct charges, the cost can only be recovered through depreciation or use allowance, unless the improvements were part of tenant improvement cost identified in the lease agreement.

T3.0.1 General Accounting Reports

Purpose: to aid the reviewer in locating the documentation needed to conduct the testing suggested in the financial review supplement.

Use: Interview staff and complete the table.

Document	Custodian	Location	Purpose
General Ledger			
Cash Receipt Journal			
Payroll Ledger/Register			
Check/Warrant Register			
Accounts Receivable Ledger			
Accounts Payable Ledger			
Cash/checks Received Ledger			
Obligation Control Ledger			
Purchase Order Ledger			
Assets Ledger			

T3.0.2 Payroll and Time Distribution Testing

Purpose: to allow the reviewer to attest to the accuracy, reasonableness, and allowability of personnel expenses charged to a DOL-ETA program.

Use: For one or more pay periods, obtain the staffing chart (agency organizational chart), time sheets, individual staff time activity sheets, payroll register, spreadsheet of actual personnel expenses to be allocated, agency time activity reports, and (if needed) personnel records or the expense reports from the third party payroll processing company hired by the agency. Select a sample of employees and complete the following table.

Payroll and Time Distribution Testing		
Checkpoints	Check or Y/N	Comments
Is the time sheet used to account for vacation and sick leave along with activity reporting?		
If not, is there a time activity or distribution sheet that is completed and coincides with the payroll period?		
Internal Controls		
Examine the time sheet or the time activity/distribution sheet to attest to the following requirements:		
Signed by employee?		
Certified or approved by supervisor?		
Accounts for 100% of time worked?		
Is the time distribution system reviewed periodically and certified for accuracy?		
Cost Classification		
Are there sufficient activity codes to prevent the lumping of general or all other activities in a single code?		
If the agency is using an "other" code to combine multiple activities, does it exclude non-allowable and/or non-allocable activities? For example, if the agency provides economic development, marketing, fee for service (specialized recruitment) to local businesses that is lumped into an activity code called "Other," is such a code also used to record time for agency fund raising drives or other unallowable activities? If so, activity codes need to be expanded to include a code for non-allocable activities.		
Cost Allocation		
Reconcile or compare the time activity reports to the payroll register, the spreadsheet of actual personnel, and the third party allocation or expense report to assure consistency with allocation.		

Allowable Costs		
For allowability, look at the agency staffing chart and compare it to the individuals charging time to ETA programs. If discrepancies arise, look to the personnel records for recent job description or duties changes or modifications.		
Look at the general ledger postings of personnel and fringe benefits expenses to ensure consistency with the actual time charged on individual activity reports.		
Salary Limitations		
Are directly charged or allocated salaries within the Executive Level II threshold as stated in TEGL 5-06?		
If a salary exceeds the threshold, does the amount in excess of the threshold derive from a non-ETA funding source?		
Additional Comments		

T3.0.3 Transaction Testing

Purpose: to enable the reviewer to gather data for transaction testing.

Use: Select a variety of non-payroll transactions from the General Ledger. Complete a worksheet for each transaction selected.

US DOL/ETA Financial and Administrative Compliance Review					
Working Papers					
1. Sample Item		7. (✓)	Documents	Number	Date
2. Date			Purchase Request		
3. Payee			Purchase Order		
4. Amount			Original Invoice/Receipt		
5. Approval Received			Canceled Check		
6. Support Documentation			Cost Coding/Payment Approval		
6a. Is it sufficient?			General Ledger Posting		
			Stamped Paid		
8. Description/Type of Cost					
9. Answer yes or no					
	Y/N		10. Cost Category & Allocation		
Consistent with financial policies?			Cost Classification General Ledger Cost Codes		
Competition used?			Fund Source	Account Code	Project Code Object Code
Approved in grant budget?			Allocation TOTAL		
Budget is in General Ledger?			Amount		
Fund Accounting used?			Allocation #1		
Allowable?			Amount		
Basis of benefit reasonable?			Allocation #2		
Direct Charged?			Amount		
Accrued?			Allocation #3		
			Amount		
11. Comments					
12. Need Additional Explanation/Documents					
13. Conclusion	Satisfied				
	Questioned				
	Copies Needed				

T3.1.1 Budget Comparison Tool

Purpose: to assist reviewers in performing a budget-to-actual comparison.

Use: Enter data from the grantee’s SF-424A and from the grantee’s books of account.

	Budget Categories										
	Personnel	Fringe Benefits	Travel	Equipment	Supplies	Contractual	Construction	Other	Total Direct Charges	Indirect Charges	TOTALS
Budget											
Quarter 1											
% Expended											
Quarter 2											
% Expended											
Quarter 3											
% Expended											
Quarter 4											
% Expended											
Quarter 5											
% Expended											
Quarter 6											
% Expended											
Quarter 7											
% Expended											
Quarter 8											
% Expended											

T3.2.1 Cash on Hand Analysis Tool

NOTE: The cash on hand analysis should be completed only for those program funds that are NOT covered by the CMTA Treasury/State Agreement.

Use: The reviewer should prepare a daily cash balance section using the Cash Management Worksheet (see following page). The instructions for completing the worksheet are provided below. Once the worksheet has been completed, the reviewer will be able to determine whether the program has excess cash using the Excess Cash Calculation Worksheet.

Instructions for Cash Management Tool (a):

1. Column 2 should be completed prior to the review. (Adjustments may be necessary while on site to include refunds, rebates and/or credits.)
2. Item 1: Ending Balance of Previous Month. Enter the actual cash balance for the previous month as contained in the entity's bank statement or cash receipt/disbursement ledger (for example, if the review is being conducted for the month of January, enter the cash balance as of the last working day in December).
3. Column 3: Funds Disbursed. Enter the total amount of Federal funds disbursed on each day. For days where no disbursement occurred, enter 0. (Disbursement is made on date check is issued.)
4. Column 4: Funds on Hand: Enter the amount of Federal funds on hand as of the close of business each day. This column is calculated as follows:

$$\begin{array}{r}
 \text{Previous Day Column 4} \\
 + \text{Current Day Column 2} \\
 - \text{Current Day Column 3} \\
 \hline
 \text{Current Day Column 4}
 \end{array}$$

(To account for weekends, enter Friday's "Federal Funds on Hand" figure on the lines for both Saturday and Sunday.)

5. Items 5-7: Total. Add the figures in columns 2-4.

Note: For more complex grantees, analysis of cash on hand can be done utilizing the Payment Management System (PMS) data and the grantee’s cash disbursement record.

To test cash on hand for a given quarter, perform the following steps:

1. Obtain two quarterly Federal financial expenditure reports and deduct the current cumulative expenditures from the previous quarter’s cumulative expenditures to determine the expenditures in a given quarter.
2. Then access the Payment Management System (PMS) and go to Inquiries and Select the PAY report, which will provide you with a cash payment history. You must narrow or filter your report to the period in which you are testing cash on hand by entering the beginning and ending dates of the quarter in the Posted Range Date fields. Compare the quarterly total expenditures in Step 1 with the cash disbursements in Step 2. If cash disbursements exceed total expenditures, identify the amount and continue to Step 3.
3. Divide total expenditures by the number of days in the quarter to determine an average daily cash balance. If the average daily cash balance is more than 3-5 days, then the grantee has excess cash on hand. Further investigation or explanation is needed from the grant recipient. Please consider the time it takes for the grantee to request funds until the funds are approved for disbursement.

Cash Management Worksheet (a)			
Name			
Month Reviewed			
Ending Balance Previous Month (1)			
Date	(2) Funds received	(3) Funds disbursed	(4) Funds on hand
1	\$	\$	\$
2	\$	\$	\$
3	\$	\$	\$
4	\$	\$	\$
5	\$	\$	\$
6	\$	\$	\$
7	\$	\$	\$
8	\$	\$	\$
9	\$	\$	\$
10	\$	\$	\$
11	\$	\$	\$
12	\$	\$	\$
13	\$	\$	\$
14	\$	\$	\$
15	\$	\$	\$
16	\$	\$	\$
17	\$	\$	\$
18	\$	\$	\$
19	\$	\$	\$
20	\$	\$	\$
21	\$	\$	\$
22	\$	\$	\$
23	\$	\$	\$
24	\$	\$	\$
25	\$	\$	\$
26	\$	\$	\$
27	\$	\$	\$
28	\$	\$	\$
29	\$	\$	\$
30	\$	\$	\$
31	\$	\$	\$
Total	(5) \$	(6) \$	(7) \$

Note: The Cash Management Worksheet should be used to calculate estimated excess cash.

Excess Cash Calculation Worksheet (b)			
Agency		For the month of	
A	1	Total daily balance for ____ calendar days (Item 7)	\$
	2	Divided by ____ calendar days.	
	3	Equals "Average Daily Cash Balance"	
B	1	Total daily disbursements (Item 6)	
	2	Divided by ____ work days	
	3	Equals "Average Daily Disbursement Needs"	
C	1	Average Daily Cash Balance (line A.3)	
	2	Minus Average Daily Disbursement Needs (line B.3)	
	3	Equals "Average Amount of Excess Cash on Hand" above one day's average needs	
	4	Divided by Average Daily Need (line B.3)	
	5	Equals "Average Number of Work Days of Excess Cash"	
D	1	Add 2 weekend days for each five work days of excess cash on hand	
	2	"Average Number of Calendar Days of Excess Cash-on-Hand"	
Source of records, e.g., bank, state treasurer/controller			
If other than bank records, what is the estimated number of additional calendar days of float that exist before a check is: issued and/or mailed _____ and clears the bank _____?			

Instructions for Excess Cash Calculation Worksheet (b)

Section A

Line 1 - Record the total of item 7 of the Cash Management Worksheet. (Note: Be sure that each Friday's balance was added two more times to account for the weekend.)

Line 2 - Record the number of calendar days for the month.

Line 3 - Divide Line 1 by Line 2. This will give you the "average daily cash balance."

Section B

Line 1 - Record the total of item 6 of the Cash Management Worksheet.

Line 2 - Record the number of work days for the month.

Line 3 - Divide Line 1 by Line 2. This is the "average daily disbursement" which provides an indicator of the "average daily cash needs."

Section C

Line 1 - Record the dollar figure of Line A.3 above.

Line 2 - Record the dollar figure of Line B.3 above.

Line 3 - Subtract Line 2 from Line 1. The remainder is the "average amount of excess cash on hand" beyond one day's average need. Since the HHS-PMS system enables a grantee to obtain needed cash within 24 hours of its request, funds on hand over one day's average need will be considered excess.

Line 4 - Record the dollar figure of Line B.3.

Line 5 - Divide Line C.3 by Line C.4. This will provide the "average number of workdays of excess cash on hand."

Section D

Line 1 - If Line C.5 is more than five, add two additional days for every five full workdays to account for weekends. Enter the number of additional days.

Line 2 - Total Line C.5 and D.1. The result is the average number of calendar days of excess cash on hand.

Note: Balances in petty cash fund(s) should be included in the total cash only if significant.

T3.4.1a Cost Allocation Worksheet

Purpose: to assist reviewers in determining whether allocation of costs has been appropriately conducted.

Use: Obtain a copy of the organization’s cost allocation plan (CAP). Review the CAP to identify any cost pools or shared direct costs. Obtain the worksheet/spreadsheet that reflects actual monthly or quarterly expenditures that were allocated among and charged directly to programs. Select any cost pools and a number of shared cost items, and complete the table for each.

Cost Pools and Shared Direct Costs			
Cost pools or shared cost items	Allocation method is appropriate for the type of cost pool or cost item allocated? Y/N	Payments were appropriately allocated according to the CAP? Y/N	Final allocations appear to reflect the benefit received by cost objectives? Y/N

When you look at the cost pool, does it appear that all items are allowable costs and have been appropriately allocated?

T3.4.1b Resource Sharing Worksheet

Purpose: to gather documentation to assist the reviewer in determining if the local area’s MOU funding document or Resource Sharing Document contains the appropriate elements and meets requirements.

Use: Complete the table below for each local area reviewed. If there are multiple agreements, complete the table for a sample of partners.

Local Area:			
Checkpoints	Y/N or Date	Adequacy	Comments
Does the agreement contain:			
1. parties to the agreement?			
2. identification of shared costs?			
3. methods of allocating costs?			
4. methods used to pay for shared costs?			
5. modification and reconciliation procedures?			
6. authority and signatures?			
Is the agreement for the current period?			
Has the agreement been modified, e.g., partner or funding changes? If yes, enter date.			
Is a reconciliation performed?			
Do they operate in accordance with their plan?			
In your judgment, is the process adequate and reasonable?			

For any identified finding, obtain relevant documentation/reports and share them with your regional fiscal office.

T3.4.3 Cost Allocation Plan Checklist

Purpose: to assist reviewers in determining whether the cost allocation plan used by the agency contains the appropriate components.

Use: Obtain a copy of the cost allocation plan. Using the checklist below, determine whether the CAP includes all the appropriate components. It should include, at minimum, each of the elements in the checklist. Check Yes or No for each of the items and follow up on any elements that are missing.

		Each of the elements listed should be included in the Organizational or Departmental Cost Allocation Plan
Yes	No	
		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 Function and Benefit Statement). 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.
		Certification by an authorized (sub)recipient official that the plan has been prepared in accordance with WIA 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 should also include:		
		Identification of the departments rendering the service costs to benefiting departments (summary CAP).
		Summary schedule of the allocations of central service costs to operating departments.

T3.6.1 Separation of Duties Worksheet

Purpose: to aid the reviewer in identifying the individuals responsible for a number of internal control functions within the organization.

Use: Enter in the top row the names of staff who have any of the responsibilities listed in the table. Place a checkmark below a name if that person has responsibility for that function. (ck = check; cust = custodian).

Individuals with Responsibility for Internal Controls												
Internal Controls Activity												
Approves Purchase Orders												
Verifies Receipt of Order												
Prepares Request for Funds												
Authorizes Disbursement												
Prepares Checks												
Signs Checks – Manual												
– Machine												
Cust of Ck Signing Device												
Cust of Blank Checks												
Compare Cks with Vouchers												
Distribute Checks												
Post Disbursements												
Computes Cost Allocations												
Receives "Cash"												
Post Receipts												
Deposits Receipts												
Cust of Petty Cash												
Petty Cash Replenishment												
Audits Petty Cash												
Bank Reconciliation												
Maintains General Ledger												
Prepares Financial Report												
Approves Financial Report												

T3.7.1 Accrual Worksheet Tool

Purpose: to aid the reviewer in determining the actual amounts of accrued expenditures to be reported for a given period.

Use: Select a report period. Through an analysis of the grantee's financial system, complete the table below and use the results to answer the questions for Indicator 3.71. Additional cost items to list could include such items as equipment, supplies, subrecipient costs, etc.

Accrual Worksheet				
	Official Books of Account as of _____	Accruals – Expenditures and Program Income	Total Accrued Expenditures and Program Income	Comments
Salaries				
Fringe				
Travel				
<i>Enter name or description of additional cost items in the rows below. Use additional space as needed.</i>				
Cost Item				
Cost Item				
Cost Item				
Cost Item				
Cost Item				
Cost Item				
Cost Item				
Total Reported				
Program Income				
TOTAL				

In accordance with 20 CFR 667.300(c)(3): Reported expenditures and program income, including any profits earned, must be on the accrual basis of accounting and cumulative by fiscal year of appropriation. If the recipient's accounting records are not normally kept on the accrual basis of accounting, the recipient must develop accrual information through an analysis of the documentation on hand.