



UNITED STATES DEPARTMENT OF LABOR

Employment & Training Administration - Region 2

# Uniform Administrative Requirements & Financial Management Standards



# Training Objectives

- Background
- Grant financial management requirements
  - Sub-recipient versus vendor
- Financial system standards
- Internal control system
- Record retention & access
- Post grant responsibilities
- Testing for compliance



# Federal Financial Assistance Management Improvement Act PL 106-107

- Purpose: to streamline uniform administrative requirements in OMB Circular A-102 and A-110
  - Eliminates or reduces variations as appropriate
  - Promotes the use of common language and definitions
- Changes to A-110 can be found in 2 CFR Part 215 (remains in draft)
- Changes to A-102 are forthcoming



# OMB Circulars Adopt or Adapt?

- Federal Agencies have the ability to **adopt** the OMB Circulars in whole or;
- Federal Agencies can **adapt** the OMB Circulars to include items and provisions specific in nature to their programs



# DOL Requirements

- DOL adapted OMB Circular A -102 under 29 CFR Part 97
  - DOL also allows states to follow their own policies and procedures as long as they are consistent with federal requirements
- DOL adapted OMB Circular A-110 under 29 CFR Part 95
- DOL continues to apply the requirements of 29 CFR Parts 95 and 97 until 2 CFR part 215 becomes final



# OMB CIRCULARS APPLICABILITY

## Department of Labor - ETA Grantees Applicable OMB Circulars and Federal Regulations

Nature of Grantee/Subgrantee	OMB Circulars			DOL Regulations
	Federal Audit Requirements	Federal Cost Principles	Uniform Administrative Requirements	Uniform Administrative Requirements
State/Local, & Indian Tribal Governments	A-133 Revised 6/27/03 (effective 12/31/03)	A-87 Revised 05/10/04	A-102 Amended 8/29/97	29 CFR Part 97
Institutions of Higher Education		A-21 Revised 05/10/04	A-110 Amended 9/30/99 Republished as 2 CFR Part 215 5/11/04	29 CFR Part 95
Non-Profits		A-122 Amended 05/10/04		
Hospitals		45 CFR Part 74		
For-Profits	Per program or grant agreement	48 CFR Part 31 (FAR)	Per program or grant agreement	



## Which Grant Financial Management Requirements Must You Follow?

- DOL grant recipients and sub-recipients must adhere to the:
  - Specific requirements and special clauses contained in the grant agreement
  - DOL Federal Regulations
  - OMB Circulars
  - State issued policy or guidance



# Grant Financial Management Requirements

## Which are applicable to a DOL Grant Recipient?

US Department of Labor  
Issues a Grant Award

Grant Recipient  
State

Must adhere to State Laws as long as those policies are consistent with the Standards for Financial Management Systems  
29 CFR 97.20

Grant Recipient  
Local Govt

Must adhere to Standards for Financial Management Systems  
At  
29 CFR 97.20

Grant Recipient  
Non-Profit

Must adhere to Standards for Financial Management Systems  
At  
29 CFR 95.21

Grant Recipient  
Commercial  
Org.

Must adhere to Standards for Financial Management Systems  
At  
29 CFR 95.21



# Sub-recipients & Vendors

- Sub-recipients & vendors can:
  - Receive funds directly from a Federal agency
  - Receive funds through a sub-award or pass-thru from a grantee
- Difference between sub-recipients & vendors is:
  - Critical in determination of applicable Federal grant management requirements & rules
    - Sub-recipients must follow such rules & vendors do not.



# Sub-recipient

Subrecipient is an organization that carries out the purpose of the Federal award

- Determines program eligibility of federally funded programs
- Measures performance of Federal program
- Responsible for programmatic decision making
- Adheres to applicable program goals & compliance requirements
- Federal funds utilized to carry out program



# Vendor

Vendor is a dealer, distributor, merchant, or seller of goods and services which are required for conduct of a Federal Program

- Not subject to Federal financial & administrative requirements
- Provides the goods and services within normal business operations
- Similar goods/services to different purchasers
- Goods/services are ancillary to operation of Federal program
- Program eligibility cannot be performed by vendors



# All Financial Systems

*Must Adhere to 7 separate standards*

- 1. Financial reporting
  - System must permit preparation of Federal financial reports
  - Must report accruals
- 2. Accounting records
  - Adequately identify grant funds
    - Awards, obligations, assets, liabilities, income and expenditures
  - Supported by source documentation
  - Must be maintained in accordance with GAAP



# Financial Standards

- 3. Internal controls
  - System to protect integrity of funds
  - Accountability for cash, property & other assets
- 4. Budget controls
  - Comparison of actual expenditures (outlays) to approved budget plan
  - Compliance with line item requirements
  - Prevents overspending



## More Financial Standards

- 5. Allowable costs
  - Only allowable costs charged
  - Only allocable costs charged
- 6. Source documentation
  - Costs must trace to authorizing document
  - Proof that costs are allowable & allocable
- 7. Cash management
  - System to control cash assets



# Internal Control System (ICS)

*What is it?*

- The process used by an agency to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to management's policies.



# Internal Control System (ICS)

## *How to monitor the ICS?*

- Interview, review, and test:
  - Segregation of duties
    - Authorization, execution and payment
  - Competent personnel
    - Integrity, training and supervision
  - Access to assets is limited
  - Records are periodically compared to existing assets
  - Authorized transactions are recorded in a timely manner



## ICS & OMB Circular A-133

- Auditors review the ICS as part of their field work as well as test an agency's compliance with laws, regulations, and other requirements.
- This is NOT a substitution for your oversight responsibilities.



# Financial & Administrative Procedures

- Formalize procedures in **writing**
- Distribute to all appropriate staff
- Include at a minimum the following policies:
  - Chart of Accounts
  - Time Distribution/Activity System
  - Financial Reporting
  - Purchasing/Procurement
  - Cash Management
  - Cost Allocation Plan or Policies
  - Property Management



# More Procedures!

- Include policies on the following:
  - Budget & Modifications
  - Grievances and Complaints
  - Audit & Audit Resolution
  - Monitoring
  - Grant/Contract Closeout
  - Record Retention & Access
  - Program Income, Match & Stand-In Costs
- Maintain and update policies as needed
- *See Financial & Administrative Procedures handout*



# Record Retention & Access

29 CFR 97.42

29 CFR 95.53

29 CFR 37.39



# Record Retention

- Affects the following documents:
  - Financial & program records
  - Supporting documents
  - Other records (pertinent to grant)
    - Such as your cost allocation plan and audit reports
- Apply equally to grantees & subgrantees



# Length of Retention

- 3 years from submission of final expenditure report
  - 3 year period extended until all litigation or audits are resolved
  - Period not extended
    - Revisions resulting from closeout
    - If litigation, etc. resolved prior to period end
    - Subsequent revisions to the quarterly financial reports



## Other Retention Rules

- Real property & nonexpendable personal property
  - 3 years from date of final disposition
- Complaint records
  - 3 years from resolution of complaint
  - Maintained as a whole record system
- Indirect cost records
  - 3 years from date ICR package submitted or
  - If not submitted, normal 3 year period



# Custody of Records

- Custodian is responsible for the integrity of all records
- Custody may be transferred
  - Joint use records
  - Records with long-term value
  - Termination of relationship
- Retention requirements follows agency with custody of records



# Other Record Considerations

- Privacy & accessibility
- Preservation
  - Integrity
  - Admissibility as evidence
- Alternative medium
  - Microfilm or electronic media storage
- Security safeguards & protections
  - Backup systems in case of a disaster



# Access to Records

- Recipients/subrecipients
  - Define conditions for providing access
  - Exceptions listed – WIA Section 185(A)(4)
- FOIA & Privacy Act
  - Applies only to records transferred to the Secretary of Labor
    - However, most states have sunshine laws
  - Fees may be charged only to recover costs of processing information requests



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# Post Grant Responsibilities

29 CFR 97.50-52

29 CFR 95.70-73



# Closeout

- The recipient must perform the following:
  - Liquidate all obligations
  - Submit all required reports
  - Refund any obligated funds/cash
  - Account for all real or personal property
- Should be done within 90 days of expiration of grant period



# Closeout Objectives

- Ensure federal requirements are met
- Prior knowledge by all awardees of
  - What actions are required
  - What conditions must exist
- Ensure each level can fulfill responsibilities
- Post-closeout rights
- Identify & resolve post-closeout issues



# Closeout Procedures

## *Subawards or Contracts*

- Establish lower level due dates
- Identify all closeout documents
- Establish procedures for
  - Unclaimed/uncashed checks
  - Pending & late claims
  - Refunds, rebates, & credits
  - Treatment of property
  - Bonds & bank accounts (if necessary)



# Post-Closeout Rights & Responsibilities

- 29 CFR 97 and 95
- Right to disallow costs & recover funds
  - Basis of later audit or other review
- Responsibility
  - To return all funds due
  - For record retention & access
  - For property management & disposition
  - For audit & audit resolution
- Notification that closeout has occurred



## End-of-Grant Issues

- Regular single audit covering grant period
- Final indirect cost rate (if claimed) covering the grant period of performance



# Indirect Costs

## (If Claimed)

- If provisional rate
  - Grantee must request final rate
  - Submit proposal to cognizant agency within 6 months
- If final rate lower, must refund excess
- If final rate higher, may not be sufficient funds



# Testing for Compliance

- To ensure a sub recipient or sub grantee's compliance with the grant financial management requirements governing DOL funds:
  - Obtain and review the agency's financial and administrative manual and/or other written manuals such as their employee handbook
  - Interview staff
  - Perform transaction testing/sampling



# Testing for Compliance

- Compare financial and administrative policies to actual implementation and current staff practices
  - Are policies being followed?
  - If not, is training scheduled?
  - Is there a reasonable justification for the deviation in policy or procedure?



# Testing for Compliance

- Through sample transaction testing
  - Does each transaction contain all of the necessary forms, signatures and documents as specified in the agency's financial and administrative procedures manual?
  - If not, why not?



Written Financial & Administrative Procedures built around the Federal Financial Management Standards provide the foundation for a viable grant management structure!



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# Review Questions



# Question #1

What is an internal control system?



## Question #1 Answer:

- A system that allows an agency to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to management's policies.



## Question #2

How long do financial records need to be maintained?



## Question #2 Answer:

- 3 years from submission of final expenditure report or until all litigation or audits are resolved



Thank you for  
your attention!

Questions?