



Financial Management and Accounting Procedures

FINANCIAL MANAGEMENT

North Central Missouri College (NCMC) is the Grant Recipient/Fiscal Agent for all Department of Labor, Division of Higher Education Office of Workforce Development (DHEWD) contracted programs. NCMC employs staff to administer and provide program/financial oversight to the Workforce Development Board (WDB). It is the WDB's responsibility to maintain a financial management system in accordance with the requirements of the Uniform Guidance 2 CFR, 200.302 and the Generally Accepted Accounting Principles (GAAP). The financial management system must also be sufficient to meet the requirement of Section 185 (a)(1) and (2) of WIOA. At a minimum, the system must meet the following standards:

- 1) Financial Reporting
- 2) Accounting Records
- 3) Internal Control
- 4) Allowable Costs
- 5) Budget Control
- 6) Source Documentation
- 7) Cash Management

FINANCIAL REPORTING and ACCOUNTING RECORDS

All costs reported against grant funds must be traceable to the accounting records and be allowable costs according to GAAP and the financial reporting requirements of the grant. All records must adequately identify all grant funds and meet all GAAP requirements. These records must contain information pertaining to the grant award and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

The WDB, in conjunction with the NCMC Business Office, will ensure compliance with the financial reporting and accounting record requirements. NCMC uses Microsoft Dynamics Great Plains (GP) as its financial accounting system. GP's basic financial statements are presented using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Staff of the WDB maintains excel spreadsheets in order to reconcile to the GP accounting system as well as provides the necessary documents for the reporting of financial information to the WDB, CLEO Coordinating Committee, and the DHEWD.

INTERNAL CONTROLS – SEPARATION OF DUTIES

Effective internal control and accountability must be maintained for all grant cash, real and personal property, and other assets. Grantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

Individuals involved in the financial operations for WDB funded programs are noted as follows:

	WDB Fiscal Mgr.	WDB Exec. Dir.	NCMC AP/Pay Dir.	NCMC Bus Of. Sr. Acct.	NCMC VP Bus. & Fin.	NCMC Pres.	NCMC BOT P/VP	NCMC BOT/ WDB
Maintains Financial Records	X							
Prepares AP Vouchers	X							
Authorizes AP Vouchers		X		X	X	X		
Processes AP Vouchers			X					
Signs Checks					X		X	
Distributes checks			X					
Reconciles AP to financial records	X							
Receives/Prepares Deposits	X			X				
Takes Deposits to Bank				X				
Records receipts	X			X				
Prepares Cash Drawdowns	X							
Reconciles Receipts to financial records	X							
Prepares Bank Reconciliation				X				
Reviews/Approves Bank Reconciliation					X			
Receives/Approves timesheets		X						
Processes Payroll	X		X					
Reconciles Payroll to financial records	X							
Allocates Costs (includes coding)	X							
Prepares Trial Balance/Progress Report			X	X				
Reconciles TB/PR to financial records	X							
Prepares Treasurer's Report				X	X			
Review/Approves Monthly Ck Register								X
Reviews/Approves Treasurer's Report								X
Reviews/Approves Progress Report								X

A) Cash Disbursement (AP) Process:

WDB administrative, and Job Center bills are received at the WDB office by postal mail, or electronic mail and forwarded to the Fiscal Manager to accompany any support documents, if necessary. A Payment Voucher/Purchase Order is completed by the Fiscal Manager when processing payments for disbursement, which includes coding costs by proper funding source and cost allocation. Payment Vouchers contain detailed information to include: account code, description of the item being purchased, quantity, cost, procurement method, and authorized signatures. The Payment Voucher is attached to the invoice along

with any other support documentation. Each Payment Voucher is then listed on an excel worksheet as an “allocated/indirect cost pooled” expense or by direct charge to specific grants. Totals from the Allocated/indirect cost pooled and Payroll worksheets are added to the Direct Training expenses for a total listing of expenditures for the month.

Payment Vouchers for operational, Job Center, and sub-recipient billings are then given to the WDB Director for signature. The WDB Director serves as the authorized signature for all WDB grant expenditures. In the absence of the WDB Director, the VP of Business & Finance at North Central Missouri College can sign as the authorized signature. In addition, an NCMC signature is required on all college purchases as a second signature authority. Items under \$3,000 can be signed by the NCMC Business Office Senior Accountant or the NCMC VP of Business and Finance. Costs over \$3,000 require the NCMC President’s signature.

Billing documents which include all disbursements to be paid for the processing period are forwarded to the NCMC business office for the required NCMC signatures. Once signed by appropriate NCMC staff, copies are made. One copy of the payment voucher, with supporting documentation, is retained at the WDB office, while the originals are forwarded to the NCMC Accounts Payable/Payroll Director who enters each of the payables into the GP accounting system. Checks are then generated. All checks require two signatures: The first signature is either the NCMC VP of Business & Finance (which also serves as the Board of Trustees Treasurer) or the Business Office Senior Accountant, while the second signature is either the President or Vice-President of the NCMC Board of Trustees. Once checks are signed, they are then given back to the Business Office in which staff prepares checks for mailing or issuing payments online. All originals are labeled by month of disbursement and kept on file in the NCMC Business Office. A check listing, Treasurer’s Report, and Progress Report Summary is provided to the Board of Trustees for approval at their monthly meetings. Copies of the check register, trial balance, and progress report are provided to the WDB Fiscal Manager to review and reconcile against the financial records. A copy of the Progress Report Summary is provided to the WDB for review and approval.

Subrecipient Payments

The Training Services Bill is the document used by sub-recipients to submit billings to the WDB. Training Services Bills (TSB’s), as well as documentation to support the reported costs, are due by the 5th of each month. The Fiscal Manager enters the monthly request for reimbursement onto an excel worksheet entitled “Contract Control Sheet”, which tracks monthly expenditures by contract number, program year, and funding source. These Contract Control sheets are used to compare budget to expenditures to ensure that none of the line items and/or budgets have a deficit balance and that sub-recipients are meeting the appropriate expenditure requirements. Copies of the Contract Control Sheets are printed and filed for quick reference. Each line item of the TSB is then coded to ensure proper entry into the GP/AP system using the FIFO (first in/first out) method for spending authority. A copy of the TSB, along with any support documents, are filed by month and retained at the WDB office, while the originals are sent to the business office at North Central Missouri College to be entered into the GP/AP system.

Cost Share – Job Center Payments

The WDB will be responsible for providing oversight and management of all comprehensive Missouri Job Centers located in the Region in which cost-sharing among WIOA partners is required. Any Job Center costs paid by the WDB will be processed by the procedures as outlined above. Job Center costs will then be entered into the State’s FRS system by the 10th of the month for reporting purposes. Job Center costs, as outlined in the region’s MOU/IFA (Memorandum of Understanding Infrastructure Funding Agreement) will be allocated, based on each partner’s share of FTE’s to total FTE’s in each Job Center. The WDB will invoice

each of the partners for their proportionate share monthly, quarterly, or annually based upon the method negotiated. Once reimbursed by partners, journal entries will be made to offset the initial expense. Financial records will be tracked, reconciled quarterly, and adjusted if necessary.

B) Cash Receipts Process

Once monthly disbursements are processed, the Fiscal Manager enters each of the month's expenses by funding source on the expense side of the Revenue/Expense Report. This creates a deficit which in turn reflects the appropriate cash need. A cash draw is then made through DHEWD's online reporting system or to the appropriate awarding entity for reimbursement as soon as possible. Once confirmation is received through electronic mail, the Fiscal Manager verifies it against the cash request.

For any funds received through the mail, the Fiscal Manager completes a deposit slip, endorses the check for deposit only, makes a copy of the check and then takes the check to the Bank. Copies of the check stubs and deposit slip are taken to the NCMC Business Office Senior Accountant records the receipt into the GP/AR system, while the WDB Fiscal Manager records the receipt on the revenue side of the Revenue/Expense Report. At month-end, the Fiscal Manager completes a Cash Receipts Form to account for all revenue received for the month. The Cash receipts form identifies the appropriate grant revenue code, date of receipt, and amount as well as reports beginning and ending cash receipts balance for the month. This document is then forwarded to the NCMC Business Office Senior Accountant who verifies the receivables in the WDB's bank account before completing monthly Bank Reconciliation.

The NCMC Senior Accountant prepares a monthly Treasurer's Report, which has been reconciled to the General Ledger cash account and Bank reconciliation. The Cash Receipts Form, from the WDB, is also used to ensure the WDB and College financial records are reconciled for the month. A copy of the Treasurer's Report is included with documents approved by the NCMC Board of Trustees monthly.

C) Bank Reconciliation

The WDB bank statement is received online by the NCMC Business Office Senior Accountant, who reconciles the statement to the General Ledger cash account and Cash Receipts Form from the WDB. The reconciliation worksheet is signed, dated by the preparer, and forwarded to the NCMC VP of Business and Finance for approval.

A copy of the bank reconciliation is provided monthly to the WDB Fiscal Manager. The Fiscal Manager reviews this listing of outstanding checks and follows up on any that are more than 30 days old. Any checks outstanding beyond 90 days will be voided. If a payee cannot be reached or is uncooperative, State guidelines for unclaimed property will be followed.

COST ALLOCATION PLAN

Uniform Guidance 2 CFR Part 200.412-414 establishes guidelines for categorizing costs. The WDB will utilize the following methods to categorize and allocate costs to ensure they are performed in a consistent manner.

A) Indirect/Pooled Costs

Indirect Costs are those costs incurred for a common or joint purpose benefiting more than one cost objective and are not readily assignable to the cost objective benefited. These costs include, but are not limited to the following: phone, postage, copier/equipment costs, office supplies, rent and maintenance fees, insurance, subscriptions, membership fees, staff travel costs, leave/benefit costs, and the WDB's

portion of the indirect cost rate paid to NCMC. These expenditures will be charged to a WIOA Admin cost pool and then allocated at month end to the various programs based on staff timesheets. These costs will be charged to both Administration and Program Services, consistent with time sheet charges.

B) Direct Costs

Direct Costs are those costs that can be readily identified and directly charged to a specific program based on benefits received. Any WDB costs that have a direct benefit to a particular program will be charged directly to that program, with a clear justification as to the percent charged to each specific program. These Direct costs will include those charged to both Administration and Program Services.

Those costs that are solely for Administrative purposes such as admin salaries and fringe, board member travel, and board meeting expenses will be charged to a WIOA Admin cost pool. These costs will then be allocated to the WIOA Adult, Dislocated Worker, and Youth Admin budget based on the percent of staff time charged directly to the WIOA Adult, DW, and Youth programs.

Staff Timesheet Reporting – NCMC has an electronic process for employees to report time. This process includes hours worked and any leave that is taken. Because this system does not allow for the allocating of time between WDB administered programs as required by federal guidelines, WDB staff also complete timesheets monthly to report hours worked based on benefits received and functions performed. Timesheets are turned into the WDB Director to certify and approve before being forwarded to the Fiscal Manager who records the hours worked by program on the Time Allocation Worksheet. Any time that cannot be directly charged (vacation, sick, flex, holidays), as well as staff benefit costs (insurance, retirement, etc.), is recorded as “pooled” time and allocated based on the allocation method below.

The **Allocation Formula** is determined by the percent of time directly spent on a particular program, as reported on staff timesheets, divided by the available hours for all staff for the month. This percent is then used to allocate all “pooled” staff fringe/benefit costs as well as those indirect/cost pool expenditures identified above.

In-School/Out-of-School Youth Allocation: WIOA youth program expenditures typically cannot be directly charged between in-school and out-of-school because there is no direct cost objective that can be determined. Therefore, the WDB will use the total monthly expenditures directly charged by sub-recipients between in-school and out-of-school to determine the percent to be used to allocate youth expenditures for the WDB.

Job Center Allocation: All Job Center costs will be charged to the Adult and Dislocated Worker funding streams. The method used to allocate costs between the two funding streams will be determined based on the percent of sub-recipients monthly costs directly charged to each. The percentage rate will be reviewed and adjusted on a quarterly basis.

INDIRECT COST RATE (ICR)

North Central Missouri College, through the Department of Health and Human Services, has an approved Indirect Cost Rate for both on and off-campus programs. The Indirect Cost Rate is determined by the percent of those Administrative staff salaries in the Indirect Cost pool divided by the total institutional salaries. Administrative staff included in the indirect cost pool include staff in the business office, IT, president’s office, and 20% of the executive instructional staff. The WDB, as one of NCMC’s direct federal grants, will contribute its share to the indirect cost pool by applying the current, approved indirect cost rate

to the WDB's monthly salary/wage costs. The WDB's indirect cost payment to the college will then be allocated to the various WDB programs through the indirect/pooled allocation method as described above.

CASH MANAGEMENT

Cash management means the process of managing cash inflows and cash outflows. Excess Cash is an additional amount of cash in excess of what sub-recipient(s) normally would need to have on hand for the day-to-day administration of Federal programs. Uniform Guidance 2 CFR Part 200.305(b) states "For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

The WDB Fiscal Manager will utilize a Revenue/Expenditure Report worksheet to manage and determine cash needs for each federal grant award. In addition, WDB staff will continue to maintain the Status of Federal Funds (excess cash) worksheet to aid in easily determining if any excess cash exists before requesting additional funds from federal grantees. For DHEWD funded programs, the online, FRS (financial reporting system) will be used to report expenditures and request cash. The FRS system will determine if any excess cash exists by comparing receipts to expenditures at month-end. If any excess cash exists, the FRS system will require an explanation to be approved or denied by DHEWD.

Sub-recipients are responsible for managing their cash balances as well as those of their sub-recipients. Excess Cash balances are not acceptable. Federal cash balances in excess of three (3) business days is an existing standard used by Federal agencies in interpreting USDOL's requirements under 31 CFR 205.12 (b) (4) to advance only enough cash to meet actual, immediate cash needs.

Wherever possible, the WDB will operate on a cost-reimbursable basis for both itself and its sub-recipients. Any sub-recipient requesting an advance on WDB funded programs, the Excess Cash Report (provided as an attachment to their contract) must be completed. If any interest is earned on federal advance payments from WDB funded programs, amounts up to \$500 per year may be retained and used by the sub-recipient for administrative expenses. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the WDB and onto the DHEWD.

Non-Interest Bearing Account

All WDB funds are maintained in a bank account separate from other NCMC funds at Citizen's Bank and Trust in Trenton. The WDB's account is a non-interest-bearing account and carries FDIC insurance on balances up to \$250,000. NCMC has securities pledged for any balances that exceed FDIC limits on all of its accounts. As outlined in Uniform Guidance 2 CFR Part 200.305(7), Federal funds are to be maintained in an interest-bearing account unless one of the following exemptions are met:

- 1) The LWDB receives less than \$250,000 in Federal awards per year;
- 2) The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.
- 3) The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
- 4) A foreign government or banking system prohibits or precludes interest-bearing accounts.

The WDB, periodically, will perform the following calculation in order to adequately justify exemption # 2 above:

- Obtain the daily balance from the bank for a 4 quarter period
- Obtain the highest interest rate for the last 12 month period
- Calculate the highest reported daily balance by the highest reported interest rate to determine if the interest earned would be less than \$500 to remain exempt.

ALLOWABLE AND UNALLOWABLE COST STANDARDS

The question as to whether or not a cost charged to a Federal award or a WIOA program is allowable depends on specific guidelines provided by the grantor and the provisions spelled out in the Uniform Guidance. This segment references applicable cost principles in the Uniform Guidance that govern the allowability of costs. Further guidelines respecting allowable costs, if any, will be provided in contract documents.

Generally, for a cost to be allowable under Federal or State award, the cost must be **necessary**, **reasonable**, and **allocable**. The Uniform Guidance, 2 CFR 200.403, sets out the following:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- e) Be determined in accordance with generally accepted accounting principles (GAAP).
- f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- g) Be adequately documented and able to trace expenditure to financial records.
- h) Costs must be incurred during the approved budget period.

The above standards will apply irrespective of whether a particular item of cost is treated as direct or indirect.

WIOA also exemplifies costs that may not be allowable under the Act. For example:

- 1) No funds available to carry out an activity under this title shall be used for employment generating activities, investment in revolving loan funds, capitalization of businesses, investment in contract bidding resource centers, economic development activities, or similar activities, that are not directly related to training for eligible individuals under this title. No funds received to carry out an activity under subtitle B shall be used for foreign travel (WIOA Section 181 (e)).

- 2) Lobbying or costs of any salaries or expenses related to any activity designed to influence legislation or appropriations pending before the Congress of the United States are unallowable WIOA costs (WIOA Section 195 (a)(1)).
- 3) Costs of employment or training of participants in sectarian activities are unallowable (WIOA Section 188 (a) (3)).
- 4) Costs of public service employment, except to provide disaster relief employment, as specifically authorized in Section 170 (d) are unallowable.

The WDB and its sub-recipients must utilize Uniform Guidance, 2 CFR 200, Subpart E (Cost Principles) in its entirety to determine if costs are allowable, unallowable, or require prior approval from the federal awarding agency.

BONDING REQUIREMENTS

Bonding is an agreement between a bonding or insurance company and an entity whereby the insurance or bonding company guarantees payment of a specified dollar amount as damages, in the event covered employees, cause financial loss to the entity. Bonding requirements ensure that the awarding entity is indemnified against financial losses caused by officers and employees who hold fiduciary positions with Sub-recipients.

All NCMC, WDB, and Sub-recipient personnel who have access to or control funds received from awarding agencies and/or deposit funds will be bonded to provide protection against losses. In addition, individuals who may handle mail or assist in the preparation or distribution of checks or any financial documents must also be covered by the bond. The following guidelines will be followed:

1. Subrecipient(s) with WDB/DHEWD grants of less than \$500,000 must carry a minimum of \$50,000.
2. Subrecipient(s) with WDB/DHEWD grants of \$500,000 or more must carry a minimum of \$100,000.

AUDIT GUIDELINES AND STANDARDS

An audit may be defined as the examination of an entity's accounting books and records so as to form an opinion on the fairness of the entity's financial statements.

The WDB, through its Grant Recipient/Fiscal Agent, North Central Missouri College, will adhere to the audit requirements as outlined in Uniform Guidance 2 CFR Part 200 Subpart F for institutions of higher education, hospitals, and other non-profit organizations and apply all applicable portions to its sub-recipients.

All sub-recipients that expend \$750,000 or more in Federal funds in a fiscal year must undertake an audit in accordance with the requirements of 2 CFR Part 200, Subpart F, and the Single Audit Act (SAA) Amendments of 1996. If a Single Audit is required, sub-recipients must upload their reporting package and data collection form to the Federal Audit Clearinghouse (FAC). Sub-recipients who expend less than \$750,000 in federal funds will be exempt from 2 CFR Part 200 Subpart F reporting, however must conduct either an organization-wide or program-specific audit. Sub-recipients must supply the WDB with one copy of their agency audit report and any related management letters issued by the auditor. Audit reports must

be submitted no later than 30 days of receipt of the auditor's report or 9 months after the end of the grantee's fiscal year, whichever is earlier.

All audit reports must present financial information (revenues and expenditures) in sufficient detail to allow for reconciliation to contract progress reports (expenditure reports) to include reported stand-in costs, program income expenditures, and matching expenditures as applicable. This may be done as part of the required audit report schedules or on supplemental schedules. This financial information must be provided in sufficient detail to account for all funding provided by the WDB.

The Fiscal Manager will review the audit and complete an Audit Resolution Sheet which includes verification of reported expenditures. An acceptance letter will be issued to the auditee within six (6) months after receipt of the audit report. A copy of the audit report along with copies of work papers used to reconcile expenditures, a completed audit report review checklist, a copy of the Data Collection Form (if applicable), and any correspondence documenting acceptance of the audit report and disposition of reported questioned costs will be retained in the audit file. Audit reports will be taken before the Workforce Development Board in June of each year for review and approval.

FINANCIAL MONITORING

Financial monitoring is a process that is essentially performed to ensure that WIOA and/or any other programs administered achieve their intended results; that resources are efficiently and effectively used for authorized purposes; and that resources are protected from waste, fraud, and abuse.

Uniform Guidance, 2 CFR 200.329 (a) states that "The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function, or activity.

Furthermore, the USDOL regulation, 20 CFR 683.410(a) as proposed, require: Each recipient and sub-recipient of funds under title I of WIOA must conduct regular oversight and monitoring of its WIOA program(s) and those of its sub-recipients and contractors in order to:

- 1) Determine that expenditures have been made against the proper cost categories and within the cost limitations specified in the Act and the regulations in this part;
- 2) Determine whether there is compliance with other provisions of the Act and the WIOA regulations and other applicable laws and regulations;
- 3) Assure compliance with 2 CFR part 200; and
- 4) Determine compliance with the nondiscrimination, disability, and equal opportunity requirements of sec. 188 of WIOA, including the Assistive Technology Act of 1998 (29 U.S.C. 3003).

WIOA Section 107(d) (8) also mandates program oversight responsibilities.

To ensure compliance with Uniform Guidance 2 CFR 200.329 and USDOL regulation 20 CFR 683.410(a), the WDB will conduct an annual financial monitoring review for each of its sub-recipients.

The WDB's Fiscal Manager will perform an on-site monitoring visit during the first half of the program year, however no later than June 30th. In addition, compliance reviews will be performed quarterly throughout the program year. As outlined in the WDB's Sub-State Monitoring Policy # P7, the financial review will ensure adequacy of internal controls and the reliability of each sub-recipient's financial management systems as they relate to the administrative sub-award. This monitoring review will ensure that the sub-recipient meets the terms and conditions of the sub-award and the fiscal goal or requirement, and that amounts reported are accurate, allowable, supported by documentation, and properly allocated. The review will include, but will not be limited to, reviews of the following processes: financial reporting, internal controls, source documentation, cost allocation/indirect costs, cash management, procurement, and inventory review. A written monitoring report will be issued to the sub-recipient within 30 days from the on-site monitoring review and identify any areas of non-compliance and recommendations. Monitoring Reports will be reviewed and approved by the Executive Director prior to the final report being submitted to the sub-recipient and presented to the WDB during their June meeting.