

H-GAC Workforce Contracts

2009 Financial Reporting Policy and Procedures

Attachment 1

1.0 Financial Reporting

- *Monthly reporting.* Unless otherwise agreed in writing, a contractor must submit a financial report of expenditures once monthly. For an organization reporting once per month, expenditure reports are due to H-GAC by close of business (COB) on the ninth calendar day of a month for the previous month's expenditures. If the ninth falls on a weekend or on a holiday, the reports are due by COB the next business day following the ninth.
 - If a contractor files expenditure reports twice per month, the reports are due to H-GAC by COB on the ninth of the month for expenditures through the end of the previous month, and the 21st of the month for expenditures through the 15th of the month. If the 21st falls on a weekend or on a holiday, the reports are due by COB the next business day following the 21st.
 - It is especially important that the report for the ninth accurately and fully represent cumulative expenditures through the end of the previous month, including any adjustments (made in the current month only) for prior periods. Expenditures reported to H-GAC on the ninth represent the primary basis for monthly expenditure reporting to the grantor agency.
- *Cash draw.* The cash draw from the grantor agency generally will occur on the business day following the due date to H-GAC, usually the 10th and the 22nd of any given month. Reports due on the ninth and received earlier, between the first and the ninth, will be held for processing and cash draw in conjunction with other reports due on the ninth. Reports due on the 21st and received earlier, between the 16th and the 20th, will be held for processing and cash draw in conjunction with other reports due on the 21st.
- *Late reports.* Reports received after the applicable due date will NOT be processed and cash will NOT be drawn for payment on those reports until the next processing cycle associated with the next report due date. For example, a report due on the ninth and received on the 10th will NOT be processed until the 22nd of the month. A report due on the 21st but not received until after that date will NOT be processed until the 10th of the following month. Expenditure reports will NOT be processed and cash will NOT be drawn on an "as reports are received basis", unless they are received on the indicated due dates. A contractor can expect to be paid approximately 10 days after the report due date. Payment to contractors is made by Electronic Funds Transfer (EFT). EFTs generally will occur twice per week.

- *Report formats.* Contractors must report expenditures in electronic format via email. H-GAC's Finance Department will issue each contractor a password for use in submitting the monthly reports to a secure email address: workforcefinreports@wrksolutions.com. H-GAC will issue a password to a contractor's Executive Director or equivalent person who will be responsible for assigning appropriate personnel to use the password for report submission. The Executive Director must provide the names and email addresses of individuals (up to three) who are authorized to submit reports via email. Passwords must be carefully guarded and restricted to the three authorized individuals for each contractor.
 - With the electronic financial report submission by email, H-GAC will not require original signatures on separately submitted documentation. When an authorized person uses the password to submit a report, H-GAC will consider that password-protected submission to contain the equivalent of an original signature. **A financial report submitted by anyone not authorized by the contractor's Executive Director will not be processed and paid by H-GAC. A financial report submitted to a different email address than workforcefinreports@wrksolutions.com will not be processed and paid by H-GAC.**
- *Back-up for financial reports.* Back-up documentation for reimbursable expenses submitted on each financial report must be maintained by the contractor. However, under normal circumstances, the documentation is not required to be submitted with the electronically submitted financial reports. Each contractor must ensure that the documentation is available for inspection by authorized representative(s) of H-GAC at any time during normal business hours. H-GAC may conduct random inspections of such documentation. H-GAC may conduct separate or specific inspections of back-up documentation if expenditures or adjustments seem out of line with expectations or with normal and accepted accounting practices. Problems or questions arising as a result of an inspection will be handled in accordance with the terms and conditions of the contract.

2.0 Cost Classification

For all workforce funding provided to a contractor through H-GAC, contractors are to establish written policies and procedures that address the classification of administrative and direct services or program expenditures. The policies are to include the rationale for the classification decisions set forth by those controls. Written policies and procedures must support efforts for consistent reporting of similar types of expenditures. Inclusion of the rationale behind the policies and procedures aids internal and external users (e.g., auditors and monitors) in understanding the intent and consistent application of the same rationale to new or unusual circumstances.

- *Monitoring.* With exceptions noted later for WIA, monitoring costs of career office contractors are included in administration costs. Monitoring costs of non career office contractors, with exceptions noted later for WIA monitoring costs, must be included in the administration expenses that are reported separately and not included against the administration cost cap. Supervisory costs incurred for normal daily oversight and management activities are **NOT** to be reported in the administration cost categories for any contractor.
- *Property Management.* Property management refers to activities such as receiving, tracking, assigning, taking inventory, and disposing of real property, equipment, and supplies. Property management costs are administrative costs.
- *Costs for Preparing Reports and Documents.* The costs of preparing reports and documents to support administrative functions are administrative costs.
- *Profit.* Profit must be charged to the appropriate cost category in proportion to the allocation of costs between administrative and program cost categories as described on page II-10-14 of the United States Department of Labor's *One-Stop Comprehensive Financial Management Technical Assistance Guide* (http://www.doleta.gov/sga/pdf/FinalTAG_August_02.pdf). For example, if a subcontractor that earned profit reported 8 percent of its total pre-profit expenditures as administrative costs and the remaining 92 percent of its total pre-profit expenditures as program costs, the profit that it earned would be charged between administrative and program cost categories in the same proportion as its reported pre-profit expenditures, i.e., 8 percent administration and 92 percent program.

3.0 Cost Categories

Attachment 1 identifies the cost categories for allocated funds and TX DOT transportation funds provided through new contracts that begin after June 30, 2008. Attachment 2 provides corresponding cost category descriptions, **with the exception of Child Care. Cost category descriptions for Child Care funds will be provided at a later date.**

Financial report forms for new contracts or new funding streams added to existing contracts after June 30, 2008 will be revised to incorporate new definitions and cost categories and to facilitate implementation of the special procedures relating to administrative costs that are described below. New financial reporting forms will provide for the tracking of monitoring costs and the separate tracking of expenditures for work-related incentives and support.

4.0 Administration Costs

The description of the administration cost category provided in Attachment 2 does not apply to Child Care funds. As noted above, the description of Child Care administrative costs will be provided at a later date. Therefore, the following discussion only applies to allocated funds other than Child Care funds.

The description of the administration cost category that is provided in Attachment 2 is based on Workforce Investment Act (WIA) regulations at 20 C.F.R. §667.220, and TANF regulations at 45 C.F.R. §263.0. Because the statutes and regulations governing other (non-Child Care) funding streams do not define the term, for consistency this policy applies the WIA and TANF descriptions to all non-Child Care costs.

Although only the costs to be reported in the administration cost category for Career Office operators will count against the administration cap for the board area, all administration costs in each funding stream must be reported to H-GAC. Attachment 2 further defines and describes the costs that constitute administrative costs of these entities.

- *Definition.* In general, the costs of administration are the allocable portion of necessary, reasonable, and allowable costs that are associated with the specifically identified functions described in Attachment 2 and that are not related to the direct provision of workforce services, including services to participants and employers. These costs for administration can be both personnel and non-personnel and both direct and indirect.
- *Sub-recipients or vendors delivering administrative services.* Expenditures for sub-recipients or vendors that are procured solely for the performance of administrative functions, such as payroll processing, legal services, auditing, etc., are to be classified and reported in total as administrative costs. The terms “sub-recipients” and “vendors” have the meaning defined in Office of Management and Budget (OMB) Circular A-133, and the State of Texas Single Audit Circular, published in Part IV of the Uniform Grant Management Standards (UGMS).
- *Allocating costs between administration and service delivery.* Personnel and related non-personnel costs of staff performing both administrative functions specified in Attachment 2 and programmatic services or activities must be allocated as administrative or program costs to the benefitting cost objectives/categories. The allocation must be based on documented distributions of actual time worked or other equitable and acceptable cost allocation methods.
- *Overhead and indirect.* Specific costs charged to an overhead or indirect cost pool that can be identified directly as a program cost are to be charged as a program cost. Documentation of such charges must be maintained. In general and to the extent possible, in order to avoid potential problems associated with inevitable questions, it is usually preferable to separate from an indirect cost pool all costs that might be considered non-administrative in nature.

- *Career Office Operators.* Child Care and Non-Child Care administration costs incurred by Career Office operators do count against administration cost caps imposed by state and federal regulations. Administration costs are limited in the negotiated budget and are limited to a maximum percentage they may constitute of total final expenditures in each funding stream at closeout. Administration costs must be reported and tracked in the monthly Financial Reports submitted by all Career Office operators.
- *Other Contractors, Including Employer Service and Payment Office.* Non-Child Care administration costs incurred by entities other than Career Office operators do not count against administration cost caps imposed by state and federal regulations. As with Career Office contractors, however, administration costs are limited in the negotiated budget and are limited to a maximum percentage they may constitute of total final expenditures at closeout. Administration costs must be reported and tracked in the monthly Financial Reports submitted by all such entities. Though the administration costs of these contractors do not count against the funding stream administration caps for the Board area, they must be tracked and reported separately to the Texas Workforce Commission.

5.0 Administration Cost Caps

In order for us to meet state and/or federally imposed administration cost limitations, we must impose administration cost limitations on all contractors. These maximum administration cost limitations or caps must be met by **ALL** contractors (Career Office Contractors and other contractors as well) unless specific exemptions are negotiated and incorporated into the final executed contract.

The administration cost limitations are ultimately evaluated for compliance at contract closeout in terms of the percentage of total expenditures in each funding stream that are for the purpose of Administration as defined for that funding stream. Of necessity, financial monitoring will identify throughout the contract period whether contractors are on target to meet the administration cost cap requirements for funding streams. Limitations are as follows:

WIA Formula Allocated Administration – Unless otherwise indicated in the Funds Tracking Summary attached to the contract, approximately 5.25 percent of total final combined expenditures for formula allocated WIA Adult, WIA Youth, and WIA Dislocated Worker (exclusive of expenditures for Rapid Response or outplacement).

Food Stamp Employment and Training – Unless otherwise indicated in the Funds Tracking Summary attached to the contract, approximately 5.25 percent of total final expenditures.

Project Reintegration of Offenders – Unless otherwise indicated in the Funds Tracking Summary attached to the contract, approximately 5.25 percent of total final expenditures.

TANF Choices – Unless otherwise indicated in the Funds Tracking Summary attached to the contract, approximately 5.25 percent of total final expenditures.

Wagner-Peyser – Unless otherwise indicated in the Funds Tracking Summary attached to the contract, approximately 5.25 percent of total final expenditures.

WIA Statewide Alternatives (unless special provisions apply to a particular grant) – Unless otherwise indicated in the Funds Tracking Summary attached to the contract, approximately 5.25 percent of total final expenditures.

Child Care – Unless otherwise indicated in the Funds Tracking Summary attached to the contract, approximately 5.25 percent of total final expenditures.

Trade Act Services – Unless otherwise indicated in the Funds Tracking Summary attached to the contract, approximately 5.25 percent of total final direct program expenditures.