

Northwest TN Workforce Board, Inc.

Board of Directors Meeting

June 7, 2022– 10:00 am

theCO

541 Wiley Parker Road, Jackson, TN

Zoom Meeting ID: 813 1015 3619 Passcode: 749891

Minutes

Board of Directors Attending: Jimmy Williamson, Ben Ferguson, Ted Piazza, Mayor Gary Reasons, Mayor Mike Creasy, Gemtraius Bell, Mayor Jimmy Harris; **By Zoom:** Dr. Randy Shannon, Mayor John Penn Ridgeway, Mayor Chris Young

Staff Attending: Jennifer Bane, Kena Hamm; **By Zoom:** Lana Burchfiel

Guests: Holly Wood

Welcome and Call to Order and Approval of Minutes: Jimmy Williamson, President, welcomed the group and called the meeting to order and presented the June 15, 2021 minutes for approval.

- **MOTION: Ted Piazza motioned for the approval of the June 15, 2021 minutes as presented. Mayor Gary Reasons seconded. All approved and the motion carried.**

Organization Updates: The group reviewed the following proposed organizational changes:

- Proposed Name: To better represent both the Northwest (NW) and Southwest (SW) areas, it is proposed that the organization be renamed. Several possibilities were presented with Workforce Innovations, Inc. being the preferred option.
- **MOTION: Mayor Gary Reasons motioned for the approval of the proposed name changed to one of the options presented with “Workforce Innovations” being the preferred choice. Ted Piazza seconded. All approved and the motion carried.**
- Proposed Board of Directors Structure: With the partnership between the NW and SW areas, it is proposed that the Board of Directors membership be revised to include the NW Chair, Vice-Chair, Chief Local Elected Official (CLEO), Vice-CLEO, the SW Chair, Vice-Chair, CLEO, and Vice-CLEO, plus one regional private-sector representative with the NW Chair serving as the President, SW Chair serving as Vice-President, and the regional private-sector representative as Secretary. Nominations for a regional private-sector representative are needed as the current private-sector representative is a NW representative.
- **MOTION: Mayor Reasons motioned for the approval of the Proposed Board of Directors Structure as presented. Ben Ferguson seconded. All approved and the motion carried.**
- Proposed Pay Scale Change: Due to the additional responsibilities staff are taking on with the new NW and SW partnership, a one-time 5% pay adjustment as detailed in the handouts was proposed.
- **MOTION: Mayor Reasons motioned for the approval of the proposed 5% pay scale adjustment as presented. Ted Piazza seconded. All approved and the motion carried.**

Two-Year Extension of Line of Credit up to \$325,000: The \$325,000 line of credit currently in place ends 6/30/22. It has not been needed to date, but with the transition of the SW contracts, there could be a

lapse in funding causing the credit to be needed. Approval of the mayors would be needed before the line of credit could be used and the bank would require proof of pending grants.

- **MOTION: Ted Piazza motioned for the approval of the Two-Year Extension of the Line of Credit up to \$325,000. Ben Ferguson seconded. All approved and the motion carried.**

Bank Account Changes: We have several bank accounts including an operating account used to pay bills, a payroll account for payroll, benefits, etc., an unrestricted account for non-WIOA funds, and a liability account for the unemployment funds transferred from Dyersburg State as well as annual leave liability funds. We were required to open a dedicated account for the DRA grant we had, but we do not think it is needed anymore. The bank requires a vote to close it. In addition to the Executive Director and Director of Finance, the members of the Board of Directors currently serve as signatory authorities on all accounts. Due to the increase in the number of members, it is suggested that the Board Chairs and CLEOs from each area serve as the signatory authorities in addition to the two staff.

- **MOTION: Ted Piazza motioned for approval of the closure of the DRA bank account and changing of the signatory authorities as presented. Dr. Gary Reasons seconded. All approved and the motion carried.**

Financial Management Manual Changes: Jennifer reviewed the proposed changes to the Financial Management Manual as presented in red in the attached handout. Changes include revisions to the segregation of duties with an expected fiscal staff being added, updated language regarding the state's new fiscal system and processes, and changes to required contract language that applied when we were part of Dyersburg State.

- **MOTION: Mayor Reasons motioned to approve the Financial Management changes as presented. Ted Piazza seconded. All approved and the motion carried.**

Annual Audit Timeline: This will be the 5th year that the same agency will do our audit which will likely start around the end of August. Jimmy Williamson suggested not trying to rebid. Ted Piazza felt that their familiarity with our organization is beneficial right now and also suggested we keep the same auditors.

Other: Mayor Gary Reasons welcomed Southwest. Jennifer provided an update on the transition process. Margaret Prater is working temporarily to assist with the many tasks that need to be completed. She has visited all of the AJCs and is making sure all the leases and subleases with the HRA have the required language. She is also working on transferring cleaning contracts, copiers, WIOA equipment, etc., as well as the Career Service Provider and One-Stop Operator contracts. We are holding off on hiring of any other staff until we get contracts in place with the state.

With no further business, the meeting was adjourned.

Respectfully Submitted,

Lana Burchfiel,
Public Information Specialist

Northwest TN Workforce Board, Inc.

Board of Directors Meeting

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[Join Zoom Meeting](#)

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Welcome and Call to Order

Jimmy Williamson, President

Review and Approval of June 15, 2021 Minutes **(Vote)**

Organization Updates **(Vote)**

- Proposed Name: Workforce Innovations, Inc.
- Proposed Board of Directors Structure: NW Chair, Vice-Chair, CLEO, Vice-CLEO and SW Chair, Vice-Chair, CLEO, and Vice-CLEO plus one regional private-sector representative.
 - President = NW Chair
 - Vice-President = SW Chair
 - Private-Sector Representative = Secretary
 - Nominations for Private-Sector Representative
- Proposed Pay Scale Change

Two-Year Extension of Line of Credit up to \$325,000 **(Vote)**

Bank Account Changes **(Vote)**

- Accounts Needed
 - Signatory Authorities
 - Closure of DRA Bank Account

Financial Management Manual Changes **(Vote)**

Jennifer Bane, Executive Director

Annual Audit Timeline

Gina Johnson, Director of Finance &
Administrative Services

Other Business

Northwest TN Workforce Board, Inc.
Board of Directors Meeting
Friday, June 25, 2021– 9:00 am
Zoom Meeting

Minutes

Board of Directors Attending: Jimmy Williamson, Dr. Randy Shannon, Ted Piazza, Mayor Gary Reasons

Staff Attending: Jennifer Bane, Ginger Powell, Lana Burchfiel, Laura Speer

Guests: Savannah Bishop (WorkSource Montgomery Adult, DW & Young Adult WIOA Programs-Maryland), Brad Hurley

Welcome and Call to Order: Jimmy Williamson, President, welcomed the group and called the meeting to order and presented the September 14, 2020 minutes for approval.

- **MOTION: Ted Piazza motioned for the approval of the September 14, 2020 minutes as presented. Mayor Gary Reasons seconded. All approved and the motion carried.**

Extension of Line of Credit: In order to have a line of credit in place in the event that it is needed, in June 2019, the Board of Directors and CLEOs approved an amount of up to \$325,000 to cover at least one month's worth of expenses if needed. The current line of credit ends June 30, 2021 and requires approval for an extension. The line of credit may only be extended for one year at this time due to the Interlocal Agreement's 6/30/22 end date. The bank has agreed to waive the 1% modification fee. The interest rate will be a daily variable at Wall Street Prime with a floor of 4%.

- **MOTION: Dr. Randy Shannon motioned for the approval of the One-Year Extension of the Line of Credit up to \$325,000. The motion was seconded by Ted Piazza. All approved and the motion carried.**

Personnel Policy changes: Jennifer Bane reviewed the proposed changes to the Personnel Policy Manual, indicated in red on the attached document.

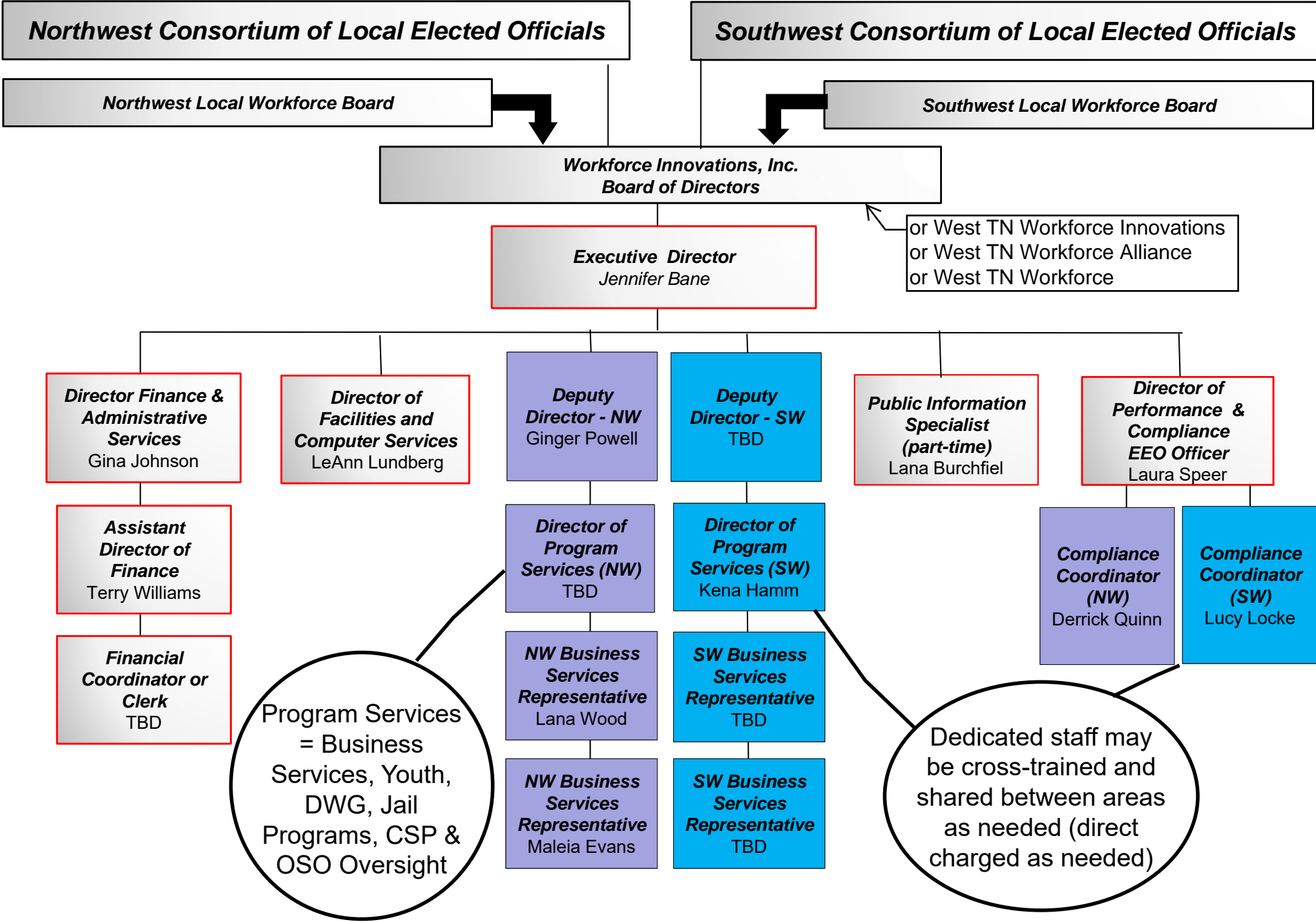
- **MOTION: Ted Piazza motioned for the Personnel Policy Changes as presented. Dr. Randy Shannon seconded. All approved and the motion carried.**

Other: Jennifer Bane stated that Board Officer elections are due at the August Board meeting and asked if there was a preference on open it up to the board. It will be included on the agendas for the committee meetings in July and Jennifer can collect nominations in advance.

With no further business, the meeting was adjourned.

Respectfully Submitted,

Lana Burchfiel, Public Information Specialist



§ 6.9 Board of Directors: The Board of Directors includes the Chief Local Elected Official, the Vice Chief Local Elected Official, the Board Chairperson, the Vice Board Chairperson ~~from the Northwest and Southwest local areas~~ and one ~~regional~~ private sector representative selected by the other Directors ~~from the membership at large~~. The ~~Northwest~~ Board Chairperson will serve as the President, the ~~Southwest Vice~~ Board Chairperson as Vice-President, and the ~~regional~~ private sector representative as Secretary of the ~~Northwest Tennessee Workforce Board, Inc.~~ entity selected to serve as Fiscal Agent/Staff to the Board. The Board of Directors will serve as the administrative authority in oversight of day-to-day operations in conducting the functions of the board and fiscal agent. The Board of Directors shall have the authority to supervise and manage the employees of the entity serving in the capacity of staff to the Board and Fiscal Agent ~~as described in Article VIII~~. The Board of Directors shall be subject to the order of the Board, and none of its acts shall conflict with these By-laws or stated policies of the Board. The Board of Directors shall be responsible for ensuring board actions comply with federal, state and local laws, regulations and policies.

Proposed Pay Scale Adjustment for Southwest Fiscal Agent / Staff to the Board

Northwest TN Workforce Board, Inc. Job Titles	Annual Increase with +5%
Executive Director	\$5,575.25
Deputy Director	\$3,976.98
Director of Facilities & IT Services	\$3,401.26
Director of Performance & Compliance	\$3,401.26
Director of Program Services	\$3,401.26
Director of Finance & Administrative Services	\$3,401.26
Assistant Director of Finance	\$2,953.34
Compliance Officer (x2)	\$2,634.39
Business Services Representatives (x2)	\$2,634.39
Public Information Specialist (PT)	\$1,315.31
Total for All Current NW & SW Staff (including multiple individuals in a position)	\$37,963.47

Per State of TN State Service Compensation Policy: Employees who are promoted should receive a minimum of a five percent (5%) increase (<https://www.tn.gov/content/dam/tn/hr/policy/22-001StateServiceCompensation.pdf>). Dyersburg State Community College policy is 6% per level increase.

Per EMSI, May 2022 (2022.1 – QCEW Employees, Non-QCEW Employees, and Self-Employed), for 17 county-region, revised pay scale is still in line with area pay rates.

7. Designation of Fiscal Agent/Grant Sub-recipient

In accordance with WIOA Sec. 107(d)(12)(B)(i)(II), the CLEO may designate an entity to serve as local fiscal agent. Such designation does not relieve the CLEO of the liability for any misuse of grant funds as apportioned in this Agreement. The parties to this Agreement have agreed the **Northwest Tennessee Workforce Board, Inc. (NWTNWB) shall serve as Fiscal Agent for the Northwest TN Local Workforce Development Area**. The name, representation, contact information and signature of the Fiscal Agent is included as Appendix A.

The Northwest Tennessee Workforce Board, Inc., as fiscal agent, shall also serve as Grant Sub-recipient for the Northwest TN Local Workforce Development Area. WIOA funds will flow directly from the State of Tennessee to the Northwest Tennessee Workforce Board, Inc. as the Grant Sub-recipient.

In general, Northwest Tennessee Workforce Board, Inc. as the Fiscal Agent for the Consortium of Local Elected Officials will be responsible for the following functions:

- Receive funds to expend or disburse for the purposes authorized by WIOA
- Ensure sustained fiscal integrity and accountability for expenditures of funds in accordance with Office of Management and Budget circulars, WIOA and the corresponding Federal Regulations and State policies
- Respond to audit financial findings
- Maintain an appropriate system of internal controls, proper accounting records and adequate documentation
- Prepare financial reports
- Provide technical assistance to sub-recipients regarding fiscal issues
- Procure contracts or obtain written agreements
- Conduct financial monitoring of service providers
- Ensure independent audit of all employment and training programs
- Comply with state and federal reporting requirements and timelines as defined by Tennessee Department of Labor and Workforce Development
- Provide requested documentation to state monitors and external auditors
- Other duties as required by direction of the Chief Local Elected Official or the Northwest TN Workforce Board

Additionally, to prevent a lapse in services in the event of a delay in the receipt funding from the Tennessee Department of Labor and Workforce Development, the Fiscal Agent is authorized to secure a line of credit. The line of credit may only be secured upon the approval of the Consortium of the Local Elected Officials for the specified amount. Once secured, the line of credit may only be utilized with the approval of the Consortium of the Local Elected Officials for the specified amount, and only if the grant funds have been authorized and obligated. Two signatory authorities must sign to access the line of credit. In the event a line of credit is secured and utilized, if a default were to occur, Parties agree to distribute such liability among the parties in proportion to the most recent population estimates available from the U.S. Bureau of the Census at such time that any repayment of funds is required.

Bank Accounts

Cash deposits are required by State statute to be secured and collateralized by the selected financial institution(s). The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institution(s) less the amount protected by federal depository insurance, or the bank must be a member of the State's Bank Collateral Pool. The NWTNWB has selected Security Bank, which is a participant in the State of TN Collateral Pool and the organization's accounts have been classified as public deposits. The NWTNWB utilizes multiple bank accounts as needed to properly manage both WIOA and non-WIOA funds. The type of bank accounts used may include the following:

1. Operating Account: a non-interest bearing account used for making and receiving non-payroll related payments.
2. Payroll Account: a non-interest bearing account used for making and receiving payroll-related payments. This account may include a balance of liability funds, such as annual leave liability funds.
3. Liability Account: an interest-bearing account used for maintaining liability funds, such as annual leave and / or unemployment reserve liability funds, unrelated to WIOA program funds.
4. Unrestricted Account: an interest-bearing account used for maintaining unrestricted funds unrelated to WIOA program funds.
5. Demand Deposit Loan – a line of credit only used to cover expenditures in the event NWTNWB cannot satisfy payments to vendors due to delays in drawdown requests. If used, interest accrues daily on the principal balance.

The Executive Director and Director of Finance or Executive Director designee have signatory authority for all bank accounts maintained by the NWTNWB and manage the daily transactions of each account. The NWTNWB Board of Directors may also have signatory authority for all bank accounts. Signatory authority is reviewed annually. All accounts require two signatures on each check and draw of demand deposit loan.

Northwest Tennessee Workforce Board Financial Management Manual

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Definitions & Acronyms

Abuse: Behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interest or those of an immediate or close family member or business associate. Abuse does not necessarily involve fraud, violation of laws, regulations, or provisions of a contract or grant agreement. (U.S. Government Accountability Office, Government Auditing Standards, July 2007.)

AJC: American Job Center

CLEO: Chief Local Elected Official

ETA: Employment & Training Agency

Fraud: An intentional act to deceive or cheat, ordinarily for the purpose or result of causing a detriment to another and/or bringing about some benefit to oneself or others. Fraudulent activities may include, but are not limited to the following:

- Theft, misappropriation, misapplication, destruction, removal, or concealment of any organizational assets or resources, including but not limited to funds, securities, supplies, equipment, real property, intellectual property or data.
- Improper use or assignment of any organizational assets or resources, including but not limited to personnel, services or property.
- Improper handling or reporting of financial transactions, including use, acquisitions and divestiture of state property, both real and personal.
- Authorization or receipt of compensation for hours not worked.
- Inappropriate or unauthorized use, alteration or manipulation of data, computer files, equipment, software, networks, or systems, including personal or private business use, hacking and software piracy.
- Forgery or unauthorized alteration of documents.
- Falsification of reports to management or external agencies.
- Pursuit of a personal benefit or advantage in violation of the NWTN Conflict of Interest Policy.
- Concealment or misrepresentation of events or data.
- Acceptance of bribes, kickbacks or any gift, rebate, money or anything of value whatsoever, or any promise, obligation or contract for future reward, compensation, property or item of value, including intellectual property.

IFA: Infrastructure Funding Agreement

MOU: Memorandum of Understanding

NWTNWB: Northwest Tennessee Workforce Board, Inc.

TLDWD: Tennessee Department of Labor and Workforce Development

Waste: Behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary business practice given the facts and circumstances. Waste is a thoughtless or careless act, resulting in the expenditure, consumption, mismanagement, use, or squandering of organizational assets or resources to the detriment or potential detriment of the organization. Waste may also result from incurring unnecessary expenses due to inefficient or ineffective practices, systems, or controls. Waste does not necessarily involve fraud, violation of laws, regulations, or provisions of a contract or grant agreement.

WIOA: Workforce Innovation and Opportunity Act

Introduction and Overview

Both 29 CFR .97.20(b) and 95.21(b) establish a set of standards that must be included in the financial management systems of grantees and subgrantees. Each of these seven standards is discussed below:

- (1) Financial Reporting:** Accurate, current, and complete disclosure of the financial results of ETA grant activities must be made in accordance with ETA grant reporting requirements. This means that the allowable costs reported to the Federal funding source must be traceable to accounting records. In addition, all allowable costs and activities must be reported, and the reports must be submitted in the format specified by the ETA. For all ETA programs, the required report is the quarterly Financial Report (ETA 9130). Individual program forms contain program specific data elements that are required by program legislation. ETA requires reports to be made on an accrual basis. A further discussion of reporting requirements is found in Chapter II-9, Financial Reporting.
- (2) Accounting Records:** All grantees must keep records that adequately identify ETA grant funds. The records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. The records must be maintained in accordance with Generally Accepted Accounting Principles (GAAP). Grantees and subgrantees may use either the cash or the accrual method of accounting; however, expenditures must be reported to the ETA on an accrual basis. If the records are maintained on a cash basis, the grantee or subgrantee must maintain a set of linking records, typically accrual spreadsheets, so that the reported costs are traceable during monitoring or auditing to the official accounting records or books of account.
- (3) Internal Control:** Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Internal controls are designed to provide safeguards for Federal funds. For example, payments may not be authorized solely by an employee who also has the authority to sign checks. Internal controls for property often are inherent in the inventory system that tracks purchases and locations or use of property procured with grant funds. Grantees must adequately safeguard all such property and must assure that it is used solely for authorized ETA grant activities, including shared One-Stop activities.
- (4) Budget Control:** Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. This is often referred to as a "planned vs. actual" analysis. The results of such analysis are used to preclude overspending and/or to modify contracts and grant agreements. For non-formula grants, the information is also used to ensure compliance with the budget line item flexibility provision specified in the grant terms and conditions. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. This information should be used in developing plans and monitoring. A further discussion of budgets as they relate to the shared costs of One-Stop operations is found in Chapter I-2, Shared Costs Budgets.

Internal Controls

The Northwest Tennessee Workforce Board (NWTNWB) staff is committed to the responsible stewardship of its resources. Management staff is responsible for maintaining a work environment that promotes ethical and honest behavior on the part of all employees, customers, contractors, vendors and others. Additionally, it is the responsibility of management to establish and implement internal control systems and procedures to prevent and detect irregularities, including fraud, waste and abuse. Management at all levels should be aware of the risks and exposures inherent in their areas of responsibility and should establish and maintain proper internal controls to provide for the security and accountability of all resources entrusted to them. The NWTNWB also follows both 29 CFR 97.20(b) and 95.21(b) included in the Financial Management Systems.

Management of the NWTNWB has the responsibility to establish and implement internal control systems and procedures to prevent and detect irregularities, including fraud, waste and abuse. Internal controls are processes performed by management and employees to provide reasonable assurance of:

1. Safeguards over organizational assets and resources, including but not limited to cash, securities, supplies, equipment, property, records, data or electronic systems;
2. Effective and efficient operations;
3. Reliable financial and other types of reports; and
4. Compliance with laws, regulations, contracts, grants and policies.

To determine whether internal controls are effective, management should perform periodic risk and control assessments, which should include the following activities:

1. Review the operational processes of the unit under consideration.
2. Determine the potential risk of fraud, waste, or abuse inherent in each process.
3. Identify the controls included in the process (or controls that could be included) that result in a reduction in the inherent risk.
4. Assess whether there are internal controls that need to be improved or added to the process under consideration.
5. Implement controls or improve existing controls that are determined to be the most efficient and effective for decreasing the risk of fraud, waste or abuse.

Most managers will find that processes already include a number of internal controls, but these controls should be monitored or reviewed for adequacy and effectiveness on a regular basis and improved as needed. Typical examples of internal controls may include, but are not limited to:

1. Adequate separation of duties among employees.
2. Sufficient physical safeguards over cash, supplies, equipment and other resources.
3. Appropriate documentation of transactions.
4. Independent validation of transactions for accuracy and completeness.
5. Documented supervisory review and approval of transactions or other activities.
6. Proper supervision of employees, processes, projects or other operational functions.

Segregation of Duties

To maintain fiscal integrity and proper separation of duties among employees, NWTNWB has implemented the following segregation of duties:

Task	Other (specify)	Account Clerk Financial Coordinator	Assistant Director of Finance / Payroll Administrator	Director of Finance or Executive Director designee	Executive Director
Accounts Payable					
Opens mail, stamps date received, and distributes	X (Adm. Asst. Quality Coordinator)				
Reviews and initials bills, enters in QuickBooks (and VOS if appropriate), and uploads back-up documentation		X			
Reviews bills (2 nd review), initials, reviews bills in QuickBooks			X	X	
Reviews bills (3 rd review), initials, reviews bills in QuickBooks, marks as paid, and prints checks				X	X
Reviews bills (4 th review) and checks to ensure amounts match, initials bills, reviews bills in QuickBooks as needed, signs checks					X
Mails checks	X (Quality Coordinator)				
Checks bank accounts for automatic drafts of bills reviewed as described above, initials payment				X	
Uploads back-up to for bank accounts automatic drafts and marks bills as paid in QuickBooks		X			
Reviews credit card charges, initials, and enters in QuickBooks		X			
Reviews credit card charges (2nd review) and QuickBooks entries, initials receipts				X	
Reviews credit card statement, initials, enters reconciliation and bill in QuickBooks, and uploads back-up, prints, and initials			X	X	
Reviews credit card statement, individual transactions, and reconciliation, and initials authorizing payment	X (Quality Coordinator)			X	X
Marks credit card bill in QuickBooks as paid, and uploads initialed auto-draft payment back-up				X	

Reviews bank statements, initials, enters reconciliation in QuickBooks, prints, and initials			X	X	
Reviews bank statements and reconciliation, and initials.	X (Quality Coordinator)			X	X
Staff Payroll					
Collects New Hire Paperwork and supporting documents, reviews for accuracy and completeness			X (BSR/Benefits Coordinator)		
Signs Employment Contracts (note: Board Chair signs Executive Director's contract)					X
Enters employee information in QuickBooks		X (payroll contractor)	X		
Prepares deductions and contributions sections of Staff Payroll Distribution Report			X (BSR/Benefits Coordinator)		
Reviews staff timesheets for accuracy and completeness	X (Supervisors)				
Reviews staff timesheets, checks leave balances, enters needed information into Staff Payroll Distribution Report, prints, and initials		X (BSR/Benefits Coordinator)			
Reviews timesheets and completed Staff Payroll Distribution Report, completes AL liability sections, and initials report			X	X	X
Keys data from Staff Payroll Distribution Report into QuickBooks, and prints payroll summary		X (payroll contractor)			
Reviews payroll in QuickBooks, submits weekly federal tax payments through EFTPS, and completes quarterly New Hire, FUTA, SUTA reports, submits payroll			X		
Signs quarterly reports					X
Reviews payroll summary and compares to Payroll Distribution Report totals	X		X	X	
Reviews EFTPS payment confirmations and compares to / clears QuickBooks liabilities balances				X	
Prepares 401K and 457b worksheets for monthly payments		X (BSR/Benefits Coordinator)			
Reviews 401k and 457 b worksheets and compares to Payroll Distribution Report totals / QuickBooks liabilities balances			X		
Reviews 401K and 457B payments and clears balances after auto-draft				X	

Reviews State benefits report for accuracy	X (BSR/Benefits Coordinator)		X		
Reviews State benefits report and QuickBooks liability balances, and clears liability balances after auto-draft				X	
Journal Entries					
Prepares and enters journal entries, uploads back-up documentation, prints, and initials <ul style="list-style-type: none"> Operating Account JE Cost Pools JEs AJC Shared / IFA JEs AL Liability JE Revenue JE 		X	X X X X	X X X X X	
Reviews journal entries and back-up, initials journal entries				X	X
Accounts Receivable					
Enters IFA and other invoices in QuickBooks, uploads back-up documentation, prints and initials invoices		X			
Sends out IFA and other invoices			X		
Enters payment in QuickBooks once received, and uploads back-up		X			
Enters IFA claims in SmartSimple and uploads back-up		X			
Prepares salary advances for draw summary for TDLWD payments (draws)				X	
Enters salary advances and YTD expenditures and accruals into draw summary				X	
Enters draws in SmartSimple and uploads back-up		X	X		
Enters TDWLD draw invoices in QuickBooks, uploads back-up documentation, and prints and initials invoices		X	X		
Receives payment for TDLWD draw payments in QuickBooks, initials back-up, and uploads to QuickBooks		X	X		
Reviews invoices and back-up, initials invoices				X	
Reviews and signs invoices and TDLWD Signature Authorization Forms					X
Deposits payments in bank account, initials deposit slips, records in QuickBooks, and uploads back-up				X	
Reviews and initials deposit slips					X
Monthly Worksheet					

Reviews transactions by grant (customer job) in QuickBooks and enters into Monthly Worksheet			X	X	
Identifies accruals to be keyed into Monthly Worksheet and enters into Monthly Worksheet			X	X	
Identifies obligations to be keyed / key into Monthly Worksheet			X	X	
Identifies and keys cost pool obligations into Monthly Worksheet			X	X	
Identifies and keys other obligations into Monthly Worksheet			X	X	
Reviews Monthly Worksheet and back-up				X	X
TDLWD Reporting					
Keys data from Monthly Worksheet into Monthly Expenditure Reports in SmartSimple		X	X		
Prints Report Summary from SmartSimple and submits for signature			X		
Reviews Monthly Expenditure Reports in SmartSimple and submits for digital signature				X	
Signs Report Summary printed from SmartSimple					X
Reviews and digitally signs Monthly Expenditure Reports					X
Uploads Report Summary, Monthly Worksheet, and digital signature of authorized certifying official to SmartSimple			X		
Saves electronic copies of Monthly Expenditure Reports and files hard copies in grants folders				X	
Submits signed Monthly Expenditure Reports in SmartSimple				X	X
Enters data from Monthly Worksheet into FAR worksheet and accessible FAR reporting system		X	X		
Reviews FAR worksheet, back-up, and entry in FAR reporting system			X	X	X
Prints approved reports from SmartSimple, files in grants folders, and uploads electronic copies to QuickBooks				X	
Other					
Conducts monitoring of invoices from subcontractors and issues monitoring report with corrections needed	X (Quality Coordinator)				
Reviews credit card / bank statements and reconciliations, initials, selects a sample of transactions to review, and issues	X (Quality Coordinator)				

monitoring report with corrections needed					
Transfers funds between bank accounts, prints and initials back-up, records in QuickBooks, and uploads back-up				X	X
Reviews bank accounts transfers back-up and initials				X	X

The Director of Finance or Executive Director designee supervises the ~~Financial Coordinator~~ Assistant Director of Finance and is directly supervised by the Executive Director for the NWTNWB. With the assistance of the ~~Financial Coordinators~~ Account Clerk, and Assistant Director of Finance, the Director of Finance or Executive Director designee prepares reports for the Executive Director, NWTNWB, and the TDLWD, which requires reports to be reviewed and signed by the Executive Director.

Auditing Internal Controls

Audits or other independent reviews may be performed on various components of the internal control systems:

Internal Audit

Staff conducting Internal Audits are responsible for assessing the adequacy and effectiveness of internal controls that are implemented by management and will often recommend control improvements as a result of this assessment. During an audit of a department or process, the staff conducting the Internal Audit will also perform tests designed to detect fraud, waste or abuse that may have occurred.

External Audits

The NWTNWB receives external audits through a contract under the direction of the Tennessee Department of Audit. One purpose of this type audit is to evaluate an organization's internal controls, which will often result in recommendations for control improvements. External Auditors will also perform tests designed to detect fraud, waste or abuse that may have occurred.

Other Reviews

Various programs may be subject to audits or reviews by federal, state or other outside agencies based on the type of program, function or funding. The NWTNWB is audited annually by the TN Department of Labor and Workforce Development's Performance Accountability Review (PAR) team. Although audits and reviews may include assessments of internal controls, the primary responsibility for prevention and detection of fraud, waste or abuse belongs to management. Therefore, management should take steps to review internal controls whether or not audits are to be performed.

Reporting Fraud, Waste or Abuse

Anyone having knowledge that a theft, forgery, credit card fraud, or any other act of unlawful or unauthorized taking, or abuse of, public money, property, or services, or other shortages of public funds has occurred shall report the information immediately to the office of the Comptroller of the Treasury (T.C.A. § 8-19-SOI(a)). To ensure compliance with this statute, the NWTNWB a means for employees and others to report such matters, which are subsequently reported to the Comptroller's Office:

- **NWTNB** NWTNWB administration with knowledge of fraud, waste or abuse will report such incidents immediately.
- Others, including directors and staff with a reasonable basis for believing that fraud, waste or abuse has occurred are strongly encouraged to immediately report such incidents (T.C.A. § 8-50-116).
- Customers, citizens, and others are also encouraged to report known or suspected acts of fraud, waste or abuse.
- Although proof of an improper activity is not required at the time the incident is reported, anyone reporting such actions must have reasonable grounds for doing so.
- Employees with knowledge of matters constituting fraud, waste or abuse, that fail to report it or employees who knowingly make false accusations may be subject to disciplinary action.

Incidents should be reported to the Executive Director, who will report it to the Comptroller, or to the Tennessee Comptroller of the Treasury's Hotline for fraud, waste and abuse at 1-800-232-5454. If the incident involves the Executive Director, the employee should report the incident to the Board Chair or to the Comptroller's office. Employees should not confront the suspected individual or initiate an investigation on their own since such actions could compromise the investigation. State law (T.C.A. § 8-50-116) prohibits discrimination or retaliation against employees for reporting allegations of dishonest acts or cooperating with auditors conducting an investigation.

Individuals involved with suspected fraud, waste or abuse should assist with and cooperate in any authorized investigation, including providing complete, factual responses to questions and either providing access to or turning over relevant documentation immediately upon request by any authorized person. The refusal by an employee to provide such assistance may result in disciplinary action.

The NWTNWB will evaluate the information provided and make a determination concerning external reporting obligations, if any, and the feasibility of pursuing available legal remedies against persons or entities involved in fraud, waste or abuse against the organization. Remedies include, but are not limited to; terminating employment, requiring restitution, and forwarding information regarding the suspected fraud to appropriate external authorities for criminal prosecution. In cases where disciplinary action is warranted, the Executive Director, shall be consulted prior to taking such action, and applicable policies related to imposition of employee discipline shall be observed.

An employee suspected of gross misconduct may not resign as an alternative to discharge after the investigation has been completed. Exceptions to this requirement can only be made by the Executive Director, and require advance consultation with and approval by the Board Chair. If the employee resigns during the investigation, the employment records must reflect the situation as of the date of the resignation and the outcome of the investigation. An employee who is dismissed for gross misconduct or who resigns or retires to avoid dismissal for gross misconduct shall not be entitled to any payment for accrued but unused annual leave at the time of dismissal.

All investigations will be conducted in as strict confidence as possible, with information sharing limited to persons on a "need to know" basis. The identities of persons communicating information or otherwise involved in an investigation or allegation of fraud, waste or abuse will not be revealed beyond the organization and staff of the NWTNWB Executive Director unless necessary to comply with federal or state law, or if legal action is taken. According to T.C.A. § 49-14-103, detailed information received pursuant to a report of fraud, waste or abuse or any on-going investigation thereof shall be considered working papers of the Executive Director and shall be confidential. Although every attempt will be made to keep information confidential, circumstances such as an order of a court or subpoena may result in disclosure. If the NWTNWB has a separate legal obligation to investigate the complaint (e.g. complaints of illegal harassment or discrimination), the NWTNWB cannot ensure anonymity or complete confidentiality.

Administrators at all levels of management must implement, maintain, and evaluate an effective compliance program to prevent and detect fraud, waste and abuse. Once such activities have been identified and reported, the overall resolution should include an assessment of how it occurred, an evaluation of what could prevent recurrences of the same or similar conduct, and implementation of appropriate controls, if needed.

Cash Management

According to Section II Provision No. 1 – Supplementary Financial Guide to the TAG, the financing of the WIOA program will be on limited advance or reimbursement basis, in accordance with procedures established by the Tennessee Department of Labor and Workforce Development. The subrecipient or contractor shall not retain funds which exceed immediate cash needs.

According to Chapter 11-6, Cash Management, of the Financial Managements Systems, the regulations governing payments are found at 29 CFR 97.21 and 29 CFR 95.22. The two regulations are substantially the same and are summarized as follows:

- The time between receipt and disbursement of funds should be minimal.
- Grantees and subgrantees are to be paid in advance, provided they comply with certain requirements.
- Reimbursement is the preferred method of payment if the above standard is not met.
- To the extent possible, funds should be deposited in minority- or women-owned banks.
- Funds are to be held in an insured interest-bearing account (29 CFR 95.22).
- Interest earned on Federal funds is remitted according to OMB circular (29 CFR Part 95 and 97) requirements. For WIOA Title I programs, interest is treated as program income.
- Department of the Treasury Regulations [31 CFR Part 205] provides rules and procedures for efficient Federal-state funds transfers.

There are no Treasury Department cash management rules below the state level or for programs not covered by the Treasury-State agreement. The cash management requirements at 29 CFR 97.21 and 95.22 apply at this level. Grantees are responsible for developing and maintaining systems for payment to subgrantees. While Governmental agencies are required to follow 29 CFR 97.21 cash management requirements, institutions of higher education (not a part of state government), hospitals, and other nonprofit organizations, and commercial entities are bound by the cash management requirements of 29 CFR 95.22.

Section 29 CFR 95.22(b), applicable to nongovernmental grantees, states that, in order to be paid on an advance basis, recipients and subrecipients must maintain a financial management system in accordance with the requirements of 29 CFR 95.21 and have written procedures to ensure that the time elapsing between receipt of funds and disbursement is minimized. The conditions stated at 29 CFR 95.22 apply equally to recipients and subrecipients as appropriate. A number of mechanisms such as zero balance accounting or estimated/average clearances (discussed in Attachment II-6-1) may be used by grantees to ensure compliance with the standard at 29 CFR 97.21(b). Funds must be maintained in interest-bearing accounts unless the grantee meets the conditions listed at 29 CFR 95.22(k)(1-3). Advances of Federal funds shall be deposited and maintained in insured accounts whenever possible. [29 CFR 95.22(i)(2)]. In addition, 29 CFR 95.22(h) states that payments may not be withheld from grantees unless the grantee has either failed to comply with conditions of the grant award or has a delinquent unpaid debt with the Federal government.

To comply with the above guidelines, as a nonprofit organization, the NWTNWB has implemented the following policies and procedures.

Budgeting and Expense Tracking

At the beginning of each program year, a Monthly Worksheet (attached) is developed to be used throughout the program year to track grant budgets, expenses, accruals, obligations, as well as required expenditure rate, such as the 20% Work Experience requirement, transitional jobs, Incumbent Worker training, and minimum participant cost rate. QuickBooks reports are generated at least monthly to determine the current month's expenditures for each grant by subcategory (administration, operations, participant, etc.). The current month's expenses are entered into the Monthly Worksheet and the YTD cumulative expenses on the Worksheet are reconciled to the total YTD expenses to the QuickBooks reports. Accruals are also entered into the Worksheet monthly to generate a cumulative YTD Expenditures and Accruals figure for each grant to be used in all TDLWD reporting as well as claims / draw requests. Obligations are also recorded as follows:

1. Balance of active contracts with a beginning date within the reporting month or before.
2. Participant obligations with a start date within the reporting month or following month as found in Jobs4TN.

3. One monthly of occupancy expenses.
4. Additional two months of rent / leases obligations as required by rental / lease agreements.
5. Balance of purchase orders with a beginning date within the reporting month or before.

In order to report WIOA program costs, the NWTNWB prepares the Monthly Accrual Expenditures Report in accordance with procedures established by the TDLWD. These reports must be submitted on an accrual basis to conform to requirements and negotiated items set forth in the contract.

Claims / Draw Requests

According to Chapter 11-6, Cash Management, Subrecipients should limit cash advances to the minimum amounts needed and should time their advances to meet actual immediate cash needs. Cash should not be requisitioned for delivery before the last day it can be received for timely payout through a given organization's cash disbursement process. Example: The state requires the Board to order cash ~~by 12:00 pm on Fridays~~ for delivery ~~14 days within approximately one week~~ from that ~~date Friday~~. The Board submits payment for its employee payroll two working days prior to the last working date of the month. The Board should order cash for its payroll to be delivered ~~the Friday~~ immediately preceding the date on which the payroll is disbursed.

Fiscal staff submitting non-Infrastructure Funding Agreement (IFA) claims shall use the Draw Summary worksheet (attached) to track the request of funding from the TDLWD. The worksheet lists all contracts for the current year with the total amount of current year claims/draws, prior year claims/draws, current year expenses, and prior year expenses. A column for advance payment requests is also included. To complete the Draw Summary worksheet:

1. The amounts of the last claim/draw are added to the current year claim's column.
2. The YTD Expenses and Accruals column is updated using the most recent Monthly Worksheet.
3. Advance payment requests are entered, as needed, based on supporting documentation (i.e. payroll summary and / or Payroll Distribution Reports). **Advance payments may only be requested for expenses expected to be paid within 3 business days of receipt of the funds.**
4. The amount populated in the amount to draw column reflects the amount of expenses that have occurred since the last claim/draw and are entered as the amount of the current claim reimbursements/draws in ~~Grants4TN SmartSimple~~.
5. The ~~"total claim cumulative prior drawdown requests disbursements"~~ column in ~~Grants4TN SmartSimple~~ is compared to the ~~total~~ cumulative ~~amount drawdowns~~ on the Draw Summary Worksheet and the ~~"expenses this period current drawdown request"~~ is compared to the ~~total draw amount per for that~~ grant on the Draw Summary to ensure they match.
6. The Monthly Worksheet, Draw Summary, and Salary Advance (if applicable) are uploaded to the claim in ~~Grants4TN SmartSimple~~.
7. The State approves the claim (draw) then ~~begins returns a TDLWD Workforce Services Request for Drawdown of Funds form to secure the signature of the NWTNWB authorized signatory authority. Once the signature has been secured, the signed forms are submitted to the TDLWD for~~ processing of the reimbursement.
8. An invoice is entered into QuickBooks for each draw that is completed. When funding is received via ACH transfer, the payment and deposit are recorded in QuickBooks.

Note: Generally accepted accounting principles require revenues to be matched with the expenses incurred to generate those revenues under the accrual basis of accounting. When the claim for reimbursement for the fiscal month completed is submitted in the subsequent month, a journal entry should be made to record the revenues and receivable in the proper period. At a minimum, this journal entry must be entered for the last month of the fiscal year. To avoid duplicating the revenue again in the subsequent month when the invoice is entered, a journal entry to reverse the revenue entry for the prior month must be entered.

9. At the time the payment is received, the appropriate bank account balance(s) is checked in QuickBooks to ensure funds received do not exceed the balance to be reimbursed. If the balance does exceed the reimbursable amount, any excess remaining after three business days will be transferred to an interest-bearing account until funds are spent. The interest earned is treated as program income.

Program Income / Cash on Hand

The requirements governing the use of program income are found at 29 CFR 95.24 (non-government grantees) and 29 CFR 97.25 (governmental grantees). Program income is defined in 29 CFR 97.25(b) as the "gross income received by the grantee or subgrantee directly generated by a grant-supported activity, or earned only as a result of the grant agreement during the grant period ..." A similar definition is found in 29 CFR Part 95.2(bb). Part 97 encourages earning program income as a method of defraying program costs. Both Part 95.24 and Part 97.25 specify that there are no requirements regarding program income earned after the grant period has ended. 20 CFR 667.200(a)(6) requires governmental and nonprofit organizations to account for all revenues in excess of costs as program income. 20 CFR 667.200(a)(7) requires that interest earned on Title I grant revenues be accounted for as program income.

Types of Program Income

A list of the types of income that are considered program income for purposes of WIOA grants is included in 29 CFR 97.25(a). The following list, drawn from the requirements of Part 97 and other regulations, addresses some of the differing types of program income that might be generated under the grants. The definition of program income in 29 CFR Part 95.2(bb) contains a similar list.

Fee for Services: Income from fees charged for services.

- Example: The One-Stop operator provides pre-employment services for a number of private businesses. There is a per-head fee for these services. The fees are considered program income.
- Example: The One-Stop operator provides these same pre-employment services for both private businesses and participants eligible under WIOA. The per-head fee is based on the total costs of the activity. The revenues realized from the fee charged to private businesses are considered program income.

User or Rental Fees: Income from the use or rental of personal property acquired with grant funds.

- Example: The American Job Center has purchased a fax machine with WIOA Title I funds and allows usage by Veterans' program and UI representatives. A per-page fee is charged for such use. The fees are considered program income.

Sale of Products: Income from the sale of goods constructed under a grant agreement.

- Example: As part of a course on small business development, materials are bought and used to manufacture small items. The proceeds from the sale of these items are considered program income. If the goods produced were written materials, the sales of materials would also be considered program income (see also the discussion on royalties in this chapter. Information on copyrights is also provided in Chapter II-11, Property Management).

Revenues in Excess of Expenditures: If a Governmental or nonprofit organization earns or receives revenue in excess of its costs under a WIOA Title I program, that revenue is to be treated as program income. This provision does not apply to commercial for-profit entities. The requirement applies to all Title I programs (Adult, Youth, Dislocated Workers, Job Corps, Native American, Farmworker and Veterans' program; [20 CFR 667.200(a)(6)]).

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

Interest Income: Income earned from the interest paid on grant funds is treated differently for WIOA Title I programs than for most other Federal grant programs and ETA-funded required partner programs such as Wagner-Peyser. Both the Act and the regulations specify that interest earnings are to be treated as program income and are subject to the rules applying to program income referenced in 97.25 and 95.24 [20 CFR 667.200(a)(7)]. These rules apply to all programs funded under Title I of the WIOA, including Adult, Youth, and Dislocated Worker. Interest earned under non-WIOA programs is discussed in Chapter II-6, Cash Management. If an organization receives funds under both Title I

programs and non-Title I programs, the grantee is responsible for identifying the proportionate share of any interest earnings attributable to each type of program.

- Example: A nonprofit LWDB maintains an interest-bearing account for all grant revenues. The LWDB receives funding from both WIOA and non-WIOA ETA-funded grants. The interest earned on the WIOA revenues would be treated as program income and added to the total WIOA grant. The interest earned on non-WIOA ETA funds would not be considered as program income but would be returned to the Federal government in accordance with the requirements of 29 CFR 95.22(1).

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

In the accounting records, the entire amount of gross revenues would be recorded in the program income account for the funding period. The funding period to which the program income is assigned is the same funding period to which the corresponding expenditures are charged. Expenditures incurred in generating the program income are charged to the appropriate cost categories and/or program activity.

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

Program Income Exclusions

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

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

- Example: The WIOA Adult program operator receives a year-end rebate based on volume purchasing of software. The rebate is not considered program income.

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

- Example: The NWTNWB disposes of a copier with a fair market value of \$8,000, following the requirements of Part 97 and State requirements. The revenues realized from the sale of the property are not considered program income. However, the calculated share of the proceeds from the sale must be returned to the awarding agency.

Royalties: Income from royalties and license fees for copyrighted material, patents, and inventions developed by a grantee or subgrantee. This income is considered program income only if specifically identified as such in the grant

agreement or Federal agency regulations [97.25(e)]. Part 95 specifically excludes this income unless DOL regulations or the grant agreement specify otherwise. However, grantees and subgrantees should be aware that the payment of royalties by WIOA and other Federally funded grants is an unallowable cost under 2 CFR Part 230 (A-122). DOL policy is that Federal funds may not be used to pay royalties for Federally developed projects or works.

- Example: The One-Stop Operator writes a software application for its case management system. The program is copyrighted and licensed to non-Federally funded programs. The resulting revenues are not considered program income. The ETA maintains a royalty-free right for use and distribution of the materials; this is discussed further in Chapter II-11, Property Management.

Income Earned after the Grant Period Has Ended: The grantee is not accountable for income earned after the end of the award period. However, the grantee must report program income expended after the grant period if the income was earned during the grant period.

Donations: Donations and contributions are voluntarily given to the ETA-funded program. As they are not generated by the use of grant funds, such revenues do not constitute program income.

Profits of Commercial Organizations: Profits earned by commercial for-profit organizations are not considered program income. Care should be taken to minimize the amount of profit generated by grants (see Chapter II-10, Procurement).

Matching Funds: Funds provided to satisfy the matching requirements of the ETA grants are not considered program income. Conversely, program income generated through the ETA-funded grants may not be used to satisfy any match requirements.

Accounting for Revenue and Cost of Generating Program Income

Two methods are used in accounting for revenue and cost associated with generating program income, the net income method and the gross income method. The NWTNWB typically follows the gross income method. With this method, all gross revenues derived from program income activities are accounted for as program income. In turn, the NWTNWB's share of the allocable costs associated with generating that revenue are charged to the appropriate program activities and/or cost fully expended, while expenditures charged under the subgrant agreement are reduced by the amount of expenditures that have now been applied to program income.

- Example: During the grant period, the NWTNWB has recorded \$1,000 in program income. To expend the program income within the grant period, the NWTNWB transfers \$1,000 in expenditures already incurred under the subgrant from the appropriate cost categories to the program income account and reduces subgrant expenditures in the corresponding cost categories by that same amount. This has the effect of freeing up the \$1,000 to be used for additional expenditures under the subgrant. When submitting its expenditure report, the NWTNWB reports the amount of program income earned, the amount expended by cost category, and final net expenditures charged to the subgrant.

Again, the WIOA regulations require that the net program income be added to the total funds available for the program. Thus, the transfer of expenditures is applicable only should the entity fully expend both the grant and the program income.

Use of Program Income / Cash-On-Hand

Any cash available for disbursement for ETA-funded program purposes, whether from drawdowns, program income, rebates, etc., is considered to be ETA-funded grant cash on hand and is used before requesting additional funds. Even if the program income is not spent until a later date, the cash associated with that program income is disbursed before additional cash is requested. The cash proceeds from earned program income are used immediately for whatever ETA-funded grant disbursement needs exist. Cash resulting from earned program income is not to be left sitting idle in a bank account. Program income is recorded and tracked separately on the Monthly Worksheet.

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

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

WIOA regulations and 29 CFR 95.24(a) specify that program income is to be added to the total grant award and used to provide the same services as the original grant agreement. Neither Part 95 nor Part 97 specifies any requirements for earned program income that is not expended within the grant period. However, both Parts 97 and 95 require program income to be expended in conformance with the terms and conditions of the grant, including provisions related to the period of performance or fund availability. The ETA thus requires program income to be wholly expended within the three-year period of availability for WIOA formula grants or the period of performance specified in an individual grant agreement. Any program income funds remaining would be used to reduce the reported grant expenditures at closeout. A further discussion of the closeout process is contained in Chapter II-15, Agreement Closeouts.

Accounting for the Expenditure of Program Income

Once the amount of program income has been determined and the funding period identified, two alternative approaches may be used to account for the expenditure of the program income. The additional services may be separately accounted for in the program income account, or already recorded expenditures may be transferred to the program income account. The NWTNWB typically transfers already recorded expenditures.

When using this approach, expenditures are initially recorded in the accounts of the original agreement and are subsequently transferred to the program income account to offset the amount of program income earned. The result is that the program income is accounted for as however, the proper accounting for the rebate is a reduction to the line item costs for software.

Bank Accounts

Cash deposits are required by State statute to be secured and collateralized by the selected financial institution(s). The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institution(s) less the amount protected by federal depository insurance, or the bank must be a member of the State's Bank Collateral Pool. The NWTNWB has selected Security Bank, which is a participant in the State of TN Collateral Pool and the organization's accounts have been classified as public deposits. The NWTNWB utilizes multiple bank accounts as needed to properly manage both WIOA and non-WIOA funds. The type of bank accounts used may include the following:

1. Operating Account: a non-interest bearing account used for making and receiving non-payroll related payments.
2. Payroll Account: a non-interest bearing account used for making and receiving payroll-related payments. This account may include a balance of liability funds, such as annual leave liability funds.
3. Liability Account: an interest-bearing account used for maintaining liability funds, such as annual leave and / or unemployment reserve liability funds, unrelated to WIOA program funds.
4. Unrestricted Account: an interest-bearing account used for maintaining unrestricted funds unrelated to WIOA program funds.
5. Demand Deposit Loan – a line of credit only used to cover expenditures in the event NWTNWB cannot satisfy payments to vendors due to delays in drawdown requests. If used, interest accrues daily on the principal balance.

The Executive Director and Director of Finance or Executive Director designee have signatory authority for all bank accounts maintained by the NWTNWB and manage the daily transactions of each account. The NWTNWB Board of Directors **may** also **have** signatory authority for all bank accounts. Signatory authority is reviewed annually. All accounts require two signatures on each check **and draw of demand deposit loan**.

Infrastructure Funding Agreement (IFA)

The operating budget of the one-stop service delivery system is the financial plan to which the one-stop partners, Chief Local Elected Officials (CLEOs), and Board in the local area have agreed in the Memorandum of Understanding (MOU) that will be used to achieve the goal of delivering services in the local area. To achieve this, each partner completes a budget for each AJC per the TDLWD Workforce Services MOU / IFA Guidance. These individual budgets are then consolidated into a master budget that consists of costs that are specifically identified in the statute.

Infrastructure costs, defined in WIOA sec. 121(h)(4), include non-personnel costs such as:

- 1) Rental of facilities.
- 2) Utilities and maintenance.
- 3) Equipment (including assessment-related and assistive technology).
- 4) Technology to facilitate access to the One-Stop, including planning and outreach activities.
- 5) Costs of the use of the common AJC identifier such as signage and supplies.

Additional costs include:

- 1) Applicable career services as described in WIOA sec. 134(c)(2).
- 2) Shared operating costs and shared services, described in WIOA sec. 121(i), that are related to the operation of the one-stop delivery system, but do not constitute infrastructure costs, such as initial intake, assessment of needs, appraisal of basic skills, identification of appropriate services to meet such needs, referrals to partners, and business services. These costs may include personnel expenses for shared Welcome Function staff.
- 3) Direct costs, as described in 2 CFR 200.413, including costs identified specifically with a particular final objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy (i.e. Title I Individual Training Accounts).

To determine each partner's expected contribution to infrastructure costs, the LWDA utilized the Infrastructure Funding Agreement (IFA) template provided by the TDLWD. As agreed upon by the partners, the contribution per partner is based on two items: (1) Full-Time Equivalent (FTE) and (2) Square Footage. The IFA includes the below information in order to identify each partner's contribution:

- 1) A listing of all partners present in the local area
- 2) Whether the partners are physically located within an AJC or accessible through direct linkage
- 3) The infrastructure, additional, shared-direct, and direct costs of all partners and centers
- 4) The allocation base for all costs
- 5) The number of staff, weekly staff hours, office payment ratio, and number of offices for each partner
- 6) The assigned square footage for each partner and the square footage shared amongst partners
- 7) The number of customers served by partner programs through the comprehensive centers
- 8) Direct costs by center
- 9) Total partner contributions by allocation base
- 10) Total partner contributions by cost category

The NWTNWB also provides IT staff to support and maintain the computer equipment used in the Resource Rooms. The cost is charged to partners at each location based on the number of shared computers as a percentage of the total computers supported applied to the salary and benefits of the IT staff, **or another method agreed upon by the parties to the IFA. The NWTNWB also provides Public Information (PI) staff to support outreach efforts such as website, social media, flyers and brochures. PI support is charged accordingly through the IFA by the method agreed upon by the parties to the IFA, such FTE, counties covered, etc.**

The one-stop operating budget will be periodically reconciled against actual costs incurred and adjusted accordingly. This reconciliation will ensure that the budget reflects a cost allocation methodology that demonstrates how

infrastructure costs are charged to each partner in proportion to the partner's use of the one-stop center and relative benefit received.

IFA Invoicing

Actual costs are billed monthly rather than estimates or budgeted amounts. All costs to be billed to partners through the IFA are recorded in QuickBooks under an AJC Shared Cost Pool by location. The expenses are then entered into an IFA invoice spreadsheet monthly which distributes the expense to each partner based on the percentage identified in the IFA. Journal entries are completed to allocate the costs to the grants maintained by the NWTNWB while invoices are sent to partners for their portion of the shared expenses. As required by TDLWD policy, the NWTNWB invoices the TDLWD for IFA expenses through the ~~Grants4TN~~ SmartSimple system.

Purchasing and Procurement

The Northwest Tennessee Workforce Board (NWTNWB), Inc., the fiscal agent for the Northwest and Southwest Local Workforce Development Areas (LWDAs) follows the below guidelines to procure goods and/or services:

- (1) Small Dollar Purchases - Non-recurring purchases totaling less than \$10,000, cumulatively in expense or revenue, may be made without documenting any quotes or proposals from multiple vendors.
- (2) Informal Solicitations - Purchases totaling less than \$50,000 in expense or revenue may be made based upon written, telephone or electronic bids. For purchases totaling \$10,000 - \$49,999.99, bids must be solicited from at least three (3) Responsive/Responsible Bidders/Proposers.
- (3) Formal Solicitations - A formal solicitation process shall be used when the estimated aggregate total of the expense or revenue is \$50,000 or more, including renewal terms of multi-year awards. The types of formal solicitations include 1) Request for Information (RFI); (2) Invitation to Bid (ITB)/Request for Quotation (RFQ); and (3) Request for Proposals (RFP). For competitive procurement of goods, an ITB/RFQ is appropriate, and in general, a purchase order may be used to finalize the purchase. For competitive procurement of services, an RFP is more appropriate, and a purchase order is generally not sufficient to serve as the written contract for the services.
- (4) Non-Competitive Procurements - (A) Contracting with Another State/Governmental Entity. Personal, professional and consultant service contracts may be obtained by non-competitive negotiation when the contractor is a State Agency, a political subdivision of the state, or any other public entity in Tennessee, or an entity of the federal government. (B) Sole Source and Proprietary Purchases. Whenever specifications are not so worded or designed to provide for competitive bidding, a Sole Source or Proprietary Purchase may be allowed. A Sole Source Purchase is available only from a single Supplier; a Proprietary Purchase allows for a competitive procurement process to be used that specifies a particular good or service. Written justification for Sole Source or Proprietary Purchases must be submitted in writing for approval by the Executive Director and additional documentation may also be required as a part of the request.
- (5) Federal and State Guidelines - All procurement policies follow Federal and State guidelines and fiscal staff are trained on allowable and unallowable costs. All purchases are made in accordance with Workforce Services Policy- WIOA (Allowable and Disallowed Costs, Including Food) and Workforce Services Policy- Workforce Services (Property Management) – WIOA.

Appropriate Use of Funds

The NWTNWB receives funds from a variety of sources. Most of the funds received are for specific, limited purposes or are subject to restrictions by a governing body. The NWTNWB uses all funds, regardless of type, in a manner consistent with applicable federal and state laws and regulations, NWTNWB policies, and other restrictions or designations governing their use.

Funds received by the NWTNWB may be expended for ordinary and reasonable business-related expenses that support the NWTNWB's mission. Business-related expenses are routine, operational in nature, and easily documented as NWTNWB missions-based. They include staff salaries, office equipment and supplies, office operation and maintenance. Business expenses also include expenditure for goods and services that help to build, strengthen, and promote relationships with groups and individuals. These may include travel and meals in accordance with NWTNWB policy.

The following standards should guide the expenditure decision:

- (1) For business meetings and hosting functions, the approving NWTNWB official must exercise prudent judgment to ensure that the commitment of NWTNWB funds is appropriate, essential, and supports the public service mission.
- (2) The expenditure should not be personal in nature.
- (3) For employees, the expenditure should not be used as additional compensation (the IRS considers gift cards or gift certificates "cash equivalents" to be treated as additional compensation).

Prudent use of funds is the responsibility of every NWTNWB employee. Employees who spend NWTNWB funds inappropriately, as defined in this policy, as well as managers who approve such expenditures, will reimburse the NWTNWB, and may also be subject to disciplinary action.

Prohibited Transactions

No personal items shall be purchased through NWTNWB funds for any employee or any relative of any employee. No employee responsible for initiating or approving requisitions shall accept or receive, directly or indirectly, from any person, firm or corporation to whom any contract may be awarded, by rebate, gift or otherwise, any money or anything of value whatsoever, or any promise, obligation or contract for future awards or compensation. Whenever any contract is awarded contrary to the provisions of these policies and procedures, the contract shall be void and of no effect, and if the violation was intentional, the employee responsible for the purchase shall be liable for any state funds paid contrary to these policies and procedures.

Gift Cards

The IRS considers gift cards and certificates as cash or cash equivalent fringe benefits and would be considered taxable income to an employee. Additionally, NWTNWB-funded expenditures for gift cards or gift certificates to employees as a token of appreciation for their work are not acceptable per IRS regulations. Therefore, gift cards or gift certificates should never be purchased for employees with NWTNWB funds. The use of gift cards as a means of providing support services and / or incentives for eligible participants is allowable.

Code of Ethics in Procurement and Contracting

The purpose of this policy is to provide specifications for the code of ethics in procurement and contracting and shall be applicable to all employees who are primarily responsible for the purchase of goods or services for the NWTNWB. Employees must discharge their duties and responsibilities fairly and impartially and should maintain a standard of conduct that will inspire public confidence in the integrity of the NWTNWB.

General Standards of Ethical Conduct

- (1) Any attempt to realize personal gain through public employment, inconsistent with the responsible discharge of that public employment, is a breach of public trust.
- (2) Employees shall base all purchases on the principle of competitive bidding consistent with policies of the NWTNWB.
- (3) Employees shall grant all competitive bidders equal consideration, regard each transaction on its own merits, and foster and promote fair, ethical and legal trade practices.
- (4) Employees shall avoid misrepresentation or sharp practices and demand honesty in sales representations whether offered through the medium of a verbal or written statement, and advertisement, or a sample product.
- (5) Employees shall be receptive to competent counsel from colleagues and be willing to submit any major controversy through the appropriate appeals processes.
- (6) Employees shall afford prompt and courteous reception insofar as conditions permit to all who call on legitimate business missions.
- (7) Employees shall not use without consent the original designs developed by a vendor for competitive purposes.

Conflict of Interest

It shall be a breach of ethical standards for any employee, in the performance of his or her official duties, to participate directly or indirectly in any proceeding or application; request for ruling or determination, claim or controversy; or other matter pertaining to any contract, or subcontract, and any solicitation or proposal thereof, in which to his or her knowledge:

- (1) He or she or any member of his or her immediate family has a substantial financial interest; or
- (2) A business or organization in which he or she or any member of his or her immediate family has a substantial financial interest as an officer, director, trustee, partner or employee, is a part; or

- (3) Any other person, business, or organization with whom he or she or a member of his or her immediate family is negotiating or has an agreement concerning prospective employment is a party.
- (4) The determination of whether a substantial financial interest exists shall be based upon the criteria identified in NWTNWB Conflict of Interest Policy.

Direct or Indirect participation shall include but not be limited to involvement through decision, approval, disapproval, recommendation, preparation of any part of a purchase request, influencing the content of any specification or purchase standard, rendering of advice, investigation, auditing or in any other advisory capacity.

Gratuities

It shall be a breach of ethical standards for any employee or former employee to solicit, demand, accept, or agree to accept from another person, a gratuity or an offer of employment, in connection with any decision, approval, disapproval, recommendation, preparation of any part of a purchase request, influencing in the content of any specification or purchase stand, rendering of advice, investigation, auditing or in any other advisory capacity in any proceeding or application, request for ruling or other determination, claim or controversy, or other particular matter, pertaining to any contract or subcontract and any solicitation or proposal thereof.

Contemporaneous Employment Prohibited

It shall be a breach of ethical standards for any employee who is involved in procurement to become or be, while such an employee, the employee of any party contracting with the particular governmental body by which the employee is employed.

Allowable and Disallowable Costs

The NWTNWB complies with all federal, state, and local regulations, policies, and guidance regarding the appropriate use of program funds, including the below policies.

Workforce Services Policy- WIOA (Allowable and Disallowed Costs, Including Food)

Effective Date: February 10, 2017; Duration: Indefinite

Subject: This policy explains the criteria to consider an expense allowable or disallowed, in addition to establishing necessary and reasonable criteria. The policy also addresses the purchase of food and beverages using public funds.

Purpose: This policy provides guidance on allowable and disallowed WIOA program costs (including food and beverage expenses in the context of a "working lunch", at conferences, and during travel). This policy will also define, and differentiate between, external and Internal customers and provide instances where state employees, subgrantee employees, and service providers fall into both categories. The policy also outlines guidance for employment generating activities under WIOA.

Scope: Office of the Governor, Title I- Adult, Dislocated Worker, and Youth Programs; Title II - Adult Education and Family Literacy Act Program(AE); Title III- Wagner-Peyser Act Program (WP); Title IV - Vocational Rehabilitation Program (VR); Tennessee Department of Labor and Workforce Development (TDLWD); Division of Workforce Services (WFS); Tennessee Department of Economic and Community Development (ECD); Tennessee Department of Education (TNED); Tennessee Department of Human Services (DHS); State Workforce Development Board (SWDB); Regional Planning Council (RPC); American job Center (AJC); One-Stop Operator (Operator); Workforce Innovation and Opportunity Act (WIOA); Chief Local Elected Official (CLEO); Local Workforce Development Boards (LWDB); Local Workforce Development Areas (LWDA); other Workforce System Sub-Recipients (Subrecipients); Workforce System Partners (Partners).

References: WIOA Section 107; WIOA Section 129(c)(2); WIOA Section 134(c)(3); Final Rule 683.245; Final Rule 683.710(b)(4); Final Rule 6873.290(a); Final Rule 683.290(b); Tennessee Central Procurement Policy Number 2013-007; Tennessee Policy Number 2016-007(7.1.1); Department of Finance and Administration Policy 8 - Comprehensive Travel Regulations; Tennessee Workforce Services Property Policy; 2 CFR 200.404(a); 2 CFR 200.435(4)(g); 2 CFR 200.474; 20

Definitions (Tennessee Central Procurement Policy Number 2013-007):

- (1) Allocable Cost is a cost to a particular award or other cost objective if the goods or services involved are chargeable or assignable to the award or cost objective in accordance with relative benefits received.
- (2) Award is any money, loans, non-cash assistance, granted to the State (from the federal government), or granted by the State to a person or legal entity for furnishing by the State of assistance, whether financial or otherwise, to any person or entity to support a program authorized by law.
- (3) Contractor is an entity that receives a contract as defined in the US OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards as "a legal instrument by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award. The term as used in this part does not include a legal instrument, even if the non-federal entity considers it a contract, when the substance of the transaction meets the definition of a federal award or subaward."
- (4) Subrecipient is a non-federal entity that receives an award from a pass-through entity to carry out part of a federal or state program; this 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.

General Guidelines: Expenditures of WIOA Title 1-B funds are allowable only for those activities permitted by the WIOA regulations. For the Adult and Dislocated Worker programs, allowable activities include basic career, individualized career, and training services. Basic career and individualized career services are described in the WIOA Title 1-B Workforce Investment Activities and Providers. Training services are described in WIOA Title 1-B Use of Funds for Employment and Training Activities Section 134. In addition, allowable activities include youth services that are provided as a requirement of the WIOA Title 1-B Section 129 Use of Funds for Youth Workforce Investment Activities.

Allowable Costs (Per CFR 97.22): Local Workforce Development Areas (LWDAs) and subrecipients must comply with the federal allowable cost principles that apply to their organization. The reasonability of costs shall be determined in accordance with the following cost principles:

(a) limitation on use of funds. Grant funds may be used only for:

- (1) The allowable costs of the grantees, subgrantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and
- (2) Reasonable fees or profit to cost-type contractors but not any fee or profit (or other increment above allowable costs) to the grantee or subgrantee.

(b) Applicable Cost Principles. For each kind of organization, there is a set of Federal principles for determining allowable costs. Allowable costs will be determined in accordance with the cost principles applicable to the organization incurring the costs. The following chart lists the kinds of organizations and the applicable cost principles.

For the costs of a—	Use the principles in—
State, local or Indian tribal government	OMB Circular A-87 (as codified at 2 CFR part 225).
Private nonprofit organization other than an (1) institution of higher education, (2) hospital, or (3) organization named in OMB Circular A-122 (as codified at 2 CFR part 230) as not subject to that circular	OMB Circular A-122 (as codified at 2 CFR part 230).
Educational institutions	OMB Circular A-21 (as codified at 2 CFR part 220).
For-profit organization other than a hospital and an organization named in OMB Circular A-122 (as codified at 2 CFR part 230) as not subject to that circular	48 CFR part 31. Contract Cost Principles and Procedures, or uniform cost accounting standards that comply with cost principles acceptable to the Federal agency.

[53 FR 8069, 8087, Mar. 11, 1988, as amended at 72 FR 37104, July 9, 2007]

Factors affecting Allowability of Costs (Per CFR 200.403): Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (1) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (2) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (3) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (4) 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.
- (5) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (6) 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. See also §200.306 Cost sharing or matching paragraph (b).
- (7) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Questions to Consider When Utilizing WIOA Funds

Reasonability of the cost:

- (1) Do I have the capacity to use what I am purchasing? (Subrecipient must provide a narrative on efficient and effective use when requesting WIOA funds and draw- downs from TDLWD)
- (2) Did I pay a fair rate?
- (3) Do I have documentation to support a fair rate was paid? (documentation must be submitted)
- (4) If I were asked to defend this purchase, would I be comfortable doing so?

Necessary:

- (5) Is this Item or service needed to meet grant goals?
- (6) Is this the minimum amount I need to spend to meet my need?
- (7) Repetition and frequency
- (8) Costs are similar to that which would be incurred by a reasonable and prudent person

Technical Assistance Meetings and Conferences

The cost of meetings and conferences (examples could include: lodging, facilities, food, beverages, materials, and supplies) where the primary purpose is to provide technical assistance and is necessary and reasonable for successful performance under the federal award is allowable.

Outreach costs

Examples could include flyers, brochures, banners, and other promotional material associated with promoting WIOA program services, including One-Stop location information and participant recruitment at job fairs. In the local area are considered allowable costs.

Procurement Restrictions

- (1) WIOA Title 1-B funds must be expended on only American-made equipment and programs as required by the Buy American Act.
- (2) Sub-awards or contracts with parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal programs or activities are prohibited.

Disallowed Costs

All costs associated with an unallowable activity are considered disallowable costs, regardless of their permissibility under other circumstances. Examples of unallowable activities include, but are not limited to:

- (1) Any legal expenses incurred for the prosecution of claims against the government are unallowable. This includes appeals to the Administrative Law judge of disallowed costs or other claims and civil actions where the federal government is a defendant {2 CFR 200.435(4)(g)}.
- (2) The costs of a construction or purchase of facilities or buildings or other capital expenditures for Improvements to land or buildings, are unallowable for all WIOA Title 1-B programs (20 CFR 683.235), except with prior written approval from the U.S. Department of Labor (20 CFR 683.235). See Tennessee Workforce Services WIOA Property Management Policy.
- (3) Public service employment, except when authorized under Title I of WIOA.
- (4) Employment-generating activities, investment in revolving loan funds, capitalization of businesses, investment in contact bidding resource centers, economic development activities or similar activities. An exception is made only for those employer outreach and job development activities directly related to participants.
- (5) The wages of incumbent workers during participation in economic development activities provided through the state workforce system.
- (6) Foreign travel and first-class airline tickets
- (7) Employment or training programs for sectarian activities. This section does not prohibit the provision of services by faith-based organizations, unless those services are sectarian in nature.
- (8) Expenses prohibited under any other federal, state, or local law or regulation.
- (9) Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable (2 CFR 200.438).

Salary and Bonus Restrictions Using WIOA Funds

In instances where funds awarded under WIOA Title I or the Wagner-Peyser Act pay only a portion of the salary or bonus, the WIOA Title I or Wagner-Peyser Act funds may only be charged for the share of the employee's salary or bonus attributable to the work performed on the WIOA Title I or Wagner-Peyser Act grant. The restriction applies to the sum of salaries and bonuses charged as either direct costs or indirect costs under WIOA Title I and the Wagner-Peyser Act (Final Rule 683.290(b)).

Internal and External Customer Definitions

Food and beverages are an allowable expense using WIOA funds when technical assistance is being provided between two parties, namely State administrative staff members in a meeting with subgrantees, and/or service delivery staff, or during conferences where the majority of Intended invitees are external but share common goals in program delivery. The spirit or purpose of the event must be in accordance with activities that incorporate progressive development of the WIOA program.

External customers: Participants, employers and/or board members are considered external customers. Professional colleagues would normally be considered individuals outside of the organizations influence but sharing common interests and goals of the organization.

Internal customers: Employees and subrecipients are considered internal customers.

State Administrative Staff/Local Subgrantee Staff as Internal vs. External Customers: Below are three examples to help differentiate state employees, subgrantee employees, and service providers as either external or internal customers:

Example One: There is a meeting where 30 employers are invited and 10 state and/or local administrative staff members, and/or local subgrantee staff, are in attendance to offer technical information to the proceedings. In this case the employer attendees are considered to be external customers. This is an example of an allowable cost.

Example Two: There is a meeting during regular business hours (not lunch hours) where 5 WIOA partner staff is discussing, debating, and planning activities with 10 state administrative staff members in attendance. In this case the state or local subgrantee staff attendees are the majority of the attendees and considered internal customers. Purchase of food with WIOA funds is not allowable in this scenario.

Example Three: State administrative staff and/or local subgrantee staff are giving technical assistance to service delivery staff and providing lunch is reasonable and necessary due to heavy traffic that would hinder productivity. This is an example of an allowable cost.

Example Four: WIOA funds may not be utilized on expenses associated with staff holiday gatherings or social gatherings. Gatherings of this nature that may include a "technical assistance" component are not permitted in regards to utilization of WIOA funds, as the main purpose of the event is not technical assistance. While a technical assistance component may be present, the atmosphere of a gathering (renting a facility, buffets, etc.) is not within the confines of necessary and reasonable, if the technical assistance time is much less than the social or networking time.

In example one food costs are allowable because employers are considered to be the attendees. In example two food costs are unallowable because state administrative staff is considered to be the attendees. In example three food costs are allowable so long as they are reasonable and necessary, which is true due to the burden of time that traffic and logistics would impose productivity (e.g. during a conference).

Reasonable costs per person must be in accordance with the per diem rate allowed by the State (See Tennessee Department of Finance and Administration Policy 8 - Comprehensive Travel Regulations).

Contributions and Donations

Public funds cannot be used to sponsor third-party events (such as a Chamber of Commerce event). Sponsorship costs of contributions and donations (including, but not limited to: cash, property, and services) from the non-Federal entity to other entities, are unallowable (2 CFR 200.434(a)). Furthermore, sponsoring events such as purchasing/sponsoring tables, paying to have entity's name placed on event material, or purchasing tickets to an event (considered entertainment) would be considered a donation. When making determinations on the number of staff to send to events/functions, as well as determining if the fees/costs associated with attendance are appropriate or allowable, management should abide by the necessary and reasonable standards as outlined in page 3 of this policy.

Are employment generating activities, or similar activities, allowable under Title I of the Workforce Innovation and Opportunity Act?

WIOA Title I funds must not be spent on employment generating activities, investment in revolving loan funds, capitalization of businesses, investment in contract bidding resource centers, economic development activities, or similar activities, unless they are directly related to training for eligible individuals. For purposes of this prohibition, employer outreach and job development activities are directly related to training for eligible individuals. These employer outreach and job development activities may include, but are not limited to:

- (1) Contacts with potential employers for the purpose of placement of WIOA participants;
- (2) Participation in business associations (such as Chambers of Commerce), joint labor management committees, labor associations, and resource centers; or
- (3) WIOA staff participation on economic development boards and commissions, and work with economic development agencies to provide information about WIOA programs.

See Final Rule 683.245 for further guidance on additional allowable employer outreach activities.

When participating in employer outreach activities, as defined in Final Rule 683.245, management must ensure that the participation is:

- (1) Necessary and reasonable;
- (2) Directly related to placing eligible individuals in training;
- (3) Directly related to placing WIOA participants into employment; and
- (4) Furthering the delivery of WIOA services.

In addition, management must ensure that any funds spent on employer outreach activities meet allowable costs standards.

Food and Beverages

The cost of food and beverages will not be considered an allowable cost unless the cost serves a public purpose. Alcoholic beverages are disallowed under any circumstances ((2 CFR 200.423 and Tennessee Policy Number 2013-007(7.1.1)).

Food Provided During Conferences: Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals if the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award (2 CFR 200.404(a)).

Agencies sponsoring a conference may provide light refreshments to agency employees attending an official conference. Light refreshments for morning, afternoon, or evening breaks are defined to include, but are not limited to: coffee, tea, milk, juice, soft drinks, donuts, bagels, fruit, pretzels, cookies, chips or muffins (41 CFR Sec. 301-74.11).

Food During Travel: Furthermore, costs incurred by employees and officers for travel, including subsistence and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-federal entity. Costs for meals during travel must justify that: Participation of the individual is necessary to the federal award; and the costs are reasonable and consistent with the non-federal entity's established travel policy (2 CFR 200.474).

Working Lunches: The cost of a "working lunch", with external customers and other colleagues, is only considered reasonable and necessary when there is adequate documentation for the necessity of having a meeting during a meal time instead of during normal business hours. This validating documentation should specify:

- (1) Which employment, training, and administration-related subjects (e.g. technical assistance components) were discussed;
- (2) Include a list of participants; and
- (3) Dated, itemized meal cost receipts.

Each local board and each grant recipient shall make readily accessible reports concerning its operations and expenditures (WIOA Section 185(c)(1)).

TAG Chapter 11-4 Allowable Costs

This guidance referencing WIA will be utilized until WIOA updates are published.

This chapter provides general guidance on defining allowable costs, discusses the criteria and conditions such as prior approval, and discusses specific types of costs that have been addressed either in the cost principles or in authorizing regulations, or grant agreements. It contains the following sections:

- Cost Principles: Allowable vs. Unallowable
- Selected Items of Cost
- Specific WIA Requirements
- Other Program Regulations and Grant Agreement Terms
- Attachment II-4-1-Summary of Cost Items.

Additionally, a discussion of match and leveraged resources can be found in Appendix F.

COST PRINCIPLES: ALLOWABLE VS. UNALLOWABLE

The criteria contained in the cost principles provide the basic guidance on determining whether costs are allowable in the ETA-funded programs covered by this TAG. It is important that grantees be aware that the cost principles are designed to offer guidance on determining allowability of costs and should be used as the first source of reference. It is possible that the cost principles may not make mention of an item, but that does not necessarily dictate that such a cost would be automatically allowed or prohibited. The cost should be treated consistently with the standards provided for similar or related costs. If a cost is not specifically treated within the applicable cost principles or regulations governing allowable costs (e.g., Appendix B to 2 CFR Part 225), then the general cost principles of the applicable circular or regulations are used to determine whether the cost is allowable. The cost principles are discussed in detail in Chapter II-3, Cost Principles.

It is important for all grantees to be familiar with the applicable cost principles, the appropriate ETA program regulations and grant agreement terms for the ETA grants that they have been awarded. Costs may be allowable per cost principles, allowable per the cost principles but with conditions, or allowable per cost principles but unallowable per the ETA regulations or grant agreement. Similarly, some costs are allowable but only with prior approval of either the Grant Officer (for non-formula direct grantees), or the Governor, or her/his designee (for formula grantees). The following examples attempt to delineate commonly incurred costs as they would apply to a particular type of grantee or subgrantees, state or local government, nonprofit organization, institution of higher education, or commercial organization. The discussion in this chapter focuses mainly on direct costs, not indirect costs. A discussion of indirect costs takes place in Chapter II-8, Cost Allocation and Cost Pooling.

Travel: Reasonable travel costs necessary to effectively manage the grant, provide oversight, and measure program effectiveness are allowable. Air travel, when necessary, should be obtained at the lowest possible customary standard (coach or equivalent fare). All cost principles treat these costs as allowable.

Training: An ETA-funded grantee's professional development and training costs are allowable. Under WIA, these are also called "capacity building" costs. Consistent with the "necessary and reasonable" provision, grantees should ensure that training is relevant to the specific ETA-funded program or results in increasing the effectiveness of staff working on an ETA-funded program.

General Government Expenses: Grantees should take great care to avoid charging general government expenses to an ETA-funded grant. The costs of chief executives, legislatures (including city and county councils), judiciary and prosecutors, and public safety (fire and police) are unallowable unless provided otherwise in the grant. These costs are specifically treated in 2 CFR Part 225.

Public Outreach and Advertising: Grantees should be very familiar with how their applicable cost principles treat these costs. Costs associated with public outreach, community relations, or efforts to publicize the ETA-funded program(s) in order to generate participation are viewed by the cost principles as allowable within certain limitations. However, any public relations costs that solely promote the organization, or are not directly related to the ETA program providing the funding, are considered unallowable. The cost principles also contain specific requirements and prohibitions related to

the use of advertising and advertising media. Determining the appropriateness of the cost and allowability for programs would also be a key requirement for One-Stop operations. The cost principles are quite specific on the conditions under which public relations costs are allowable, and partner programs may have other restrictions in their particular authorizing legislation or regulations.

Interest: Grantees should be familiar with how their respective cost principles addresses interest expenses, as differences exist across the cost principles. Generally, interest on borrowed capital is unallowable. However, interest on payments for equipment bought on time payments is allowable as a direct cost under certain conditions. Again, grantees should review the guidance in their relevant cost principles.

Pre-Award Costs: Unless authorized in writing by the Grant Officer (for direct grantees only and to the extent they would have been allowable if incurred post-award), pre-award costs cannot be charged to an ETA grant. Pre-award costs are not authorized for formula grantees.

Capital Assets Costs: Capital assets are non-current assets (assets that are not available or cannot be made available to finance current operations). Capital assets are the result of capital expenditures and include (but are not limited to) land, buildings, and equipment. Expenditures for land or building improvements as well as building and equipment repairs or maintenance expenditures that increase the value of a capital asset or increase its estimated useful life are identified as capital expenditures in Federal regulations. 2 CFR Part 225 Appendix B, Item 15 provides the guidelines on the allowability of expenditures for capital assets, guidelines on conditions, and applicable prior approval requirements. The costs of capital leases are treated in the same manner. The following are requirements for capital expenditures:

- (1) 2 CFR Part 225 requires the approval of the grantor agency for capital expenditures. This approval authority has been delegated to the states for the formula grants.
- (2) To the extent that state procedures for state organizations are sufficient to define the allowability of ETA capital asset acquisition costs and do not inappropriately constrain non-state organizations, the state's policy is applicable to non-state governmental subgrantees.

There is similar language in 2 CFR Part 220 and Part 230 related to capital expenditures.

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

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

The above examples are but a few of the specific items of cost that are addressed in the cost principles or the program regulations. Grantees and subgrantees are urged to become very familiar with their relevant cost principles.

Note: Prior approval authority has been delegated to the Governor for the ETA-funded formula grants. For non-formula direct grantees, prior approval authority remains with the DOL Grant Officer. For subgrantees, approval authority rests with the awarding agency.

SELECTED ITEMS OF COST

Within 2 CFR Part 220, Part 225, and Part 230, and 48 CFR Pmi 31 (for commercial organizations), there is specific discussion of items of cost. Grantees should be familiar with these items and use them as ready references. The attached reference chart (Attachment II-4-1) is a summary of all cost items mentioned in the applicable cost principles.

Some of the costs were discussed in the previous section. Note that some of these costs may be indirect. Grantees should also be familiar with the administrative cost limits as outlined in 20 CFR 667.200 et seq. for a full review of administrative costs.

Per the cost principles, some items of cost require pre-approval. As noted above, for competitive grantees, the Grant Officer is the approving authority, and for formula grants, the Governor or her/his designee is the approving authority.

As one can see, some items that are treated in one set of cost principles may not be treated in another. Similarly, some allowable costs are not addressed at all in the cost principles. In addition, some cost items require prior approval, or are allowable per the circular but unallowable by the ETA program regulations.

To the extent possible, these variations of allowability have been indicated in the attached table. Grantees and subgrantees are urged to consult closely with their applicable circular and to be cognizant of their particular program requirements. The table should be a starting reference point in inquiring as to specific items of cost, not a quick reference chart.

SPECIFIC WIA REQUIREMENTS

In addition to the allowable cost provisions of the cost principles, WIA regulations contain a number of provisions related to allowable and unallowable costs and activities. These provisions are listed below:

- (1) Any legal expenses incurred for the prosecution of claims against the government are unallowable. This includes appeals to the Administrative Law Judge of disallowed costs or other claims and civil actions where the Federal government is a defendant. [20 CFR 667.200(c)(6)]
- (2) With four exceptions, the costs of construction or purchase of facilities are unallowable for all WIA Title I programs [20 CFR 667.260]. The exceptions are listed below:
 - a. To meet obligations for access and accommodation under the Rehabilitation Act of 1973, as amended, and the Americans with Disabilities Act (ADA) of 1990, as amended
 - b. Repairs, renovations, and capital improvements of real property, including State Employment Service Agency (SESA) real property (identified at WIA Section 193), or Job Training Partnership Act (JTPA)-owned property transferred to WIA Title I programs
 - c. Jobs Corps facilities
 - d. To fund construction-related disaster relief projects.

The conditions in the cost principles would apply to the excepted construction costs. In addition, the YouthBuild program, which has a focus on training youth in the construction trades, has additional exceptions regarding acquisition and construction costs.

WIA also prohibits certain activities. All costs associated with an unallowable activity are considered unallowable costs, regardless of their allowability under other circumstances. The prohibited activities are as follows:

- (1) Employment-generating activities, including economic development activities. An exception is made only for those employer outreach and job development activities directly related to participants. Employment-generating activities are addressed in 20 CFR 667.262.
- (2) Public service employment, except to provide disaster relief employment [20 CFR 667.264(a)(2)].
- (3) The wages of incumbent employees participating in Statewide economic development activities [20 CFR 667.264(a)(1)].
- (4) Employment or training programs for sectarian activities. This section does not prohibit the provision of services by faith-based organizations, unless those services are sectarian in nature. [20 CFR 667.266] [29 CFR 37.6(±)(1)]

In the administration of USDOL social service programs:

- (1) No organization may be discriminated for or against on the basis of religious character or affiliation.

- (2) No eligible organization may be denied the opportunity to compete for or receive USDOL and other Federal financial assistance based upon the organization's religious character or affiliation.

Faith-Based and Community Organizations (FBCOs) that receive USDOL support may:

- (1) continue to carry out their religious activities
- (2) keep religious signs or symbols in their facilities
- (3) continue to select their board members (including members of the clergy) and otherwise govern themselves on a religious basis
- (4) offer voluntary religious activities to program participants-keep in mind that no "direct" Federal support can be used for religious activities and these activities must be separate in time or location from Federally supported activities and voluntary for program participants.

Regulatory changes were published in the Federal Register on July 12, 2004, removing barriers to (FBCOs) participation in USDOL social service programs. These relevant changes can be found at:

- New equal treatment regulations (29 CFR Part 2, Subpart D)
- Workforce Investment Act (WIA) nondiscrimination and programmatic regulations (29 CFR 37.6(f); 20 CFR 667.266 and 667.275)
- Job Corps regulations (20 CFR 670.555)
- Job Corps Policy and Requirements Handbook (PRH)-Sections 6.8 (Civil and Legal Rights), 2.2, 3.17, 5.4 and 6.9.

he regulations also prohibit the use of WIA funds for business relocation, if the relocation results in the loss of an employee's job at the original location in the U.S. The use of WIA funds for customized or skill training, on-the-job training, or company-specific job applicant assessments are prohibited for the first 120 days a relocated business operates in the new location. The regulations require that the State develop specific pre-award criteria prior to providing WIA funds to a new or expanding business to ensure compliance with this requirement. [20 CFR 667.268]

There are also specific sanctions for violations of the unallowable activities requirements. The procedures followed by the Grant Officer are discussed further in Chapter 11-12, Audits and Audit Resolution, and are listed in 20 CFR 667.510.

OTHER PROGRAM REGULATIONS AND GRANT AGREEMENT TERMS

Regulations for programs other than WIA may have provisions related to allowable and unallowable costs and activities. For example, Senior Community Service Employment program (SCSEP) regulations (20 CFR 641) include many allowable and unallowable costs provisions such as the ones listed under 20 CFR 641.630 and 20 CFR 641.850. In addition to program regulation, grant agreements may have specific provisions related to allowable and unallowable costs and activities. For example, many grant agreements have terms that place limitations on the amount of administrative costs that can be expended by grantees. In the case of many types of grants awarded based on an SGA, specific provisions, including allowable activities and cost limitations that will apply to the grants awarded, are contained in the SGA itself.

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 WIA 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	Accounting systems	NT	NT	A	NT
2	Advertising and public relations	AC	AC/U	AC/U	AC
3	Advisory councils	NT	NT	A	NT
4	Alcoholic beverages	U	U	U	U
5	Alumni/ae activities	U	NT	NT	NT
6	Asset valuations resulting from business combinations	NT	NT	NT	A
7	Audit services	See A-133	See A-133	A	NT
8	Automatic electronic data processing	NT	NT	AC	NT
9	Bad debts	U	U	U	U
10	Bid and proposal costs (See also Item 65)	Item 65	Reserved	Item 65	Item 65
11	Bonding costs	NT	A	A	NT
12	Budgeting	NT	NT	A	NT
13	Civil defense costs	AC	NT	NT	A/U

	Cost Item	Circular A-21	Circular A-122	Circular A-87	48 CFR Part 31
14	Commencement and convocation costs	U	NT	NT	NT
15	Communication costs	A	A	A	NT
16	Compensation for personal services	A/U	A/U	A/U	A/U
17	Contingency provisions	U	U	U	U
18	Cost of money (See also Item 40)	U	U	U	AC
19	Deans of faculty and graduate schools	A	NT	NT	NT
20	Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringement	AC/U	AC/U	A/U	U
21	Deferred research and development costs	NT	NT	NT	AC/U
22	Depreciation and use allowances	AC	AC	AC	AC
23	Disbursing service	NT	NT	A	NT
24	Donations and contributions	U	U	U	U
25	Economic planning costs	AC/U	AC/U	AC/U	NT/U
26	Employee morale, health, and welfare costs and credits	A	A	A	U
27	Entertainment costs	U	U	U	U
28	Equipment and other capital expenditures	A/U	AP	AP	AP
29	Executive lobbying costs	U	U	U See Item 42	U
30	Fines and penalties	U	U	U	U
31	Fund-raising and investment management costs (See also Item 40)	NT	NT	U	U
32	Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs (See also Item 64)	NT	NT	A	A
33	General government expenses	NT	NT	U	NT
34	Goods/services for personal use	U	U	NT	NT
35	Goodwill	NT	NT	NT	U
36	Housing and personal living expenses	U	AC/U	NT	NT

	Cost Item	Circular A-21	Circular A-122	Circular A-87	48 CFR Part 31
37	Idle facilities and capacity	NT	AC/U	AC/U	AC/U
38	Independent research and development	NT	Reserved	NT	AC
39	Insurance and indemnification	AC	AC	AC	A
40	Interest, fund-raising, and investment management costs	A/U	A/U	A/U	U
41	Labor relations costs	AC	AC	NT	AC
42	Lobbying	U	U	U	U
43	Losses on other sponsored agreements/contracts	U	U	U	U
44	Maintenance and repair costs	A	A	A	A
45	Manufacturing and repair costs	NT	NT	NT	A
46	Manufacturing and product engineering costs	NT	NT	NT	A
47	Material costs	A	A	A	A
48	Meetings and conferences	NT	A	See Item 2	See Item 2
49	Memberships, subscriptions, and professional activity costs	A/U	A/U See also Item 2	A/U See also Item 2	NT
50	Motor pools	NT	NT	A	NT
51	Organization costs	NT	AP	NT	U
52	Other business expense	NT	NT	NT	A
53	Overtime, extra-pay shift, and multi-shift premiums	NT	AC	AC	See also Item 16
54	Page charges in professional journals	NT	A	NT	NT
55	Participant support costs	NT	A	NT	NT
56	Patent costs	A	A/U	NT	A/U
57	Plant protection costs	NT	NT	NT	A
58	Plant reconversion costs (See also Item 68)	NT	NT	NT	U
59	Plant security costs	U	A	NT	NT
60	Pre-agreement costs (See also Item 61)	U	NT	NT	NT
61	Pre-award costs	NT	AP	U (formula)/AP	NT
62	Pre-contract costs (See also Item 61)	NT	NT	NT	AP
63	Professional services costs	A	A	A	A
64	Profits and losses on disposition of plant equipment/other capital assets	A	A	See Item 32	See Item 32

	Cost Item	Circular A-21	Circular A-122	Circular A-87	48 CFR Part 31
65	Proposal costs (See also Item 10)	AC	Reserved	AC/AP	AP
66	Publication and printing costs	NT	A/U	A	NT
67	Rearrangement and alteration costs	A	A	A	NT
68	Reconversion costs (See also Item 58)	A	A	A	NT
69	Recruiting costs	A/U	A/U	See Item 2	A
70	Relocation costs	AC	AC	NT	A/U
71	Rental costs of buildings and equipment	AC	AC	AC	AC
72	Royalties and other costs for use of patents	A	A	NT	A
73	Sabbatical leave costs	A	NT	NT	NT
74	Scholarships and student aid costs	A	NT	NT	NT
75	Selling and marketing	U	U	NT	A/U
76	Service and warranty costs	NT	NT	NT	A
77	Severance pay	AC	AC	AC	AC
78	Special tooling and special test equipment costs	NT	NT	NT	A
79	Specialized service facilities	AC	AC	NT	NT
80	Student activity costs	U	NT	NT	NT
81	Taxes	AC	AC	AC	AC
82	Termination costs	NT	AC	NT	A/U
83	Trade, business, technical, and professional activity costs	AC	AC	AC See also Item 49	AC
84	Training and education costs	AC	AC	AC	AC
85	Transportation	AC	AC	NT	AC
86	Travel costs	AC	AC	AC	AC
87	Termination costs applicable to sponsored agreement (See also Item 82)	AC	NT	NT	NT
88	Trustees	AC	AC	NT	NT
89	Under recovery of costs under Federal agreements	U	U	U	U

Purchasing Procedures

The following procedures are adopted as minimum standards for the NWTNWB to purchase materials, supplies, equipment, and services. The purchasing procedures are designed to inform the staff of details connected with procurement and to afford budget control for all functional areas. Each person who will require goods and services to accomplish their objective should become familiar with these instructions. Duties are properly segregated between employees responsible for purchasing, accounts payable, and cash disbursements. There are always two signatures on each purchase prior to submitting the information to the Director of Finance or Executive Director designee and Executive Director for payment. Once entered into the system for payment, the Director of Finance or Executive Director designee reviews the invoice for proper coding before approving it for payment.

Except as specifically provided in this policy or guidelines, the authority of the Executive Director pursuant to these policies and procedures shall not include the purchase or lease of real property or insurance, without approval of the NWTNWB, when the estimated aggregate total of the expense or revenue is \$50,000 or more, data processing equipment over \$249,999.99, or purchases for capital outlay projects from any fund source whatsoever. Goods and services may be procured without competitive bidding only if such purchases are justified in writing and approved by the Executive Director as required by NWTNWB policies and guidelines, except for Small Dollar purchases as allowed.

In cases where the NWTNWB policies and procedures do not address a specific procedure for purchase of a particular item, the Department of General Services' rules and regulations will govern, if applicable. The Executive Director may delegate approval authority as specified in this policy to their designees. Time periods specified in the policy shall be calculated by excluding the first day and including the last, unless the last day is a Saturday, a Sunday, or a legal holiday, and then it shall also be excluded.

Procurement Cards

The NWTNWB procurement card is used for small dollar, \$1,000 and under, purchases, without a purchase order, and for purchases over \$1,000 with a purchase order. It may be utilized as follows:

- (1) Limited group travel expenses (excursions and meals)
- (2) Purchases from local vendors for perishable items
- (3) Bank Services
- (4) Hotels and Motels
- (5) Airlines
- (6) Conference Registrations involving travel

Procurement card restrictions include the following:

- (1) Sales Tax (effective November 8, 2017)
- (2) Cash
- (3) Tax Payments, Fines and Court Costs
- (4) Bail and Bond Payments

Procurement Card Limits and Statements

- (1) Each transaction limit is \$1,000.00 or less without a purchase order.
- (2) Split transactions to the same vendor that total over \$1,000.00 to avoid issuing a Purchase Order are not allowed.
- (3) The credit limit is \$7,500 to \$15,000 depending on limits set on the card at the time of issuance.
- (4) Each card account will be issued a monthly statement from the bank.

Record Keeping

Each cardholder is responsible for maintaining a record monthly purchases applied to his/her procurement card. Within 5 business days of the purchase, all supporting documentation should be sent to the NWTNWB fiscal staff. Upon receipt

of the procurement card statement from the bank, the ~~Financial Coordinator~~ Assistant Director of Finance will reconcile the charges on the statement to their record of purchases. The reconciled statement should be initialed by the ~~Financial Coordinator~~ Assistant Director of Finance and forwarded to the Quality Coordinator for review and a selection of a sample of transactions to monitor. The Quality Coordinator issues a monitoring report of any corrective action needed, and initials both the statement and reconciliation. The statement is then reviewed and approved by both the Director of Finance or Executive Director designee and Executive Director.

Problem Resolution

In the event the cardholder encounters a problem with a charge by the vendor, the cardholder should contract the vendor and attempt to resolve the problem. If unable to resolve, contact the Director of Finance or Executive Director designee or Executive Director within 30 days after the close of the billing cycle. The Director of Finance or Executive Director designee or Executive Director will issue a dispute and notify the cardholder when resolved.

Lost Card

Immediately contact the bank, available 24 hours a day, 7 days a week. Contact the Director of Finance or Executive Director designee or Executive Director and your immediate supervisor. The Director of Finance or Executive Director designee or Executive Director will initiate steps to close the card.

Purchase Orders

Purchases less than one thousand dollars (\$1,000.00) may be procured via direct invoice to the purchasing card. All purchases one thousand dollars (\$1,000.00) and greater must be procured by entering a Purchase Order in QuickBooks with the written approval of the Executive Director or Director of Finance or Executive Director designee. Any employee found to have violated this policy may be held responsible for the purchase and shall be liable for any state funds paid contrary to this policy.

American Job Center Purchases

When making purchases for the American Job Centers (AJCs), fiscal staff review the request to determine if the item will be shared amongst partners in order to properly allocate the cost. Each partner is required to contribute to the operating costs as described in the Infrastructure Funding Agreements. Shared costs are identified and agreed upon at partner meetings and are proportionately distributed based on full-time equivalent, FTE, (communication, advertising, supplies, etc.) or square footage (utilities, building maintenance, lease, etc.). Proportionate share, cost allocation methodologies, and any additional considerations are determined, and costs are billed to partners on a monthly basis. Actual costs are billed rather than estimates or budgeted amounts. Periodically, space, FTE, and any other contributing factors are reviewed to determine if the IFA needs to be modified. Fiscal staff also attend appropriate trainings, as offered, in order to ensure compliance with the Uniform guidance.

Contractors

The NWTNWB may contract with various agencies, in accordance with WIOA Legislation and Tennessee Department of Labor and Workforce Development (TDLWD) policies, in order to select a One-Stop Operator, provider(s) of Title I services, and / or employers for programs such as On-the-Job Training (OJT) Grants, and “Buy-out” classes. When awarding contracts through a competitive process, such as Title I sub-contracts, the NWTNWB researches potential bidders, issues a Request for Proposal, receives proposals, reviews, and then awards competitive grants to providers based on identified scoring criteria. Once it is determined that funds can be allocated, the NWTNWB has authorized administrative staff to initiate agreements or contracts with employers or appropriate community organizations.

Consistent with WIOA Sections 107(d)(10) and 121(d) and the Workforce Services Policy regarding One-Stop Delivery and Design System, paragraph (D) of the Local Board Responsibilities section, and in accordance with the Regional Planning Council, the NWTNWB, with the agreement of the chief elected officials for the local area, shall designate or certify one-stop operators as described in section 121(d)(2)(A). In order to conduct a competitive process for the selection of a one-stop operator in accordance with 121(d)(2)(A), the Board, with the agreement of the CEOs, shall issue a Request for Proposals for a designated time period, with public notice being provided through print media and / or

electronic means, and with potential bidders being notified of the release by email. Proposals received shall be reviewed by a committee approved by the Board and CEOs. The review committee shall make a recommendation to the Board for selection of the Operator. The selected Operator shall enter into a contract with the Board and CEOs as developed by the fiscal agent.

The NWTNWB may also elect to use a third-party to conduct a procurement process.

Procurement Procedures

§ 200.318 General procurement standards.

(a) The [non-Federal entity](#) must use its own documented procurement procedures which reflect applicable [State](#), local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.

(b) Non-Federal entities must maintain oversight to ensure that [contractors](#) perform in accordance with the terms, conditions, and specifications of their [contracts](#) or purchase orders.

(c)

(1) The [non-Federal entity](#) must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of [contracts](#). No employee, officer, or agent may participate in the selection, award, or administration of a [contract](#) supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a [contract](#). The officers, employees, and agents of the [non-Federal entity](#) may neither solicit nor accept gratuities, favors, or anything of monetary value from [contractors](#) or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the [non-Federal entity](#).

(2) If the [non-Federal entity](#) has a parent, affiliate, or subsidiary organization that is not a [state](#), [local government](#), or [Indian tribe](#), the [non-Federal entity](#) must also maintain written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the [non-Federal entity](#) is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.

(d) The [non-Federal entity](#)'s procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

(e) To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services across the Federal Government, the [non-Federal entity](#) is encouraged to enter into [state](#) and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.

(f) The [non-Federal entity](#) is encouraged to use Federal excess and surplus [property](#) in lieu of purchasing new [equipment](#) and [property](#) whenever such use is feasible and reduces project costs.

(g) The [non-Federal entity](#) is encouraged to use value engineering clauses in [contracts](#) for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each [contract](#) item or task to ensure that its essential function is provided at the overall lower cost.

(h) The [non-Federal entity](#) must award [contracts](#) only to responsible [contractors](#) possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters

as [contractor](#) integrity, compliance with public [policy](#), record of past performance, and financial and technical resources. See also [§ 200.213](#) Suspension and debarment.

(i) The [non-Federal entity](#) must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of [contract](#) type, [contractor](#) selection or rejection, and the basis for the [contract](#) price.

(j)

(1) The [non-Federal entity](#) may use a time and materials type [contract](#) only after a determination that no other [contract](#) is suitable and if the [contract](#) includes a ceiling price that the [contractor](#) exceeds at its own risk. Time and materials type [contract](#) means a [contract](#) whose cost to a [non-Federal entity](#) is the sum of:

(i) The actual cost of materials; and

(ii) Direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

(2) Since this formula generates an open-ended [contract](#) price, a time-and-materials [contract](#) provides no positive profit incentive to the [contractor](#) for cost control or labor efficiency. Therefore, each [contract](#) must set a ceiling price that the [contractor](#) exceeds at its own risk. Further, the [non-Federal entity](#) awarding such a [contract](#) must assert a high degree of oversight in order to obtain reasonable assurance that the [contractor](#) is using efficient methods and effective cost controls.

(k) The [non-Federal entity](#) alone must be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the [non-Federal entity](#) of any contractual responsibilities under its contracts. The [Federal awarding agency](#) will not substitute its judgment for that of the [non-Federal entity](#) unless the matter is primarily a Federal concern. Violations of law will be referred to the local, [state](#), or Federal authority having proper jurisdiction.

[[78 FR 78608](#), Dec. 26, 2013, as amended at [79 FR 75885](#), Dec. 19, 2014; [80 FR 43309](#), July 22, 2015]

§ 200.319 Competition.

(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. In order to ensure objective [contractor](#) performance and eliminate unfair competitive advantage, [contractors](#) that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

(1) Placing unreasonable requirements on firms in order for them to qualify to do business;

(2) Requiring unnecessary experience and excessive bonding;

(3) Noncompetitive pricing practices between firms or between affiliated companies;

(4) Noncompetitive [contracts](#) to consultants that are on retainer [contracts](#);

(5) Organizational conflicts of interest;

(6) Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement; and

(7) Any arbitrary action in the procurement process.

(b) The [non-Federal entity](#) must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed [state](#), local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts [state](#) licensing laws. When contracting for architectural and engineering (A/E) services, geographic

location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the [contract](#).

(c) The [non-Federal entity](#) must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

(1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equivalent” description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and

(2) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

(d) The [non-Federal entity](#) must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the [non-Federal entity](#) must not preclude potential bidders from qualifying during the solicitation period.

[[78 FR 78608](#), Dec. 26, 2013, as amended at [79 FR 75885](#), Dec. 19, 2014]

§ 200.320 Methods of procurement to be followed.

The [non-Federal entity](#) must use one of the following methods of procurement.

(a) Procurement by [micro-purchases](#). Procurement by [micro-purchase](#) is the acquisition of [supplies](#) or services, the aggregate dollar amount of which does not exceed the [micro-purchase](#) threshold ([§ 200.67](#) Micro-purchase). To the extent practicable, the [non-Federal entity](#) must distribute [micro-purchases](#) equitably among qualified suppliers. [Micro-purchases](#) may be awarded without soliciting competitive quotations if the [non-Federal entity](#) considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, [supplies](#), or other [property](#) that do not cost more than the [Simplified Acquisition Threshold](#). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price [contract](#) (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in [paragraph \(c\)\(1\)](#) of this section apply.

(1) In order for sealed bidding to be feasible, the following conditions should be present:

(i) A complete, adequate, and realistic specification or purchase description is available;

(ii) Two or more responsible bidders are willing and able to compete effectively for the business; and

(iii) The procurement lends itself to a firm fixed price [contract](#) and the selection of the successful bidder can be made principally on the basis of price.

(2) If sealed bids are used, the following requirements apply:

(i) Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publicly advertised;

(ii) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;

(iii) All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;

(iv) A firm fixed price [contract](#) award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and

(v) Any or all bids may be rejected if there is a sound documented reason.

(d) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type [contract](#) is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

(1) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;

(2) Proposals must be solicited from an adequate number of qualified sources;

(3) The [non-Federal entity](#) must have a written method for conducting technical evaluations of the proposals received and for selecting recipients;

(4) [Contracts](#) must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and

(5) The [non-Federal entity](#) may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

(e) [Reserved]

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

(1) The item is available only from a single source;

(2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;

(3) The [Federal awarding agency](#) or [pass-through entity](#) expressly authorizes noncompetitive proposals in response to a written request from the [non-Federal entity](#); or

(4) After solicitation of a number of sources, competition is determined inadequate.

[[78 FR 78608](#), Dec. 26, 2013, as amended at [79 FR 75885](#), Dec. 19, 2014; [80 FR 54409](#), Sept. 10, 2015]

§ 200.321 Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms.

(a) The [non-Federal entity](#) must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.

(b) Affirmative steps must include:

- (1) Placing qualified small and minority businesses and women's business enterprises on solicitation lists;
- (2) Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;
- (3) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;
- (4) Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises;
- (5) Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
- (6) Requiring the prime [contractor](#), if subcontracts are to be let, to take the affirmative steps listed in paragraphs (1) through (5) of this section.

§ 200.322 Procurement of recovered materials.

A [non-Federal entity](#) that is a [state](#) agency or agency of a political subdivision of a [state](#) and its [contractors](#) must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at [40 CFR part 247](#) that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds \$10,000 or the value of the quantity acquired during the preceding fiscal year exceeded \$10,000; procuring solid waste management services in a manner that maximizes energy and resource recovery; and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

[[78 FR 78608](#), Dec. 26, 2013, as amended at [79 FR 75885](#), Dec. 19, 2014]

§ 200.323 [Contract](#) cost and price.

- (a) The [non-Federal entity](#) must perform a cost or price analysis in connection with every procurement action in excess of the [Simplified Acquisition Threshold](#) including [contract](#) modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the [non-Federal entity](#) must make independent estimates before receiving bids or proposals.
- (b) The [non-Federal entity](#) must negotiate profit as a separate element of the price for each [contract](#) in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration must be given to the complexity of the work to be performed, the risk borne by the [contractor](#), the [contractor's](#) investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.
- (c) Costs or prices based on estimated costs for [contracts](#) under the Federal award are allowable only to the extent that costs incurred or cost estimates included in negotiated prices would be allowable for the [non-Federal entity](#) under Subpart E - Cost Principles of this part. The [non-Federal entity](#) may reference its own cost principles that comply with the Federal cost principles.
- (d) The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used.

§ 200.324 [Federal awarding agency](#) or [pass-through entity](#) review.

- (a) The [non-Federal entity](#) must make available, upon request of the [Federal awarding agency](#) or [pass-through entity](#), technical specifications on proposed procurements where the [Federal awarding agency](#) or [pass-through entity](#) believes such review is needed to ensure that the item or service specified is the one being proposed for acquisition. This review generally will take place prior to the time the specification is incorporated into a solicitation document. However, if the [non-Federal entity](#) desires to have the review accomplished after a solicitation has been developed, the [Federal awarding agency](#) or [pass-through entity](#) may still review the specifications, with such review usually limited to the technical aspects of the proposed purchase.

(b) The [non-Federal entity](#) must make available upon request, for the [Federal awarding agency](#) or [pass-through entity](#) pre-procurement review, procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates, when:

- (1) The [non-Federal entity](#)'s procurement procedures or operation fails to comply with the procurement standards in this part;
- (2) The procurement is expected to exceed the [Simplified Acquisition Threshold](#) and is to be awarded without competition or only one bid or offer is received in response to a solicitation;
- (3) The procurement, which is expected to exceed the [Simplified Acquisition Threshold](#), specifies a “brand name” product;
- (4) The proposed [contract](#) is more than the [Simplified Acquisition Threshold](#) and is to be awarded to other than the apparent low bidder under a sealed bid procurement; or
- (5) A proposed [contract](#) modification changes the scope of a [contract](#) or increases the [contract](#) amount by more than the [Simplified Acquisition Threshold](#).

(c) The [non-Federal entity](#) is exempt from the pre-procurement review in [paragraph \(b\)](#) of this section if the [Federal awarding agency](#) or [pass-through entity](#) determines that its procurement systems comply with the standards of this part.

- (1) The [non-Federal entity](#) may request that its procurement system be reviewed by the [Federal awarding agency](#) or [pass-through entity](#) to determine whether its system meets these standards in order for its system to be certified. Generally, these reviews must occur where there is continuous high-dollar funding, and third party [contracts](#) are awarded on a regular basis;
- (2) The [non-Federal entity](#) may self-certify its procurement system. Such self-certification must not limit the [Federal awarding agency](#)'s right to survey the system. Under a self-certification procedure, the [Federal awarding agency](#) may rely on written assurances from the [non-Federal entity](#) that it is complying with these standards. The [non-Federal entity](#) must cite specific policies, procedures, regulations, or standards as being in compliance with these requirements and have its system available for review.

§ 200.325 Bonding requirements.

For construction or facility improvement [contracts](#) or sub [contracts](#) exceeding the [Simplified Acquisition Threshold](#), the [Federal awarding agency](#) or [pass-through entity](#) may accept the bonding [policy](#) and requirements of the [non-Federal entity](#) provided that the [Federal awarding agency](#) or [pass-through entity](#) has made a determination that the [Federal interest](#) is adequately protected. If such a determination has not been made, the minimum requirements must be as follows:

- (a) A bid guarantee from each bidder equivalent to five percent of the bid price. The “bid guarantee” must consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified.
- (b) 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](#).
- (c) 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 law of all persons supplying labor and material in the execution of the work provided for in the [contract](#).

200.326 [Contract](#) provisions.

The [non-Federal entity](#)'s [contracts](#) must contain the applicable provisions described in Appendix II to Part 200 - [Contract](#) Provisions for [non-Federal Entity Contracts](#) Under Federal Awards.

Appendix II to Part 200 - Contract Provisions for Non-Federal Entity Contracts Under Federal Awards

In addition to other provisions required by the Federal agency or non-Federal entity, all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable.

(A) Contracts for more than the simplified acquisition threshold currently set at \$150,000, which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by [41 U.S.C. 1908](#), must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.

(B) All contracts in excess of \$10,000 must address termination for cause and for convenience by the non-Federal entity including the manner by which it will be effected and the basis for settlement.

(C) Equal Employment Opportunity. Except as otherwise provided under [41 CFR Part 60](#), all contracts that meet the definition of “federally assisted construction contract” in [41 CFR Part 60-1.3](#) must include the equal opportunity clause provided under [41 CFR 60-1.4\(b\)](#), in accordance with [Executive Order 11246](#), “Equal Employment Opportunity” ([30 FR 12319](#), 12935, 3 CFR Part, 1964-1965 Comp., p. 339), as amended by [Executive Order 11375](#), “Amending [Executive Order 11246](#) Relating to Equal Employment Opportunity,” and implementing regulations at [41 CFR part 60](#), “Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor.”

(D) Davis-Bacon Act, as amended ([40 U.S.C. 3141- 3148](#)). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act ([40U.S.C. 3141- 3144](#)) as supplemented by Department of Labor regulations ([29 CFR Part 5](#), “Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction”). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The non-Federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency. The contracts must also include a provision for compliance with the Copeland “Anti-Kickback” Act ([40 U.S.C. 3145](#)), as supplemented by Department of Labor regulations ([29 CFR Part 3](#), “Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States”). The Act provides that each contractor or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency.

(E) Contract Work Hours and Safety Standards Act ([40 U.S.C. 3701- 3708](#)). Where applicable, all contracts awarded by the non-Federal entity in excess of \$100,000 that involve the employment of mechanics or laborers must include a provision for compliance with [40U.S.C. 3702](#) and [3704](#), as supplemented by Department of Labor regulations ([29 CFR Part 5](#)). Under [40 U.S.C. 3702](#) of the Act, each contractor must be required to compute the wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than one and a half times the basic rate of pay for all hours worked in excess of 40 hours in the work week. The requirements of [40 U.S.C. 3704](#) are applicable to construction work and provide that no laborer or mechanic must be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

(F) Rights to Inventions Made Under a Contract or Agreement. If the Federal award meets the definition of “funding agreement” under [37 CFR § 401.2](#) (a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance of experimental, developmental, or research work under that “funding agreement,” the recipient or subrecipient must comply with the requirements of [37 CFR Part 401](#), “Rights to Inventions Made by Nonprofit

Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements,” and any implementing regulations issued by the awarding agency.

(G) Clean Air Act ([42 U.S.C. 7401- 7671q](#).) and the Federal Water Pollution Control Act ([33 U.S.C. 1251- 1387](#)), as amended - Contracts and subgrants of amounts in excess of \$150,000 must contain a provision that requires the non-Federal award to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act ([42 U.S.C. 7401- 7671q](#)) and the Federal Water Pollution Control Act as amended ([33 U.S.C. 1251- 1387](#)). Violations must be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).

(H) Debarment and Suspension (Executive Orders 12549 and 12689) - A contract award (see [2 CFR 180.220](#)) must not be made to parties listed on the government-wide exclusions in the System for Award Management (SAM), in accordance with the OMB guidelines at [2 CFR 180](#) that implement Executive Orders 12549 ([3 CFR part 1986](#) Comp., p. 189) and 12689 ([3 CFR part 1989](#) Comp., p. 235), “Debarment and Suspension.” SAM Exclusions contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than [Executive Order 12549](#).

(I) Byrd Anti-Lobbying Amendment ([31 U.S.C. 1352](#)) - Contractors that apply or bid for an award exceeding \$100,000 must file the required certification. Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by [31 U.S.C. 1352](#). Each tier must also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award. Such disclosures are forwarded from tier to tier up to the non-Federal award.

(J) See [§ 200.322](#) Procurement of recovered materials.

[[78 FR 78608](#), Dec. 26, 2013, as amended at [79 FR 75888](#), Dec. 19, 2014]

Contracts and Agreements

The purpose of the policy is to outline requirements and procedures for processing contractual documents other than employment contracts. Services to be performed under any agreement or contract shall not be commenced and payment for such services shall not be made until an agreement/contract is executed in accordance with this policy and all requirements are met. The same policies and procedures also apply to contract/agreement amendments and addendums.

Only the Executive Director and those individuals who are specifically authorized in writing by the Executive Director through published policies, procedures or other authorizing documents have the authority to enter into agreements/contracts as agents of the NWTNWB. No other employees except those expressly identified in policy shall sign contracts without prior written approval.

Approvals

The following agreements/contracts shall be expressly subject to the approval of the Executive Director in accordance with NWTNWB policies and guidelines:

- (1) those involving or related to the purchase or lease of real property or data processing
- (2) the purchase of insurance or agreements providing insurance or other benefits for employees
- (3) the purchase of professional personal, or consultative services
- (4) purchases related to capital outlay projects

The Executive Director or his/her designee is the final approving authority for any agreement/contract; except that the approval of the Executive Director or designee shall be required for agreements/contracts with foundations or similar not-for-profit organizations, and hardware and software contracts as specified herein requiring the Executive Director's approval under other policies and guidelines.

Once the contract has been received and reviewed for compliance by the fiscal department, it will be routed for the Executive Director's approval; then forwarded to the vendor for approval if not signed initially.

No agreement/contract will be accepted with signatures by the vendor and/or procuring party dated after the requested start date of the agreement/contract.

Preparation of Agreements and Contracts

Before entering into an agreement/contract, funds must be available in the current year's budget. If funds are not available, a budget revision must be processed prior to payment of the agreement/contract. The initiating staff requiring or providing personal, professional, or consultant services is responsible for the preparation of the agreement/contract.

All necessary signature approval lines shall be prepared by the initiating staff, including lines for the corporation or individual and the Executive Director of NWTNWB. Signature approval lines for the Northwest Tennessee Workforce Board should be prepared when necessary.

If the other party or contractor is a corporation, its name must be stated in the agreement/contract exactly as it appears in its charter. The person signing on behalf of the corporation must have legal authority to do so, and his/her title/position shall be shown on the signature page.

The Executive Director may delegate his/her authority to sign agreements/contracts only if such delegation is specifically permitted in NWTNWB policy or if the delegation is specifically approved in writing by the Executive Director.

The staff requiring an agreement/contract must initiate the process sufficiently in advance to allow final approval before services are rendered. Agreements/Contracts must be submitted to the Executive Director a minimum of two (2) weeks prior to the desired service. Scanned copies of agreements/contracts are acceptable. Sufficient time must be allowed so that an executed contract is in place prior to any services being performed under the contract. Extreme caution should be used in preparation of agreements/contracts to ensure all provisions comply with NWTNWB guidelines. NWTNWB Legal Counsel has stated possible personal liability in not adhering to state law.

Legal questions relating to an agreement/contract will be referred to the NWTNWB Legal Counsel by the Executive Director.

Add the following language to any contract in which contractor is serving as a service provider handling "covered accounts", that is, any consumer account involving multiple transactions or multiple payments in arrears: "Service provider/Contractor shall have and maintain throughout the term of this agreement an identity theft prevention program for new and existing accounts which complies with the FTC regulations known as Red Flags Rule."

Routing Agreements and Contracts for Approval

After preparation of an agreement/contract, the staff shall forward a copy of the agreement/contract to the Executive Director. Once it has been determined that the agreement/contract is complete, it will be approved by the Executive Director and then forwarded to the vendor for signature if not already obtained.

One (1) copy of all executed contracts, original or scanned copy, shall be maintained by the fiscal department. An electronic copy is located on the shared drive and / or in QuickBooks.

Standard Guidelines

No agreement/contract of any nature which requires the expenditure of funds by NWTNWB shall extend beyond the end of the fiscal year and / or grant period in which it is entered into unless expressly subject to the condition that the organization shall have the right to terminate the agreement/contract at the end of any fiscal year in the event that sufficient funds are not appropriated and/or budgeted for continuation of the agreement/contract. Contracts may be renewed up to a total period of five (5) years. **If appropriate, the Board of Directors may approve renewals beyond a five-year period.**

Generally, no agreement/contract of any nature shall be entered into which contains one or more of the following, however, exceptions and alternative language may be utilized for compliance as follows:

- (1) Provisions requiring the NWTNWB to pay for taxes, late penalties, liquidated damages, incidental or consequential damages, etc., *unless the clause contains "To the extent required by law"*.
- (2) Payment of travel/per diem expenses in excess of maximum limitations set forth in NWTNWB policy.
- (3) Provisions designating the governing law of a state other than Tennessee *or consenting to jurisdiction in courts outside of Tennessee should be either changed to Tennessee or deleted entirely, remaining silent as to which governs.*
- (4) Provisions requiring the NWTNWB to make advance deposits or payments, except those expressly allowed by the NWTNWB, *such as, but not limited to, licensing, preventive maintenance/service, subscriptions, and memberships.*
- ~~(5) Provisions requiring the NWTNWB to purchase or obtain liability insurance, performance bond, or property insurance.~~
- (6) Provisions requiring the NWTNWB to *only* insure, indemnify, or hold harmless any party from claims, which may arise out of the agreement or be brought by third parties. *Language that holds both parties equally liable can be considered. Language as follows is acceptable "Neither party shall be responsible for personal injury or property damage or other loss except that resulting from its own negligence or the negligence of its employees or others for whom the party is legally responsible."*
- (7) Provisions requiring the NWTNWB to obtain or pay for outside labor of persons not employed by the NWTNWB are prohibited unless such cost is included as part of the total contract price.
- (8) Provisions requiring the NWTNWB to consent to the arbitration by a third party of claims arising out of or relating to the agreement. *Language as follows is acceptable "In the event any controversy or claim arises in connection with any provision of this Agreement, the parties shall try to settle their differences amicably between themselves by referring the disputed matter to their respective designated representatives for discussion and resolution. Either party may initiate such informal dispute resolution by sending written notice of the dispute to the other party, and if such representatives are unable to resolve such dispute within thirty (30) days of initiating such negotiations, either party may seek the remedies available to such party under law. The provisions of this section are subject to the requirements of T.C.A. §8-6-301 and T.C.A. § 20-13-103.*
- ~~(9) Disclaimer of vendor's liability for incidental, liquidated, exemplary, or consequential damages.~~
- ~~(10) Disclaimer by vendor of express or implied warranties of merchantability and fitness for a particular purpose.~~
- (11) Limitation on dollar amount of damages recoverable by the NWTNWB from vendor.
- (12) Unless vendor provides shipment insurance protecting the NWTNWB's interest, passing of risk of loss or title to NWTNWB before delivery and/or installation of products.
- (13) Right of vendor to enter NWTNWB's premises without notice to remove equipment or product upon alleged default by the NWTNWB.
- (14) Award of attorney's fees to vendor in the event of legal action against NWTNWB. *The best alternative is to delete the language, but if the Contractor objects to deleting it, substitute the following: Any and all monetary claims against the NWTNWB, its officers, agents, and employees in performing any responsibility specifically required under the terms of this Agreement shall be limited as provided in T.C.A. § 9-8-307.*
- ~~(15) Consent to jurisdiction in courts outside Tennessee.~~
- (16) Provisions requiring the NWTNWB to pay late charges, finance charges, collection costs, or interest in excess of that provided under Tennessee Prompt Pay Act (T.C.A. Section 12-4-701 et seq.). *Per TN Code § 12-4-704 (2020), interest shall accrue and be charged on payments overdue under § 12-4-703 at one and one-half percent (1½%) per month beginning on the day after payment is due. Interest which is unpaid at the end of each sixty-day period or at the end of any specified period provided by contract shall be added to the principal amount of the debt and shall thereafter accumulate interest. Per TN Code § 12-4-706 (2020), this part is not applicable if an agency's failure to pay timely interest required by §12-4-704 is the result of a dispute between the agency and the business over the amount due or over compliance with the contract.*

- (17)Term of the agreement/contract longer than five (5) calendar years, **unless approved by the Board of Directors when appropriate.**
- (18)Provisions requiring the NWTNWB to keep vendor's information confidential (Tennessee Open Records Act, T.C.A. Sections 10-7-503-10-7-506).
- ~~(19)Provisions requiring the NWTNWB to carry or maintain commercial or general liability insurance.~~
- (20)Provisions requiring the survival of paragraphs upon termination of the agreement/contract when those paragraphs are not in accordance with NWTNWB Policies and Guidelines.

Only the Executive Director can approve applications for all grants from agencies or organizations, acceptance of the award of the grant, and enter into agreements confirming grants, provided that where matching funds or services in lieu of funds are required by the NWTNWB. No applications shall be made unless the operating budget provides the funds and/or resources necessary for the project. The Executive Director is further authorized to accept the award of a grant and enter into agreements confirming grants; further provided that the acceptance of grants and agreements confirming the award of grants shall be subject to the standard guidelines listed above.

In any agreement/contract which requires participation by an applicant, participant, or employee of the NWTNWB in a program or activity conducted in whole or in part by any other person or organization or which facilitates, permits or considers participation by such persons as part of or equivalent to a program or activity of the NWTNWB, the NWTNWB shall require the person or organization to agree that no person shall, on the basis of sex, race, color, religion, handicap, veteran status, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under the program or activity. Breach of this provision shall be cause for termination of the agreement.

All agreements, contracts, and subcontracts shall contain all necessary non-discrimination requirements provided by Federal or State laws and regulations.

All agreements/contracts not expressly requiring the approval of the Executive Director may become effective upon the approval of the President of the NWTNWB or his/her designee, subject to the general requirements of this policy. In the event there is any question as to whether an agreement or contract shall be submitted for the approval of the Executive Director or the General Counsel, the agreement or contract should be routed to the fiscal office.

The Executive Director may direct that copies of any and all agreements/contracts entered into by the NWTNWB be submitted for informational and record-keeping purpose or to ensure compliance with this policy and may direct that certain or all agreements/contracts of the NWTNWB be submitted for prior review and approval when deemed necessary to ensure such compliance. In addition, the Executive Director may require annual reports on the type and number of agreements/contracts entered into by the NWTNWB, with additional information when necessary.

When the Executive Director is absent and a situation arises where an agreement or application must be submitted prior to his/her return, the authorized signatory will be allowed to approve for the **Executive** Director.

Requests for Payment

After the service has been performed and an invoice has been received by the **Financial Coordinator Account Clerk**, the fiscal department must approve the invoice. The contract number must be referenced on the invoice. At no time will the contractor receive payment before the service has been completed and an invoice has been received by the fiscal department. For payments to individuals, information required for the preparation of Form 1099 must be included with the contract.

Payment made to non-employees for personal services are not subject to any deductions. Neither is it required that these payments be included on Form W-2. Internal Revenue Service regulations do require, however, that consultant fees, etc., be reported on Form 1099. The Social Security number and the home (not business or educational institution) mailing address of each individual must be provided on the check in order that they may be reported on Form 1099. Form 1099 will be prepared and submitted at year-end by the NWTNWB and will indicate the total payments that have been made to an individual or group during the preceding year.

Definitions

Catering Contract: a contract for any dollar amount issued for any catered event or meeting.

Service Contract: a contract that is issued for any service (and/or good) provided to NWTNWB at a negotiated cost equal to or greater than \$1,000.00. This includes personal, professional and consulting services.

Payment of Invoices

Invoices should be sent to the NWTNWB office via US mail, fax, email or hand delivery within 30 days from the date of the invoice or the date the goods or services were received, whichever is later. This will allow 15 days to process the approval and payment to comply with the Tennessee Prompt Payment Act. Note: payment of invoices within 15 days is contingent upon the availability of funding due to the ~~minimum 14 day~~ waiting period for payment of requested funds from the TDLWD.

Invoices will be paid only upon confirmation of receipt. Invoices will not be paid from statement. All statements received directly by staff should be sent to the fiscal department for follow-up of unpaid items.

Cost Reimbursement Contracts are to be invoiced monthly, or for OJT's, at the completion of the training hours. Below are the steps in reviewing and approving for payment.

- (1) An invoice, along with supporting documentation, is submitted to NWTNWB for payment.
- (2) The invoice is forwarded to the contract manager for their review and approval, if applicable.
- (3) Once the contract manager has made their initial review of the invoice, they sign off and return it to the fiscal department to be processed for payment.
- (4) All supporting documentation is reviewed and verified by at least one fiscal staff. If any discrepancies are found, the contract manager is contacted so the necessary corrections can be made.
- (5) Once the invoice has been reviewed by all parties and is ready to be processed for payment, ~~the Financial Coordinator~~ **Account Clerk** enters the invoice into QuickBooks ~~and the invoice is then reviewed by the Assistant Director of Finance.~~
- (6) The Director of Finance or Executive Director designee and / or Executive Director will review the invoice for accuracy and approve for payment by signing the check. The members of the Board of Directors of the NWTNWB are also authorized to sign as a second signature.

Vendors expect the NWTNWB to make prompt payment of its obligations. In certain circumstances, state law provides for interest to be paid to vendors in cases of late payments.

Audit Requirements

In accordance with [§200.501 - Audit requirements](#), a non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted in accordance with §200.514 Scope of audit except when it elects to have a program-specific audit conducted in accordance with paragraph (c) of this section. When an auditee expends Federal awards under only one Federal program (excluding R&D) and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit conducted in accordance with §200.507 Program-specific audits. A program-specific audit may not be elected for R&D unless all of the Federal awards expended were received from the same Federal agency, or the same Federal agency and the same pass-through entity, and that Federal agency, or pass-through entity in the case of a subrecipient, approves in advance a program-specific audit.

Except for the provisions for biennial audits provided in paragraphs (a) and (b) of §200.504, audits required by this part must be performed annually. Any biennial audit must cover both years within the biennial period.

(a) A state, local government, or Indian tribe that is required by constitution or statute, in effect on January 1, 1987, to undergo its audits less frequently than annually, is permitted to undergo its audits pursuant to this part biennially. This requirement must still be in effect for the biennial period.

(b) Any nonprofit organization that had biennial audits for all biennial periods ending between July 1, 1992, and January 1, 1995, is permitted to undergo its audits pursuant to this part biennially.

In cases of continued inability or unwillingness to have an audit conducted in accordance with this part, Federal agencies and pass-through entities must take appropriate action as provided in §200.338 Remedies for noncompliance.

Auditee Responsibilities

According to §200.508, the auditee must:

(a) Procure or otherwise arrange for the audit required by this part in accordance with §200.509 Auditor selection, and ensure it is properly performed and submitted when due in accordance with §200.512 Report submission.

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial statements.

(c) Promptly follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with §200.511 Audit findings follow-up, paragraph (b) and §200.511 Audit findings follow-up, paragraph (c), respectively.

(d) Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit required by this part.

Auditor Selection

According to §200.509:

(a) Auditor procurement. In procuring audit services, the auditee must follow the procurement standards prescribed by the Procurement Standards in §§200.317 Procurement by states through 20.326 Contract provisions of Subpart D- Post Federal Award Requirements of this part or the FAR (48 CFR part 42), as applicable. When procuring audit services, the objective is to obtain high-quality audits. In requesting proposals for audit services, the objectives and scope of the audit must be made clear and the non-Federal entity must request a copy of the audit organization's peer review report which the auditor is required to provide under GAGAS. Factors to be considered in evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price. Whenever possible, the auditee must make positive efforts to utilize small businesses, minority-owned firms, and

women's business enterprises, in procuring audit services as stated in §200.321 Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms, or the FAR (48 CFR part 42), as applicable.

(b) Restriction on auditor preparing indirect cost proposals. An auditor who prepares the indirect cost proposal or cost allocation plan may not also be selected to perform the audit required by this part when the indirect costs recovered by the auditee during the prior year exceeded \$1 million. This restriction applies to the base year used in the preparation of the indirect cost proposal or cost allocation plan and any subsequent years in which the resulting indirect cost agreement or cost allocation plan is used to recover costs.

(c) Use of Federal auditors. Federal auditors may perform all or part of the work required under this part if they comply fully with the requirements of this part.

Attachments

Monthly Worksheet

Draw Summary Worksheet

~~TDLWD Signature Authorization Forms~~