Date of Issue May 30, 2000
Office of Issuance: AWI FG 00-011
Reference Contract Payments Documentation

FINAL GUIDANCE
GUIDELINES FOR WRITTEN PROCEDURES GOVERNING BACKUP DOCUMENTATION FOR CONTRACT PAYMENTS

Of INTEREST TO: The State Workforce Development Board, Regional Workforce Development Boards (RWDBs), One-Stop Center Operators and Partners, Division of Workforce Employment Opportunities Regional Administrators, and local offices

SUBJECT

Guidelines for Written Procedures Governing Backup Documentation for Contract Payments

PURPOSE

The purpose of this directive is to establish minimum requirements for written local procedures governing the maintenance of backup documentation for contract payments. This directive will provide for the maintenance of payment documentation at the subrecipient and service provider level.

BACKGROUND AND UNDERLYING POLICY

The Workforce Investment Act (WIA), Section 184(a)(1) requires the State to establish such fiscal control and fund accounting procedures as may be necessary to assure the proper disbursal of, and accounting for, Federal funds allocated under subtitle B. It also requires that the procedures ensure that all financial transactions carried out under subtitle B are conducted and records maintained in accordance with generally accepted accounting principles applicable in each State. Section 185(a)(1) requires recipients to keep records that are sufficient to permit the preparation of reports required by this title and to permit the tracing of funds to a level of expenditure adequate to ensure that the funds have not been spent unlawfully. In addition, the Assurances to Florida's Welfare-to-Work plan indicate the state and the local subrecipients will follow the audit requirements of OMB-Circular A-133 and allowable cost/cost principles of OMB Circular A-21, A-87 or A-122, whichever is applicable. These OMB Circulars may be found at http://www.whitehouse.gov/OMB.

These requirements convey the importance of an adequate and proper financial management system. However, federal requirements are not definitive regarding the exact nature of financial documentation to be maintained and at what level it is to be maintained, whether at the recipient (state), subrecipient (local), or service provider levels. The exact nature of the documentation to be maintained is not specified, but instead minimum requirements are provided for a review system to ensure that adequate documentation is maintained.

Definitions:
Recipient: WIA at §660.300:
The entity to which a WIA grant is awarded directly from the United States Department of Labor to carry out a program under Title I of WIA. The State is the recipient of funds awarded under WIA sections 127(b)(1)(C)(i)(II), 132(b)(1)(B) and 132 (b)(2)(B).

Subrecipient: WIA at §660.300:
An entity to which a subgrant is awarded and which is accountable to the recipient (or higher tier subrecipient) for the use of the funds provided.

Service Provider:
A public agency, a private nonprofit organization, or private-for-profit entity that delivers educational, training, employment or supportive services (or other appropriate services) to WIA and other participants. Awards to service providers may be made by subgrant, contract, subcontract, or other legal agreement.

For costs to be allowable, sufficient documentation must be maintained to ensure that funds have not been spent unlawfully and also for required reporting purposes. It is the responsibility of the subrecipient to establish procedures to ensure compliance with documentation requirements. Each subrecipient must have in place an adequate system that provides for backup (source documentation) of all invoices; all of this documentation must be maintained on file. However, the location of the documentation may vary. The subrecipient's local procedures must be contained in a financial management manual and/or procedural document (s). These documents should be current and readily available. Governmental entities subject to state and federal law, regulations, circulars and Comptroller memoranda are not required to develop separate financial management procedures in order to satisfy the requirements of this paper.

The subrecipient's established procedures must address the following:

- the instances or cases where documentation will be maintained at the subrecipient level versus with the service provider;

- how often reviews are to be conducted, whether quarterly or less often, and an explanation as to why such frequencies were selected;

- required procedures which ensure, in cases where the contract is with a new non-governmental service provider (meaning a non-governmental entity with no previous track record with the subrecipient), that an initial contract period is used, during which time the subrecipient maintains backup documentation for all invoices submitted. The length of the initial contract period is to be determined by the subrecipient;

- any probationary periods to be used for service providers, during which time the subrecipient maintains backup documentation; and

- procedures related to the maintenance of backup documentation by lower tier subrecipients (where a service provider has subcontracted with another entity).

All Workforce Investment Act (WIA) and Welfare-to-Work (WtW) recipients and subrecipients, and any other subrecipient of grant funds from a workforce development program administered by the Division of Workforce and Employment opportunities (including other state agencies receiving contracts from the Department of Labor and Employment Security) are required to adhere to these procedures. Any entity/organization, which is subject to other relevant federal and/or state governing provisions, shall adhere to those provisions, in addition to the provisions contained in this procedure.