



Employment Security Department

WASHINGTON STATE

Workforce Innovation and Opportunity Act Title I Policy Employment System Administration and Policy

Washington envisions a nationally recognized fully integrated One-Stop system with enhanced customer access to program services, improved long-term employment outcomes for job seekers and consistent, high-quality services to business customers. In order to achieve this vision, Employment System Administration and Policy sets a common direction and standards for Washington's WorkSource system through the development of WorkSource system policies, information memoranda, and technical assistance.

Policy Number: 5200, Revision 3

To: Washington WorkSource System

Effective Date: December 17, 2021

Subject: Fiscal Definitions

1. **Purpose:**

This policy provides the definitions of fiscal terms as defined by Federal and State regulations that will apply to Workforce Innovation and Opportunity Act (WIOA) Title I programs and activities.

2. **Background:**

The Office of Management and Budget (OMB) published requirements for federal award programs entitled Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (also known as the Super Circular) codified at 2 CFR 200. The guidance superseded and consolidated the requirements from OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102, A-133, and A-50. This policy contains fiscal terms as defined by Federal and State regulations and in use in the State's fiscal WIOA Title I policies.

3. **Policy:**

See Definitions.

4. **Definitions:**

Accrual Basis - The basis of accounting whereby revenues are recognized when earned and measurable regardless of when collected; and expenses are recorded on a matching basis when incurred, without regard to the date of receipt or disbursement.

Accrued Expenditures - Expenditure charges made by a non-Federal entity to a project or program for which a federal award was received but which have not been paid. Expense is recognized when incurred. Example: An order for goods has been placed, but the invoice has

not been paid. Accrued expenditures are expected to be paid in a subsequent accounting period.

Administrative Cost Pool - Administrative funds from all WIOA sources contained in a single grant or "pool." Such funds lose identity with regard to the original fund source.

Allowable Prepaid Expense - Disbursement made for benefits not yet received, such as:

- A two-year insurance premium should be accounted for as a prepaid asset and it becomes expensed over the life of the policy;
- Non-refundable, pre-paid tuition would be a current expense;
- A year's paid tuition would be a current expense for the non-refundable portion. The remainder would be expensed over the year, as it becomes non-refundable; and
- Payment for equipment that has been shipped and to which title has passed to the buyer is considered an expense. Governmental accounting does not usually use depreciation as a method of spreading costs over the useful life of the equipment. Magazine subscriptions are expensed when paid. This is an immaterial item and would not be in the prepaid category.

Cognizant Agency for Indirect Costs – The Federal agency responsible for reviewing, negotiating, and approving cost allocation plans, or indirect cost proposals developed under this part on behalf of all Federal agencies (2 CFR 200.19). If your organization does not have a federally approved cost allocation plan or indirect cost rate proposal from a cognizant agency, your organization will be required to submit a cost allocation plan or indirect cost rate proposal to ESD for approval. ESD can no longer pass-through federal funds to an organization that does not have an approved cost allocation plan or indirect rate proposal.

Consultant - A person or entity that can provide valuable and pertinent advice generally drawn from a high degree of broad administrative, professional, or technical knowledge or experience, is not responsible for deliverables or outcomes, and charges an hourly fee for that opinion and advice. When an [agency](#) requires public advisory participation, a [consultant](#) also may be a person or entity that is affected by a particular program and can provide useful views from personal experience. Note: Per the U.S. Department of Labor's federal award terms, fees paid to consultants that provide services to WIOA Title I programs are limited to \$750 per day based on time spent on an eight-hour workday, excluding ancillary expenses. Fees in excess of this amount can be paid with prior approval from a federal Department of Labor (DOL) Grant Officer.

Contract/Agreement - A legal instrument by which the fiscal agent, service provider, or subrecipient is committed to pay for goods, property, or services needed to accomplish the purposes of the contract/agreement.

Contractor (Previously Vendor) - An entity responsible for providing generally required goods or services related to the administrative support of the Federal award. These goods or services may be for the recipient's or subrecipient's own use or for the use of participants in the program. Distinguishing characteristics of a contractor include:

- Providing the goods and services within normal business operations;
- Providing similar goods or services to many different purchasers;
- Operating in a competitive environment;
- Providing goods and services that are ancillary to the federal program;

- Program compliance requirements do not pertain to the goods or services provided;
- Generally charges a fixed fee for the product or service.

Cost Allocation - A process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship. The process may entail assigning a cost(s) directly to a final cost objective or through one or more intermediate cost objectives.

Cost Allocation Plan – A written description of the allocation process. The plan must be supported by formal accounting records, signed by an authorized agency official, include a process for reconciliation and adjustment and be periodically validated and updated.

Credit - Return of a previously recorded disbursement in which an over-payment occurred.

De Minimis Indirect Rate – The maximum rate allowable for claiming indirect costs for entities that do not have an approved indirect rate from their cognizant federal agency or their pass-through entity.

Direct Credit - Costs that can be specifically identified with particular projects, activities, or objectives. Detailed definitions of direct cost are found in applicable "cost principles."

Disbursements - Payment made by cash, check, journal voucher or other technological/electronic payment methods.

Expenditures - The cost of goods delivered, or services rendered, whether paid or unpaid, where accounts are kept on an accrual or modified accrual basis.

External Audit - Audits conducted by auditors who are independent, both in fact and in appearance, from the organization being audited.

Fiscal Agent - The grant recipient, or other entity identified by the grant recipient, that receives WIOA funds for a Local Workforce Development Board (LWDB) directly from the State.

Indirect Costs (Facilities & Administrative [F&A] costs) - Those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

Indirect Cost Rate – An indirect cost rate is a percentage (indirect cost pool/direct cost base) used to distribute indirect costs to all cost centers benefiting from those costs.

Interest Earned - Earnings on federal cash advances that are deposited in interest-bearing accounts. Interest earned must be reported to the State.

Internal Audits - A function within an organization for the review of financial and programmatic operations as a service to management.

Journal Voucher - For purposes of this policy, a document provided for recording the transfer of funds between state agencies, and to record accruals and other adjustments to account balances.

Leveraged Resources – All resources used by the grantee to support grant activity and outcomes, whether or not those resources meet the standards required for match.

Match – Additional non-Federal resources expended to further the grant objectives, if required either by statute or within the grant agreement as a condition of funding. All matching funds must be spent on allowable grant activities and in accordance with cost principles.

Minimum Cash Balance - The cash on hand to meet immediate cash needs.

Obligation - The dollar amount of orders placed, contracts, and subawards made, goods and services received, and similar transactions and items specified on an obligation record during a funding period that will require payment during the same or future period. Examples of this are contract and subrecipient agreements and purchase orders.

Pass-Through Entity - A non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

Program Income - Earning realized from grant-supported activities. Such earnings include interest income and may include, but will not be limited to, income from service and conference fees, commodity sales and rental fees.

Program income will also include earnings that are in excess of costs and realized by public agencies or private non-profit organizations from contracts that are WIOA-funded reimbursable awards. Program income will be used to pay for allowable WIOA activities.

Service Provider - An organization, entity, or individual under contract, whether sole source or competitively bid, to provide WIOA administrative or program services.

Settlement of Grants or Contracts - The process by which the state grantee obtains a final accounting of the grant or contract.

Stand-In Costs - Costs that can be substituted for otherwise unallowable costs charged to WIOA. The requirements to be considered as potential "stand-in" costs are as follows:

- Must be allowable WIOA costs that were actually incurred but not charged to the WIOA program because of funding limitations, local division, or any other reasons.
- Must have been reported as uncharged WIOA program costs and accounted for in grantee/contractor financial systems.
- Must be adequately documented in the same manner as all other WIOA program costs.
- Must be from the same WIOA Title cost category and funding period as those costs which were unallowed/disallowed.

State Subrecipient - Any person, organization, or other entity, other than a LWDB fiscal agent, receiving WIOA funds directly from the Governor.

Subrecipient - An entity that receives federal assistance passed through from a prime recipient or another subrecipient to carry out or administer a WIOA program. Distinguishing characteristics of a subrecipient include:

- Determining eligibility for assistance;
- Performance measured against meeting the objectives of the program;
- Responsibility for programmatic decision making;
- Responsibility for applicable program compliance requirements;
- Use of the funds passed through to carry out a program of the sub-entity as compared to providing goods or services for a program of the prime recipient.

Unliquidated Obligations - Any obligation incurred for which an accrued expenditure has been recorded, as of the reporting period end date.

Warrant - The payment instrument for each invoice voucher submitted for payment.

5. References:

All fiscal policies and guidance letters published for WIOA are governed, as appropriate, under:

- [Public Law 113-128](#)
- [2 CFR Part 200 Subpart A-Acronyms and Definitions](#)
- [Generally Accepted Accounting Procedures \(GAAP\)](#)
- [One-Stop Comprehensive Financial Management Technical Assistance Guide Part II](#)

6. Supersedes:

WIOA Title I Policy 5200, Revision 2

7. Website:

<https://wpc.wa.gov/policy/state/WIOA>

8. Action:

Local Workforce Development Boards and their contractors must distribute this policy broadly throughout the system to ensure that WorkSource System staff are familiar with its content and requirements.

9. Attachments:

None

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