**WorkforceGPS**

**SMART 3.0 Series: Financial Management Procedures and Internal Controls**

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GRACE MCCALL: Everyone, and welcome to today's webinar, "Financial Management Procedures and Internal Controls SMART 3.0 training."

My name is Grace McCall and I am here if you need anything technically speaking. Hopefully, you won't need to hear too much from me, but if you do have any technical questions please let us know in the chat window on the bottom left-hand side of your screen. That chat window is also where we'd like you to introduce yourself. Go ahead and type into that chat your name, your organization and how many are joining you today if you're attending in a group. You may also use that chat to ask presenters any questions you may have during the webinar.

You'll also notice we have a copy of today's presentation and additional files uploaded into the file share window on the bottom right-hand side of your screen. You can download those at any time throughout today's webinar. Also, a copy of today's presentation as well as a transcript, recording and executive summary will be made available on WorkforceGPS in about two business days.

Additionally, to continue producing quality content, we will be sending out a follow-up survey in a moment's time. Please take a few seconds to fill that out once the webinar concludes. We will be sending out a follow-up survey in a month's time.

Again, if you haven't already done so or if you're just joining us, please introduce yourself in the welcome chat. We'll have that chat up throughout today's webinar. We can answer your questions or comments at any time.

And welcome to "Financial Management Procedures and Internal Controls: SMART 3.0 Training."

So without further ado, I'd like to turn things over to one of our speakers for today, Latonya Torrence, division chief, OGM, DPRR, United States Department of Labor, Washington, DC. Latonya?

LATONYA TORRENCE: Thank you very much. Again, I would like to welcome everyone to the SMART 3.0 training, Financial Management Procedures and Internal Controls. And as mentioned, my name is Latonya Torrence and joining me today will be Glarion Webb. We like to call him GW and he is out of our region four office in Dallas, Texas.

So let's get started. So what do we mean by the term SMART? It stands for Strategies for sound grants management that comprises Monitoring, Accountability, Risk mitigation and Transparency. These four themes is what you will see we've woven throughout the OMB uniform administrative requirements.

So why did we develop the SMART training and why are we here presenting what we believe to be valuable information? We believe that in order for our programs to be successful, our grant recipients need to be equipped with resources to help them be successful and we thought it was important to bring this training to you guys along with all of our other resources. We feel that it's important to strengthen the connection between this SMART presentation and many of our other resources such as our core monitoring guide, our technical assistance guide and all of the other trainings that are on the WorkforceGPS application.

So we're offering these webinars over the next few months. We've already three and after today we'll have 12 more that we hope that you will sign up for. So if you're returning to a SMART series, we'd like to welcome you back. For our new participants, we encourage you to go online and register for the remaining webinar series. Next week will be featuring budget management and grant modifications and securement in contract administration.

Next slide please. And here are those other resources that we put into this grant management toolbox. We want everyone to recognize that you have at your disposal the uniform guidance to CFR 200 and 2900, the technical assistance guide, the core monitoring guide. That guide is important because it give you an idea of what the Department of Labor employees will come up to your office and review to ensure that you are adhering to the rules and regulations.

You have that at your fingertips. You can go into that guide and prepare your book so we can go ahead and have a successful grant. We have the SMART training that you're participating in now. We have your grantee handbook, the one that you receive when you're awarded a grant. And again, we have all of the trainings that are available to you on the WorkforceGPS. These are all available to you all well as your subrecipients.

Slide please. So in this module, we would like to review core systems of financial management. We want to identify requirements for internal controls, describe the framework for an internal control system and identify key financial areas that we must have in our internal control activities. And then lastly, we want to identify policies and procedures that the uniform guidance requires and then provide some suggestions on how your program can increase organizational efficiency.

Next slide please. So why are we here talking about sound financial management and internal controls? Well, the uniform guidance has expanded previous financial administrative requirements and it has increased its focus on internal controls. Internal controls are an integral part of organizational planning and they are designed to safeguard assets to encourage adherence to entity policies and procedures and to promote operational efficiency.

And as custodians of federal funds, it is your responsibility to ensure funds are used properly and those internal controls will help ensure compliance with federal statues, regulations and terms and conditions of your award. They are also there to reduce risk and help you operate your grant in a manner that both comprises ETA regulations and meets your organization's needs. So as we go through this module, we will help you understand what the uniform guidance requirement for internal controls are and why is it necessary to have effective practical internal control policies and procedures.

Next slide. Financial management. Well, we will talk about sound management practices, financial management standards and effective management systems.

Next slide. So on this module, you'll hear us refer to the UG, uniform guidance, and specific citations as it relates to sound management practices. Here we have one as 200.400, the policy guide. And the fundamental premise of the policy guide is that the non-federal entity is responsible for efficient and effective administration of the award through the use of sound management practices and administering federal funds in compliance with agreement, program objectives and the terms and conditions of the federal award.

There are, however, certain requirements and principles that apply to all grants. The heart of an effective control environment is described in the sections of subpart D of the uniform guidance, but perhaps the two most critical areas are 200.302, which is financial management, and 200.303, which is internal controls. Now, the non-federal entity has the responsibility for employing whatever form of sound organization or management techniques may be necessary to ensure proper and efficient administration of the federal award.

These should be specific to your own unique combination of staff, facilities and experience. Now, I want you to remember your toolbox because here you will find in the technical assistance guide, chapter one in the ETA grant management overview a discussion of sound financial management practices and you will also find them in your core monitoring guide under activity three.

Next slide please. What do we mean when we say financial management standards? At the uniform guidance, again we identify the citation 200.302. It tells us that all federal entities must maintain a financial system including records documenting compliance with federal laws, regulations and the terms of the awards. They need to be sufficient enough to prepare required reports and track funds to a level that is adequate to determine that expenditures are in compliance with those laws, regulations and award terms governing their use.

And the regulation goes on to tell us of the basic component that the financial management system of each non-federal entity must provide, and this slide identified those. Identify all federal receipts and expenditures. Federal program and federal award identification must include the CFDA title and number, federal award identification number and year, name of the federal agency and the name of the pass-through entity.

You must have accurate, current and complete disclosure of the financial results of each federal award or program. You should have records that adequately identify the source and application of funds for federally funded activities. You should also have effective control over and accountability for all funds, property and other assets. Another component is comparison of expenditures with budget amounts of each federal award.

And along with those go written procedures to implement the requirements of 200.305 payments as well as written procedures for determining the allowability of cost in accordance with subpart E of the uniform guidance, which is cost principles, and the terms and conditions of your federal award. And I just wanted to remind you that we do have a new tag that will be available by the end of the calendar year.

Next slide please. As I mentioned earlier, the uniform guidance has increased its emphasis on internal controls by providing the requirements as a standard for financial and program management at 200.303. So as you go back to your organizations or if you're sitting here thinking now, you should be asking yourself does your organization ensure segregation of duties and are the roles of your staff clearly delineated?

Do your written policies and procedures cover everything that is required by the uniform guidance? Is your staff properly trained on operations? And if you update your policies and procedures, are they communicated to your staff? Do you have effective oversight at all levels of your organization? And also and again, is there effective communication and information sharing? Do the right people have the right information?

Next slide please. As used in the uniform guidance, the term internal controls broadly describes all the components of an effective controlled environment, which includes monitoring, oversight and effective communication, and in the next section, GW will get more detailed into internal controls and its activities.

But your internal control system, your internal controls for your financial system should include accounting controls. You know, what are your required approvals? What are your reconciliations? It should have useful – it should be able to produce useful, accurate and timely reports. What about your budget controls? How are you planning out the expenses associated with your grant programs? There should be adequate asset management and record retention. And finally, what controls do you have in place over your record retention and access to those records and to your system?

Next slide please. So with that brief introduction, we have a knowledge check. This is an opportunity for you all to participate. So some of you have already started. Which of the following does the uniform guidance consider to be a part of an effective grant management system, financial management system?

OK. A lot of you are giving results and while you're doing that, I am going to just give you a few of the answers or some of the answers. So we know segregation of duties is required for an effective financial management system. Written policies and procedures and we will cover those, which ones are required and which ones are strongly recommended. Training is another internal control because obviously that is what we're here to talk about today. Effective oversight at all levels of your organization, effective communication and information sharing.

So at this time, I will turn over the presentation to G.W., who will discuss internal controls.

GLARION WEBB: OK. Thank you, Latonya. Good afternoon, everyone. We are excited to have you join us again with another session of our 3.0 SMART training and we're going to get right into our next topic, which is internal controls. We want to talk about some of our, those things that we have here with identifying uniform guidance requirements for internal controls. We're going to talk about the internal control framework. Whether you are a non-profit organization, college, what-have-you or even government entity which uses the green book, those frameworks are identical. And then we will talk about some of our internal control activities.

So what is the goal of internal controls in the federal environment? It is to provide reasonable assurances that the grant requirements are complied with in a timely and cost-effective manner. Also, that we are able to work in a grant environment effectively and efficiently while staying in compliance with required regulations. Those required regulations could be federal regulations, FOA, which is the Funding Opportunity Announcement including grant agreements or any special clauses and conditions that you may have in your grant package.

So what is the definition of internal controls? It is the process designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of internal and external reporting and compliance with the laws and regulations. And again, those laws and regulations could be applicable as well to any other of the special clauses, conditions that you may have in your specific grant package.

So internal controls of compliance requirements. 2 CFR 200.62 provides to us that internal controls of compliance, the process implemented by non-federal entities to provide reasonable assurance regarding the achievement of the following objectives for federal award.

Number one, transactions are properly recorded and accounted for in order to prepare reliable financial statements, federal reports, maintain accountability over assets and also demonstrate compliance with federal statutes, regulations, terms and conditions of your award. It is also to provide transactions that are executed in compliance with federal statutes, regulations, terms and conditions and any other federal regulations that are identified in the compliance supplement. Also, this is to ensure that funds, property and other assets are safeguarded against loss from unauthorized use or disposition.

So here on this slide, you see a couple of requirements that we've outlined and these can be referenced in 2 CFR 200.303. The first one lists having an effective internal controls or federal award that provides assurance, compliance with federal regulations, statutes, terms and conditions. Evaluate and monitor compliance for those of you that may be grant recipients that have subawards. Of course, for our grants you are required to monitor those subawards to ensure compliance. The next section talks about prompt action when instances of noncompliance are identified. A lot of times when you take swift action, it's to prevent an issue from escalating and becoming something bigger than what it really should be or really has to be.

And then, last item is safeguarding and protecting personal identifiable information. We know it as PII and person and personal identifiable information can be physical. It can be also electronic, so it is very important that you realize, even with sending e-mails, the capability of providing or sharing PII.

Internal controls at the subrecipient level. The subrecipient has the same responsibility as a recipient when it comes to internal controls. The subrecipient must establish and maintain the effective internal controls of the federal award. And so, a lot of times, just like this juncture that we're providing training and technical assistance, we often share with our grantees the importance of a subrecipient understanding their level of responsibility matching that of the recipient when it comes to internal controls.

And so, if you are a pass-through entity, you have the responsibility of reviewing and understanding your subrecipients' internal control system. That should include evaluating each subrecipient's risk of non-compliance with federal statue regulations, terms and conditions of the subaward for the purpose of determining the appropriate subrecipient monitoring. And monitoring the activities of the subrecipient is necessary to ensure that the subaward is used for authorized purposes and that it is also in compliance with federal statutes, regulations, terms, conditions of the subaward.

Here we want to talk about two of the different frameworks for internal controls. I mentioned earlier for those organizations that may be non-profit organizations, colleges, etc. and we also may have some entities out there that may be considered government. And so, for government the framework for internal controls is covered under the Standards for Internal Controls in Federal Government, also known as the Green Book.

We've provided two hyperlinks here in the presentation that will give you direct links to those frameworks. And then the second one is called COSO, c-o-s-o, which is the Internal Controls for Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. These two frameworks identify the functions and operations for which non-federal entities must have written policies and procedures.

So let's talk a little bit about COSO and how it views internal controls. Internal controls is a process. It's a process that's designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. It's affected by an entity's board of directors if you have a board of directors, executive management, management or other personnel and it should be carried out by individuals who must be given the tools and structure and who must be held accountable.

So here we're looking at a framework of how COSO is designed. If you look at the first icon, you'll see that the first icon shows us the control environment, being able to have control of the activity that goes on in your organization.

The next is risk assessment. What's the purpose of a risk assessment? What will a risk assessment determine? Well, risk assessment will help you determine whether or not the activity or the entity that you're planning to go into contract or agreement with, whether or not they were successful with previous awards, whether or not they had issues, either programmatically or financially.

You can look at past single audit reports to determine if the organization had findings, if a corrective action plan was developed by management and if their corrective action plan was actually followed and those findings were resolved. So a risk assessment can be very informative to you as a pass-through entity in making the decision or determination of whether or not you should go into an agreement with a specific entity.

And then control activities. What are those activities? Being able to determine if something should have specific safeguards. And then a section that Latonya mentioned about information and communication. It is important to have a clear line of communication when it comes to internal controls, even with developing policies and procedures, ensuring that those policies and procedures are disseminated to the individuals that have a necessity to know what they are and to carry them out.

And then finally, monitoring, following up, determining whether or not the entity is in fact in compliance with laws, regulations or grant agreements or in this case, subawards if you are a pass-through entity.

But let's talk a little bit about some of these terminologies. So controlling environment. What is it? It sets a standard for processes and structure that provides the basis for carrying out internal controls across the organization. It should be persuasive influence on all decisions and activities of the organization and an effective organization sets a positive tone at the top.

We share with our grantees all the time internal controls actually starts at the top down. It should be expressed from management all the way down to managers, supervisors and to staff or individuals that are working at your organization. Some of the factors should include integrity, ethical values and competent employee, and management's philosophy and operating style of the organization.

Continuing with control environment, your organization should demonstrate integrity and ethical values. You should be able to show a commitment to a track and develop and retain competent individuals that align with your organization objectives. Board of directors should demonstrate independence if you have a board of directors.

It should demonstrate independence from management to be able to exercise and show actual oversight of the performance and internal controls of your organization. And then again, it should include management's philosophy as the foundation that includes appropriate authorities, responsibilities and pursuit of the organization's objectives.

We talked a little bit about risk assessment and some of the benefits that a risk assessment could be to you as an organization or as an entity, particularly if you have a subaward. Some of the things to look for, risk assessments are internal and external events that threaten the accomplishment of objectives.

Some of the methods and processes used by an organization to manage risk and seize opportunities related to the achievement of their outcomes. And so, if you can see the arrows that are pointing to the right, we have a little flowchart here that gives us an idea about identifying risk, assessing risk, being able to prioritize those risk and then if risk is actually identified, being able to respond to those risks.

Here we have an example of a risk assessment related to equipment. 2 CFR 200.313 talks about being able to secure and restrict access to equipment to reduce the risk of loss or unauthorized use. Performing periodic physical inventories to verify the existence of the equipment, the quantities, the location of the equipment, the condition of the equipment and the utilization. How is it being used? And then the last section talks about the base level of security and the vulnerability of items being secured, the likelihood of loss and the potential impact, should a loss occur.

COSO in the third component talked about control activities. It gives you some insight and some tips. Here, one of the first tools that's mentioned is policies and procedures and processes. If you know a lot about internal controls. If you don't know a lot about internal controls, the way you test it is actually through policies and procedures.

You should be able to walk into an entity, read their policies and procedures and follow it to be able to determine if that activity is actually being exercised or administered or followed. The design is implemented to help ensure that management directives are carried out. It should also help prevent or reduce risk that could impede the accomplishment of the objectives of the grant.

And it should occur throughout the organization throughout all levels and in all functions. Those should include approvals. For those of you that have our awards, we have different levels of approvals. Even for our financial reporting form, we have proper separation of duties and approvals. For our financial form, authorizations, verification, reconciliations for those of you that participate in that activity.

If you have an accounting background, then you very well know that the individual that's actually performing the reconciliation should not be the same individual that's approving those reconciliations. Security of assets, reviews of operating performance and last, adequate separation of duty.

So here we'll talk a little bit about some of those separation of duties, give a few examples. In authorizing, it should be a separate person authorizing the transaction. Recording, it should be a separate person that actually records the transaction. Reconciliation, I just mentioned the individual that's performing that reconciliation shouldn't be the same person that's approving it. And then custodian, a separate person that holds or has custody of that particular asset.

So here we give you some examples of segregation of duty when it comes to financial management. Here we list what some of those activities are that should have some separation of duty, which is budgeting, cash management, accounts payable, financial reporting, information systems, travel, purchasing and contracting, property management, personnel and payroll, and participant related payments, which some of us call supportive services.

For controlling activities for grants management, it should have formal written policies and procedures. Key word is written policies and procedures. Adequate monitoring to include subrecipients, effective reconciliation process, the safeguarding of assets, segregation of duties and responsibilities, review and approval process.

And one of the most important things when it comes to expenditures, adequate documentation for all cost and activities. We provided two 3.0 trainings, both in Chicago and Dallas and one of the phrases that we talked about when it comes to documentation is that documentation should speak for itself, regardless of the expenditure or type of expenditure it is. If you have adequate documentation to support the cost, it really should not be a need for an explanation. The documentation should speak for itself.

So for component four, I will give examples of communication and information. Pertinent information must be captured, identified, communicated on a timely basis. Effective information and communication systems enable your organization's people to exchange information needed to conduct, manage and control its operations.

You should have an effective system for records and information systems. It must be sufficient to provide reliable reporting and demonstrate compliance with the federal award. In a broader sense, effective communication must ensure information flows down, across and up the organization. It should be quality information and effective.

Here we're talking about communicating the policies and procedures. To be effective, policies and procedures must be understood and used. It makes no sense to develop policies and procedures for your organization and they are not shared with your staff, with your employees. If you have existing policies and procedures, they should be communicated and they should be followed with training.

Some of the examples we have here are if you have new board members or have new employees or staff or even new subrecipients of your pass-through, your policies and procedures should be shared with them so that they understand what is expected, what your processes are.

And you should also be prepared to deal with possible attitude. Most of us know, a lot of us know that sometimes change is not necessarily welcomed. However, you can have approaches that can make it very acceptable.

One of the other things is to create ownership of your policies and procedures. Own them. It's your policy, your organization's way of doing things. Own it. Make sure everybody understands it.

And then the last component, monitoring. We talked about monitoring earlier. Understanding internal controls and its effectiveness and how monitoring should occur over the course of everyday operations. Whether you're reacting to changing conditions, having controls sometimes become outdate and redundant or obsolete.

You should take a look at those policies or those processes and whether or not you have the efficiencies that should reported upstream, upstream meaning management or top management. Particularly where there are serious matters it should be reported either to management or to you board if you actually have a board.

So here we have some examples of some of the causes of ineffective internal controls. Inadequate staff and subrecipient training and education, outdated or nonexistent policies and procedures, inadequate management systems and a lack of understanding.

Here we have a triangle that gives you an example of how fraud, embezzlement and theft could occur. A lot of times without a proper internal control, it can actually be accomplished by management, employees, customers, vendors or the public at large and if it does occur, it could result in loss, misuse or destruction of assets and intentional loss of physical assets such as cash, inventory and equipment. And cash necessarily doesn't mean actual physical cash, but it could be items that have cash values. For instance, if you have Walmart cards in your organization or gas cards that you may pass out to participants as a supportive service, all of those items have a cash value, so they should be maintained and inventoried.

Here we have a couple of examples of actual cases of theft. The first example talks about the undelivered UI benefit check. The check was returned, it was maintained but in the organization for over 60 days before it was cancelled. Had one clerk who received the checks, maintained the check log, also had custody of the checks in an unlocked file cabinet and also disposed of the check. So those are too many functions that one person actually had access to.

The second example we're talking about internal controls needed to eliminate opportunities. Segregation of duty of receipts, logging, custody, disposition. Physically cancel checks after seven to 10 days versus after 60 days. Maintaining adequate logs of disposition actions and here we show a subcategory of witness to validate those actions.

Some of the consequences for lack of internal controls, it could interrupt your business operations. It could cause system breakdowns or catastrophes, excessive re-work to correct the errors or it could lead to inadequate or misleading information, which could lead to management making erroneous or bad decisions based off of wrong information.

Here we come to a knowledge check. You have the opportunity to participate in a poll. If you'll look through those, we'll give a few moments for that. Some of you have already started. And the question says internal controls are designed to provide reasonable assurances of achieving which of the following objectives? I'll give you a few seconds to go through those.

All righty. I will read through those. So internal controls are designed to provide reasonable assurance of achieving which of the following objectives? We know effectiveness and efficiency of your operation is one, reliability of reporting for internal and external use, compliance with applicable laws and regulations. That's it.

Now we are moving to our next section for policies and procedures and I will turn it back over to the honorable Latonya.

MS. TORRENCE: Thanks, GW You are too kind. So we're going to move onto a discussion of policies and procedures. If it sounds like that we are reiterating and discussing internal controls and the importance of their effectiveness and the control activities a lot, it's because they are critically important to the foundation of your organization and they definitely support how effective you will be in your grants management.

And so, as we previously discussed for internal controls, they are designed to provide reasonable assurance that the objectives are being achieved regarding effectiveness and efficiency of your operations, regarding the reliability of internal and external reporting, and to the compliance with laws and regulations. As GW discussed, he discussed the COSO internal control framework. Component three talked about control activities and one of the most critical control activities is effective policies and procedures.

And when we discuss these things with you, we are also discussing some experience. Here at the Department of Labor Employment and Training administration, we are audited and reviewed by external agencies on an ongoing basis and then annually through our financial statement audit.

And when we sit down with our auditors and we go over our significant processes and go over the policies and procedures, the very next question that the auditor is going to ask us is to provide them with copies of our written current policies and procedures. So we here understand the importance and we want to relate to you just how significant effective policies and procedures are in your organization.

As I indicated in the first section of this module, the uniform guidance mandates that some of the policies and procedures be in writing. However, ETA encourages that written policies and procedures be developed for all of your processes and this definitely will support sound financial management practices. And please remember that there are other mandates by your program statutes and regulations that will require certain policies and procedures to be written, to be in writing.

So let's discuss a policy versus a procedure. We often use that phrase policies and procedures together without any differentiation between the two words. In fact, they do have two different meanings. Policies are guidelines that regulate that activities of your organization. There's those position statements that set out the decisions made about your operation.

They focus on what the organization does and also explain why the decision was made to operate in such a way. But your procedures are a description of the normal method of handling things, the protocols and the steps in the process and they identify how specific functions are to be performed and they're more action-oriented.

It's very important to identify who in and outside of your organization has the authority to establish and approve policies and procedures and that authority may be different from policies versus procedures. For example, with your policies, they often require the approval of a governing board, of your local government counsel and or your executive director.

And procedures often but not always have a less formal approval process. You know, maybe a staff person can start your procedures because they can list specific steps and then that's approved by their first line supervisor and then up the chain in that manner. And then remind yourself of, determine what type of approval process have you established?

So what policies and procedures does your organization need? In addition to what is required, organizations should have written documents addressing their policies and sound management practices in order to ensure consistency in their organization. Please remember as we discussed earlier your organization is unique.

So in determining what you might need, you should not always rely on what others might have. They need to be specific to your organization. You know, whether your organization is a startup or you just want to make sure, or your starting from scratch with the policy and procedure, you want to make sure you have everything that's important to your organization covered in that document.

Look at your current structure. Look at your staff functions, right? So these will include your organizational chart. What offices are involved in administering your grants? What about the interactions between other offices? Is there a process that may cross multiple offices? Make sure you get input and that you all are on the same page in terms of that policy and procedure.

What if you have external entities that you have to interact with? What is that process? We often have to work with OMB to get certain approvals. How do we interact with that organization?

Job descriptions. What are the rolls and responsibilities of your grant staff? Here again, this is where you need to think about the separation of duties throughout the various processes. And then what is the grant structure in your grant administration? How are you administering your grant? Are the payments made through a central payment process? Is your payroll contracted out? What about your partners? What are their roles?

And GW discussed at some rates and hopefully you've had an opportunity maybe to participate in one of our other presentations about subrecipients. How do they fall into your organization and how are you establishing policies and procedures regarding your subrecipient activity? All of these issues, all of these areas are the building blocks for identifying what policies and procedures are needed for your organization.

And so again, as I mentioned earlier, some are required and some are what we believe are good, sound financial management practices. You have to determine what needs to be done, how it should be done and commit that to writing and distribute it to everyone that is involved so that the information is there and they know exactly what they need to do to be successful at their job.

The next few slides we will talk about the written procedures that are required and what procedures are recommended. I'll give you a little sneak peek, so here they are. So the uniform guidance contains many references to the required policies and procedures, those that should be in writing.

So for 300, 200.302 and 305, we're talking about payments. So to be eligible for advanced payments, the entity should have written policies and procedures for payment methods to minimize the time that's lapsing between transfer of funds and a disbursement by the non-federal entity.

200.318 through -20, this should be written policies and procedures regarding procurement, composition and method for evaluation and selecting recipients. 302.7, methods for determining allowability of costs.

.430 to .431, here we're talking about compensation. You should have written policies for appointing and paying your staff for expenses related to salaries and fringe benefits and it should also identify the documentation that is required to support those items. At 200.464, we're discussing employee relocation costs. It should detail allowed and unallowable costs for employee relocation and then 200.474 would talk about allowable travel costs. And again, we recommend that you check your program regulations to see if there are any other required written policies and procedures.

Now here is a list of all of the recommended policies and procedures. Take a minute and just browse this list. I really would suggest that at a later date you go over this list in detail and ensure that you have written policies and procedures for all of these areas. We here at ETA really consider these policies and procedures essential to sound management practices, so we have audits and resolutions which we'll be doing a webinar later on in the month.

We have policies and procedures for the governing board. We have matched and leveraged resources, another area that we will be covering. Property and equipment, your chart of accounts, you budget controls and modifications and bank reconciliation. So I highly encourage that you take a look at this list and ensure that you have written policies and procedures.

So we've talked about those that are required and we talked about those that are highly recommended and now that you have them written down, we need to make sure that they're effective, right? You have them written down but if they're not shared and if they don't have some of these key areas, they may not be effective.

And first and foremost, we want to make sure that our policies and procedures comply with legal and regulatory requirements and that they're stated as clearly as possible using precise language when needed. We don't want a lot of unambiguous language in our policies and procedures. You know, are these policies and procedures written at an appropriate level of detail?

And our close-out office, which you will hear about at another time, it requires a lot of specific steps and we have clear, precise steps including timelines in those procedures in order to make sure that we meet a particular deadline. It should not, your procedure should not lead to any major unanswered questions, right? We want details but we don't want unnecessary details. We ask that your policies and procedures should strike a balance between the two.

And are they current? The best way to ensure that your policies and procedures stay up to date is to have some type of regular schedule review process of your procedures. Don’t assume that everything is in good order simply because no major problems have been reported. Sometimes things change. Sometimes it's important to reach out to your staff that are doing the day-to-day activities just to check with them to make sure that those procedures still make sense and that they're still appropriate.

And then as we indicated, GW has indicated and I indicated earlier, they need to be communicated at all levels of the organization and they need to be somewhere that someone can put their hands on them. Or if a person leaves, the next person that comes in that position will have those policies and procedures readily available for them.

And that's always, as we like to remind you, you can find more information on the policies and procedures in the core monitoring guide or activity three for financial management. Another valuable tool that we have in the core monitoring guide is this checklist. These are key areas that we feel that grant making, grant recipients should have written policies and procedures, so this is the checklist that we're going to use when we come out and come to your organizations. And so, this has been made available to you so you can also go through and make sure that you have the required written policies and procedures at your organization.

And so, we've come to another knowledge check and these are true and false questions, so I'm just going to read them. WIOA requires specific policies that are in addition to those identified in the uniform guidance and that is true. It requires specific policies that are in addition to those identified in the UG. It established additional policy requirements that apply to operations of specific WIOA activities and programs.

Question two. The UG requires that policies on allowable costs, payments, competition and method of evaluation and selection of subrecipients must be in writing. Remember the UG listed those that must be in writing and then we listed those that we highly recommend be written and that is true. The uniform guidance requires that policies in these areas be in writing.

Question three. When policies are not explicitly required to be in writing, the non-federal entity has total discretion in deciding which policies to develop. That is false. When policies are not explicitly required to be in writing, the non-federal entity does not have discretion. We strongly, we have a list of all the recommended policies and procedures.

There is a list of those that need to be in writing as identified by the UG and we have given you a list of those that are highly recommended by ETA. We've also given you a checklist in the core monitoring guide that will help you in remembering what those areas are.

And lastly, we have question four. Policies and procedures define for staff what authority they have to act and make decisions within their assigned duties and responsibilities and that's true. Policies and procedures define for staff what authority they have to act and make decisions within their assigned duties and responsibilities. In addition to the required, policies provide additional benefit of clearly guiding staff on what authorities they have and they do not have. But in order to do that, they should be in writing and then they need to be communicated and they need to be at a level that that particular employee can understand.

And so, as we come to the end of this module, we had an opportunity to review the core systems of financial management in the first section of the module. GW gave you the requirements of internal controls, the framework of an internal control system and the key financial areas that must have key internal control activities. And then lastly, in our discussion on policies and procedures, we talked about which areas the uniform guidance requires written policies and procedures and we also gave you a list of those that ETA highly recommends to be written. And we strongly believe that all of these will help your program increase organizational efficiency.

And just as a reminder, in the core monitoring guide in objective 3.a. under internal controls, here are some of the questions that you should actually ask yourself because these are some of the questions that we're going to be asking as we come and visit your organization. Are policies and procedures communicated at all levels of staff? Is access to the financial and performance reporting system limited to appropriate personnel? So those are your access controls. Does the grant recipient evaluate and monitor in compliance with statutes, regulations and the terms and conditions of your award? This is oversight and monitoring. And how does the grant recipient safeguard physical and intangible assets?

And the next two slides give you some what we like to call SMART checklists. This is included in our technical assistance guide, the one I mentioned earlier that we're currently updating and will be available for you by the end of this year. This is just a checklist that we highly encourage you to use as you are evaluating, reevaluating or starting or improving on your financial management systems or your internal controls.

Again, just to cover the list of resources that we have made available to you that are applicable to his particular module, we have the core monitoring guide, objective 3.a. of internal controls. For the grant and financial management technical assistance guide, we refer you to chapter two, which is financial management standards and internal controls.

Here are a list of the various sections in the uniform guidance that will be applicable to this section and some additional web resources that we'd like to remind you guys of at the end of each of one these modules, DOLETA.gov/grants, the internal control Green Book and WorkforceGPS and here's a link to the COSO framework that GW talked about in the internal control section. All of these are useful resources that you can find on the internet.

And as usual, we want to remind you of your grant management toolbox. Print this out. Make this your screensaver I love to say because all of these tools are available for you to use as you are managing your grant. The UG, the technical assistance guide, the core monitoring guide, this SMART training which we have a number of those remaining over the next few months. Please take advantage of all of those. Your grantee handbook and then more training at workforce on WorkforceGPS.

And so, at this time we will like to answer any questions that you may have. Yes. There is a link to – we have a question. Is there a link to the grants and financial management tag? Yes. There is a link and we will provide that to you. If there are no other questions, okay.

We have a question. Every time, from Don Fanning (ph), they have tried, you have tried to access the core monitoring guide from the DOLETA website the link says it is broken. Any ideas? No. I can't say offhand I have any ideas why that is occurring, but we will definitely check the link to the core monitoring guide right after this presentation to check and see what the issue is. Thanks for letting us know.

MR. WEBB: Latonya, this is GW In the meantime, you can actually google our core guide and be able to access at least the PDF version of it.

MS. TORRENCE: OK. And Don, we're going to provide the link again. It looks as if it is working from our end, so we're going to provide that link for you again and hopefully it will work for you this time.

Do we have any other questions? Don’t be shy. OK. Well, if there are no other questions, we want to thank you so much for taking out time from your busy schedule to participate in this webinar.

Feel free to use these slides with your staff back in your office at your organization, but we would like to caution you that the use of this training for fee or any type of monetary value is prohibited because they were developed using federal funds.

So again, we want to remind you of the remaining SMART 3.0 live webinars. Next week we have two, "Budget Management and Grant Modifications" and "Procurement and Contract Administration." And so, we thank you and enjoy the rest of your day.

MS. MCCALL: All right. Excellent. I'd also like to thank all of our participants.

(END)