



Fiscal Policies

Internal Control & Financial Management Policy

POLICY #: *F-2011, Rev. 2*

EFFECTIVE: *March 19, 2025*

SUPERSEDES: *Internal Control & Financial Management System Policy, dated January 1, 2021*

PURPOSE:

This policy describes WorkForce Central's internal controls and financial management system in managing federal awards.

This policy is revised to:

- Align with updated internal control guidance in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- Non-substantial edits for clarity.

BACKGROUND:

As a recipient of federal funding, WorkForce Central and its federally funded subrecipients must comply with financial management and internal control requirements codified in 2 CFR 200.303 – *Internal Controls*, defined as processes designed and implemented by recipients and subrecipients to provide reasonable assurance regarding the achievement of objectives in the following categories: 1. Effectiveness and efficiency of operations; 2. Reliability of reporting for internal and external use; and 3. Compliance with applicable laws and regulations.

POLICY:

WorkForce Central and its federally funded subrecipients must:

- Establish, document, and maintain effective internal control over the federal award that provides reasonable assurance that the recipient or subrecipient is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should align with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

- Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the federal award.
- Evaluate and monitor the recipient's or subrecipient's compliance with statutes, regulations, and the terms and conditions of the federal awards.
- Take prompt action when instances of noncompliance are identified.
- Take reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information.

WorkForce Central's internal controls and financial management system including records documenting compliance with federal statutes, regulations, and the terms and conditions of the federal award, must be sufficient to permit the preparation of reports required by general and program specific terms and conditions and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the federal statutes, regulations and the terms and conditions of the federal award.

INTERNAL CONTROLS

WorkForce Central's internal controls include, but are not limited to:

- Upholding the fiduciary responsibility of its governing board.
- Compliance with applicable laws, regulations, policies and procedures.
- Maintenance of a financial management system as prescribed by federal regulations.
- Segregation of duties in the fiscal operations and adherence to the established levels of approval authority.
- Monitoring and oversight of subawards including conducting risk assessments, ensuring subawards meet contracted service delivery, performance, and outcomes, and ensure subawards are compliant with applicable federal statutes, regulations and terms and conditions of the federal award including annual submission of annual audits.
- Adherence to federal, state and local procurement policies and procedures.
- Periodic review of access rights to the accounting system.

FINANCIAL MANAGEMENT SYSTEM

WorkForce Central's financial management system provides for the following:

- Identification in its accounts of all federal awards received and expended and the federal programs under which they were received. Federal program and federal award identification must include, as applicable:
 - Assistance Listings title and number (formerly the "Catalog of Federal Domestic Assistance (CFDA)").

- Federal award identification number and year.
 - Name of the Federal agency.
 - Name of the pass-through entity, when applicable.
- Accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the reporting requirement set forth in 2 CFR 200.328 – Financial Reporting and 2 CFR 200.329 – Monitoring and Reporting Program Performance.

If a federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. The recipient must develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, WorkForce Central will not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.

- Records that adequately identify the source and application of funds for federally funded activities. These records must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, revenue, program income, interest, leveraging and required match and be supported by source documentation.
- Effective control over and accountability for all funds, property, and other assets. The non-federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.
- Comparison of expenditures with budget amounts for each federal award.
- Written procedures to implement the requirements of 2 CFR 200.305 – Federal Payment.
- Written procedures for determining the allowability of costs in accordance with 2 CFR Subpart E – Cost Principles, and the terms and conditions of the federal award.

WorkForce Central's accounting system follows current Generally Accepted Accounting Principles (GAAP) as provided by the Federal Accounting Standards Board (FASB) and/or the Governmental Accounting Standards Board (GASB) and demonstrates compliance with applicable legal and contractual requirements.

WorkForce Central must apply a first-in, first-out (FIFO) policy in which unexpended obligational authority is expended before the expenditure of any subsequent year's (new) obligational authority. Under FIFO procedures, unexpended funds available from a prior year are expended first in the subsequent year in an amount equal to the unexpended obligational authority balance. Failure to use a FIFO policy will result in ESD, or other federal funder recapturing previous year's unexpended funds at the end of the grant period.

REFERENCES:

- 2 CFR Part 200 Subpart D – Post Federal Award Requirements
- 2 CFR 200.302-Financial Management
- 2 CFR 200.303-Internal Controls
- 2 CFR Part 200 Subpart F – Audit Requirements
- One-Stop Comprehensive Financial Management Technical Assistance Guide (TAG)
- Generally Accepted Accounting Principles (GAAP)
- ESD Policy 5230 – Financial Management

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