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Reference: OMB Circulars re: Contingency Reserves

## **FINAL GUIDANCE Contingency Reserves**

### **OF INTEREST TO:**

Workforce Florida Inc., Regional Workforce Boards (RWBs), Early Learning Coalitions (ELCs), and other subrecipients of funds from the Agency for Workforce Innovation (AWI). This guidance also applies to subrecipients of the above and any affiliated or related entities

## **STATE GUIDANCE:**

Organizations may not draw grant funds from AWI to create or maintain a contingency reserve in any manner, whether through the use of an escrow or any similar account. Examples of prohibited activities include, but are not limited to:

- Drawing funds and recording current expenditures to establish an endowment for future training or similar activities or any other form of “parking” award balances.
- Drawing and recording expenditures for future building repairs or improvements.
- Providing funds to an attorney to be held in trust pending resolution of legal issues.

Any funds held in a contingency reserve, including any earnings thereon while in the reserve, are considered unauthorized draws and must immediately be returned to the Agency for Workforce Innovation. The immediate return of these funds to AWI must include the following information:

- Detailed accounting transaction list itemizing expenditures related to the funds held in reserve, including any remaining balance of funds (including all earnings thereon);
- Check for the amount in escrow, including any earnings thereon; and
- Summarization of returned funds by grant and year.

At a minimum, the AWI may assess interest on contingency reserves using established procedures related to disallowances.

If a subject organization encounters a situation where they have legal or other issues involving grant funds that may expire before final resolution of the contingency, they should inform the AWI authorized official above and obtain additional guidance. In many cases alternative allowable funding mechanisms can be arranged.

## **EFFECTIVE DATE:**

Issuance of this guidance represents efforts by AWI management to clarify OMB Circular requirements already in effect.

If you have questions or concerns regarding the guidance provided here, please contact the AWI Grants Management Office.

## **AUTHORITY:**

- OMB Circular A-21, “Cost Principles for Educational Institutions,” Section J.9
- OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments," Attachment B, Section 12, Contingencies;
- OMB Circular A-122, "Cost Principles for Non-Profit Organizations," Attachment B, Section 9, Contingency Provisions;
- 2 CFR Part 215 Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (OMB Circular A-110); Final Rule