



**DEPARTMENT OF WORKFORCE SERVICES
ISSUANCE PY 13-10 Change 2**

Daryl Bassett, Director

January 29, 2015

TO: ADWS Staff, Local Workforce Investment Areas/Service Providers and WIA Sub-recipients

SUBJECT: ADWS General WIOA Fiscal Policy

- 1. **Purpose:** This issuance updates the substantive policies for bank accounts of non-Federal entities in the “WIOA General Fiscal Policy”.

The following sections in Paragraph 5 of the WIOA General Fiscal Policy, which address Cash Management, will be removed:

- A. Eligibility Requirements – Cash Depositories
 - I. The LWIA or other subrecipient may deposit Act funds in the following financial institutions:
 - i. A bank insured by the Federal Deposit Insurance Corporation (FDIC),
 - ii. An institution insured by the Federal Savings and Loan Corporation or
 - iii. A credit union insured by the administrator of the National Credit Union.
- B. Separate Bank Account
 - I. An LWIA or other subrecipient will be required to maintain a separate insured, interest-bearing bank account.

Related to this original requirement, the Department of Labor responded to commentators that would have continued to require separate accounts for subrecipients. This commentary can be found in the Federal Registrar and states:

“200.302 Financial Management

Some commenters suggested that to strengthen financial management, non-Federal entities should be required to maintain separate bank accounts for each Federal award. The COFAR considered this but determined that doing so would be excessively administratively burdensome for non-Federal entities, and is not necessary to assure accountability as long as non-Federal entities have appropriate records that meet the standards as described in the guidance. The COFAR recommended further edits to better streamline this section of the guidance on financial management that was previously more scattered throughout the guidance, such as incorporating documentation standards previously in the audit requirements into this section.”

2 CFR 200.305 contains the new rule, to become effective December 26, 2014:

“(7) Standards governing the use of banks and other institutions as depositories of advance payments under Federal awards are as follows.

(i) The Federal awarding agency and pass-through entity must not require separate depository accounts for funds provided to a non-Federal entity or establish any eligibility requirements for depositories for funds provided to the non-Federal entity. However, the non-Federal entity must be able to account for the receipt, obligation and expenditure of funds.

(ii) Advance payments of Federal funds must be deposited and maintained in insured accounts whenever possible.

(8) The non-Federal entity must maintain advance payments of Federal awards in interest-bearing accounts, unless the following apply.

(i) The non-Federal entity receives less than \$120,000 in Federal awards per year.

(ii) The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.

(iii) The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

(iv) A foreign government or banking system prohibits or precludes interest bearing accounts.

(9) Interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services, Payment Management System, Rockville, MD 20852. Interest amounts up to \$500 per year may be retained by the non-Federal entity for administrative expense.”

To ensure compliance with the new rules, the following language will replace the removed language.

A. Bank Accounts

I. LWIAs and other subrecipients are not required to maintain a separate bank account for Federal awards.

II. However, payments are to be kept in an interest-bearing account unless an exception provided in 2 CFR 200.305 applies.

III. Exceptions under 2 CFR 200.305 should be documented annually by the non-Federal entity.

B. Interest Earned as Program Income

I. Interest earned is considered Program Income and is allowed to be retained by the non-Federal entity up to \$500 per year for administrative costs following the Program Income policies below.

II. Interest exceeding \$500 per year will be remitted to the ADWS and returned to the Department of Health and Human Services.

Additionally, the section regarding withholding of payment for State indebtedness will be modified to apply only to situations of Federal indebtedness.

ADWS anticipates that these are the only substantive changes to the WIOA General Fiscal Policies required by the Uniform Administrative Requirements until further guidance is provided from the Department of Labor. Also, please note that these changes remove previous requirements. Therefore,

no non-Federal entity is currently out of compliance but may exercise their discretion in accordance with these rules beginning December 26, 2014.

2. **General Information:** Please reference Issuance PY14-03
3. **Inquiries:** Kris Jones (501) 683-5358 or kris.jones@arkansas.gov
4. **Attachments:** WIOA General Fiscal Policy
5. **Expiration Date:** Ongoing