

ARKANSAS DEPARTMENT OF WORKFORCE SERVICES (ADWS)  
GENERAL WORKFORCE INVESTMENT ACT (WIA) FISCAL POLICY

**POLICY:**

Arkansas Department of Workforce Services and subrecipient WIA fiscal operations are governed by the Workforce Investment Act of 1998 (hereafter referred to as “Act”), the WIA Regulations, all applicable Office of Management and Budget (OMB) Circulars, state regulations in laws and rules (Arkansas Code Annotated), Arkansas Department of Finance and Administration rules (for example, the “Financial Management Guide”), and ADWS issuances and memorandum.

It is ADWS general WIA Fiscal Policy that:

1. Financial systems of ADWS as Grantee as well as subrecipients and contractors shall allow for effective internal control and accountability for funds, property, and other assets to ensure they are used solely for authorized purposes.
  - A. Accounting systems shall meet and follow the current Generally Accepted Accounting Principles (GAAP) and demonstrate compliance with legal and contractual requirements.
  - B. Accounting systems shall follow consistent rules for aggregation of detailed data to summary level.
  - C. Accounting systems shall compare budgeted amounts to actual expenditures including proper charging of direct costs, indirect costs, or cost allocations.
  - D. Accounting systems shall provide information pertaining to subgrant and contract awards, obligations, unobligated balances, expenditures, income, program income, matching and stand-in costs.
  - E. Accounting systems shall permit the tracing of funds to a level of expenditure adequate to establish that funds have not been used in violation of the Act.
  - F. Accounting systems shall provide for accurate, current, and complete disclosure of all expenditures, including but not limited to those from grants, contracts, or agreements. The costs shall be traceable to a level of detail that establishes compliance with WIA regulations.
2. Annually, each Local Workforce Investment Area (LWIA) Fiscal Agent shall provide for an internal audit of its own financial operations in accordance with generally accepted auditing standards for audits of governmental or non-profit program activities.
3. Written procedures shall be in place for determining allowability and allocability of grant costs.
  - A. For ADWS administrative and programmatic expenses, the determination of allowability and allocability of grant costs will be made by an assigned Budget Specialist who shall determine for each Purchase Order, Purchase Requisition, direct disbursement, or transfer, whether the charge is allowable and allocable in accordance with:
    - a. Grant agreements and budgets approved by the grantor,
    - b. The Workforce Investment Act of 1998,
    - c. WIA Regulations,

- d. Written DOL Guidance, for example, Training and Employment Guidance Letters and memorandum,
  - e. Applicable Office of Management and Budget (OMB) Circulars,
  - f. State regulations in laws and rules (Arkansas Code Annotated),
  - g. Arkansas Department of Finance and Administration rules (for example, the “Financial Management Guide”),
  - h. ADWS Policies and Procedures, and
  - i. ADWS issuances and memorandum.
- B. For subrecipient expenses, allowability and allocability shall be determined based on written policies. Those policies should agree with all applicable written authority, including, but not limited to:
- a. Grant agreements and budgets approved by the grantor,
  - b. The Workforce Investment Act of 1998,
  - c. WIA Regulations,
  - d. Written DOL guidance, for example, Training and Employment Guidance Letters and memorandum,
  - e. Applicable Office of Management and Budget (OMB) Circulars,
  - f. State regulations in laws and rules (Arkansas Code Annotated),
  - g. Arkansas Department of Finance and Administration rules (for example, the “Financial Management Guide”),
  - h. ADWS Policies and Procedures, and
  - i. ADWS issuances and memorandum.
4. Financial Reporting shall be timely, accurate, and in accordance with requirements of the awarding agency.
- A. To achieve this objective:
- I. Subrecipients shall submit monthly financial reports within thirty (15) calendar days after the end of the report month.
  - II. Subrecipients shall submit their monthly reports in the AWIS system in accordance with instructions provided by the WIA Accounting unit.
  - III. The subrecipient and ADWS must use a First in First-Out (FIFO) procedure 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. Not using a FIFO policy could result in DOL recapturing a previous year’s unexpended funds at the end of the grant period.
  - IV. Accounting records may be maintained on a cash or modified accrual accounting basis. For reporting purposes only, financial data shall be submitted on an accrued expenditure basis.
  - V. All subrecipients shall maintain all data elements used in required federal reports in accordance with established program definitions contained in the Act, regulations, and state policies/ guidance.
5. ADWS cash management will follow the Treasury State Agreement (TSA) with the state treasury and shall otherwise meet the requirements of the Cash Management Improvement Act (CMIA) on both the State and subrecipient levels. Subrecipients will be expected to comply with the Cash Management Improvement Act when requesting payment. Additionally, the following applies:

A. Eligibility Requirements – Cash Depositories

- I. The LWIA or other subrecipient may deposit WIA 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.

C. Interest

- I. Interest earned on WIA federal funds shall be used to pay for WIA expenditures and minimize cash requests, where applicable. For WIA Title I-B programs, interest is treated as Program Income.

D. Cash Balance

- I. The Local Workforce Investment Area (LWIA) Fiscal Agents and other subrecipients shall minimize the time lapsing between the receipt of WIA funds and disbursement of such funds in order to maintain a minimum cash balance as required by the CMIA. Following the month end, the subrecipient shall return cash on hand that exceeds cumulative expenses including accruals at the end of the report month.

E. Internal Controls

- I. The LWIA or other subrecipient shall maintain an adequate system of internal control to safeguard cash according to generally accepted accounting principles.

F. Cash Requests

- I. The LWIA or other subrecipient's Fiscal Agent will request cash through the AWIS system.
- II. Disbursement to subrecipients will be processed and transferred by Electronic Fund Transfer (EFT) to the bank chosen the LWIA or other subrecipient.

G. Withholding of Payment

- I. The state may discontinue the current cash needs payments if the LWIA or other subrecipients:
  - i. Do not follow payment requirements;
  - ii. Fail to meet project objectives or grant/agreement conditions; or
  - iii. Are indebted to the State of Arkansas.
- II. If any of the above conditions i., ii., or iii. exist, the state may withhold payment until the condition is corrected. The state will provide written notification to the LWIA or other subrecipient before withholding payment. The LWIA or other subrecipient has until the effective date on this notification to petition the state for reconsideration of action.

6. Program Income.

A. Definition of Program Income

- I. Program income means income received by the subrecipient directly generated by a subgrant. Program income includes:
  - i. Income from fees for services performed and from conferences;
  - ii. Income from the use or rental of real or personal property acquired with subgrant funds;
  - iii. Income from the sale of commodities or items fabricated under a subgrant;
  - iv. Income revenues earned by a governmental or private non-profit service provider under either a fixed-price or reimbursable award that are in excess of the actual cost incurred by providing the services; and,
  - v. Interest income earned on advances of subgrant funds, excluding state agency grants.
- II. Program Income Determination: The proportion of total income in a project recognized as WIA program income is equal to the ratio between total funds contributed to the project from all sources and funds contributed from WIA sources.

- a. The WIA contribution will be determined by the expenditures incurred with WIA funds to produce the income in proportion to all other costs of sales provided from non-WIA resources. Not all costs of sales, even though deductible as a business expense under the Internal Revenue Code, are necessarily allowable costs under WIA regulations. For example, entertainment expenses are unallowable. A subrecipient must be able to demonstrate that funds were available from sources other than WIA to cover any such unallowable costs.
    - b. If a pro rata distribution of program income based on the original percentages each contributory source made up of the whole is used to determine how much program income is attributable to WIA, the pro rata share must be attributed to WIA even if that results in more income dollars being attributed to WIA than the original dollars of costs by WIA.
  - III. Use of Program Income: A subrecipient must add program income to the particular WIA subgrant under which it was earned. The program income must be used for WIA purposes under the terms and conditions applicable to the award. Additionally,
    - a. Program income must be used for expenditures in the program year in which it was earned or within the two succeeding program years.
    - b. Program income generated under WIA Title II may be used to fund required subrecipient matching costs.
    - c. If the subrecipient that earned program income cannot use such income for WIA purposes, ADWS should be notified.
  - IV. Accounting and Reporting: WIA program income must be accounted for as a distinct funding source.
  - V. Each subrecipient must disburse program income and interest earned on such funds before requesting additional cash advances.
- 7. ADWS Cost Allocations will be made in accordance with the agency's current Public Assistance Cost Allocation Plan. Local areas as well as ADWS should also allocate indirect cost in accordance with OMB circular A-122 and OMB Circular A-87, respectively, or the then applicable circular addressing indirect cost.
- 8. ADWS must follow the procurement and personnel policies of the State of Arkansas subject to applicable OMB circulars and federal regulations.
- 9. ADWS, local areas, and other subrecipients are subject to the requirements listed in the "Standard Form 424B: Assurances - Non-Construction Programs" as approved by the Office of Management and Budget.