

ARKANSAS DEPARTMENT OF WORKFORCE SERVICES (ADWS)  
GENERAL WORKFORCE INNOVATION AND OPPORTUNITY ACT (WIOA) FISCAL POLICY

**POLICY:**

Arkansas Department of Workforce Services and subrecipient WIOA fiscal operations are governed by the Workforce Investment Act of 1998 and the Workforce Innovation and Opportunity Act of 2014 (hereafter referred together as the “Act”), the applicable WIA or WIOA Regulations, all applicable Office of Management and Budget (OMB) Circulars until December 26, 2014 at which time the Uniform Administrative Requirements will become effective, 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.

Note that references to WIOA are generally applicable to WIA funds as well. The source of funds will determine which Act applies. Also, some WIA funds are affected by WIOA, for example, Transitional Costs for WIOA, in certain circumstances, can be funded by PY 2014 WIA funds. ADWS and subrecipients must be in compliance with both Acts as appropriate.

It is ADWS general WIOA 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 adequate to establish that funds have not been used in violation of the applicable 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 either Acts’ 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 or the Workforce Innovation and Opportunity Act of 2014 depending on which Act authorized the allotment of the funds to the State,
  - c. Applicable WIA and WIOA Regulations,
  - d. Written DOL Guidance, for example, Training and Employment Guidance Letters and memorandum,
  - e. Applicable Office of Management and Budget (OMB) Circulars until December 26, 2014 at which time the Uniform Administrative Requirements will become effective,
  - 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 or the Workforce Innovation and Opportunity Act of 2014 depending on which Act authorized the allotment of the funds to the State,
  - c. Applicable WIA or WIOA Regulations,
  - d. Written DOL guidance, for example, Training and Employment Guidance Letters and memorandum,
  - e. Applicable Office of Management and Budget (OMB) Circulars until December 26, 2014 at which time the Uniform Administrative Requirements will become effective,
  - 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 unless otherwise instructed or approved by ADWS.
  - II. Subrecipients shall submit their monthly reports in the AWIS system or a replacement 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. Failure to follow the 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 applicable 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. 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.
    - C. 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.
    - D. 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.
    - E. 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. The non-Federal entity is delinquent in a debt to the United States as defined in OMB Guidance A-129.
      - II. If any of the above conditions i., ii., or iii. exist, the state may, upon reasonable notice, 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 the 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 program income is equal to the ratio between total funds contributed to the project from all sources and funds contributed from WIOA (or WIA) sources.
    - a. The WIOA contribution will be determined by the expenditures incurred with WIOA funds to produce the income in proportion to all other costs of sales provided from non-WIOA resources. Not all costs of sales, even though deductible as a business expense under the Internal Revenue Code, are necessarily allowable costs under WIOA regulations. For example, entertainment expenses are unallowable under the OMB Circulars and the Uniform Administrative Requirements. A subrecipient must be able to demonstrate that funds were available from sources other than the federal award 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 WIOA, the pro rata share must be attributed to WIOA even if that results in more income dollars being attributed to WIOA than the original dollars of costs by WIOA.
  - III. Use of Program Income: A subrecipient must add program income to the particular WIOA subgrant under which it was earned. The program income must be used for WIOA 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 WIOA may be used to fund required subrecipient matching costs.
    - c. If the subrecipient that earned program income cannot use such income for WIOA purposes, ADWS should be notified.
  - IV. Accounting and Reporting: WIOA 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, until December 26<sup>th</sup> 2014 at which time the Uniform Administrative Requirements become effective.
- 8. ADWS must follow the procurement and personnel policies of the State of Arkansas subject to applicable OMB circulars or Uniform Administrative Requirements as well as 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.