



June 29, 2009

**Workforce Investment Act Policy Letter No. 08-15**

To: WIA Local Workforce Investment Boards (WIBs), Fiscal Agents,  
Administrative Entities and One-Stop Operators

From: Douglas E. Lumpkin, Director

Subject: Expenditures and Sanctions-WIA Formula Funds

**I. Purpose**

To establish a consistent policy in managing Workforce Investment Act (WIA) formula funds awarded to local areas. This policy requires that local areas expend at least seventy percent (70%) of awarded Adult, Dislocated Worker, and Youth formula funds by the end of the program year. Areas that do not meet the required expenditure rate will be sanctioned as outlined in this policy.

**II. Effective Date**

July 1, 2009

**III. Background**

WIA and its accompanying regulations require prompt reporting of expenditures and obligations and the recapturing of eligible funds for redistribution. The state of Ohio wants to ensure the full expenditure of WIA formula funds in order to avoid any rescission of these funds by the United States Department of Labor (USDOL) and a resulting decrease in funding for the next program year. Under-expended local area funds will be returned to the state and reallocated based on the allocation formula as described in Ohio Administrative Code (OAC) 5101.9-31-02, for each local area and excluding those local areas where funds were returned. The state has determined it is necessary to impose an expenditure requirement on the local areas as a way to ensure the maximum available funding is provided to Ohio citizens.

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In order to help as many job seekers find employment as fast as possible, the State has determined it is necessary to establish expenditure requirements on each of the formula funding streams allocated to the local areas, ensuring maximum available funding is provided for Ohio's citizens. Prompt reporting of expenditures and the recapturing of funds for redistribution will be required.

Local areas that do not meet the required expenditure rates established in this policy will be subject to the recapture of the allocated formula funds. Funds will be reallocated to local areas that have met the required expenditure rates. The recaptured funds will be issued based on the original allocation methodology and will exclude those local areas from which funds were recaptured.

### Definitions

The following terms define the factors used when determining the percent of the local areas' expenditure rate.

Accrued Expenditures: The sum of cash expenditures through the end of the report period plus amounts owed for goods and services received but not yet paid. Expenditures accrue regardless of when cash payments are made.

Liquidated Expenditure: Sum of actual cash disbursements for direct charges for goods and services, the amount of allocated indirect expense incurred, and the amount of payments made to contractors and subgrantees.

## **IV. Requirements**

### A. Distribution and Recapture of Formula Funds

#### Mid Year

Each local area must have accrued expenditures of at least thirty-five percent (35 %) of each Adult, Dislocated Worker funds, and Youth funds by December 30 of each year. Local area accrued expenditure rates for each program will be determined by dividing the reported December cumulative accrued expense amounts by the area's County Financial Information System (CFIS) budget amount for that funding stream. December expense reports are uploaded to CFIS, the financial reporting system. The report upload is due to Bureau of County Finance and Technical Assistance (BCFTA) no later than January 20 of each year.

ODJFS will determine the amount to be recaptured from each funding stream by subtracting the cumulative accrued expenditure rate from thirty-five percent (35%) of Adult funds, thirty-five percent (35%) of Dislocated Worker funds, and from thirty-five percent (35%) of Youth funds. The resulting percentage will be multiplied by the area's total

allocation for that funding stream and will be recaptured. (See Attachment A)

Based upon reports submitted through January 15<sup>th</sup>, ODJFS will issue a mid-year expenditure evaluation report. This report will contain the amounts expended and the projected recapture amount. The report will be issued to the WIB, WIB Chair, Local Elected Officials, Fiscal Agent, Administrative entity, and the Governor's Workforce Policy Advisory Board. The recapture of funds will be retroactive in the CFIS budgets back to January.

Local areas eligible for redistribution must have met the cumulative accrued expenditure requirement for the fund being reallocated (35% Adult, 35% Dislocated Worker and 35% Youth). Any recaptured funds will be reallocated for each relative funding stream at the same percentage share as was issued for the program year. The percentage share is derived when the state calculates area allocations using the approved allocation methodology at the beginning of the program year. For each funding stream, the percentage share of the redistribution amounts for non qualifying areas will be designated as statewide funds.

In the event a local area declines to receive redistributed funds, the redistributed funds shall be designated as statewide funds.

#### Year End

Each local area must have cumulative liquidated expenditure rate of at least seventy percent (70%) for each Adult, Dislocated Worker and Youth funds by June 30. Local area cumulative liquidated expenditure rates for each program will be determined by dividing the June cumulative liquidated expense amounts by the area's June CFIS budget amount for that funding stream. Expense reports are uploaded to the BCFTA financial reporting system. The report upload is due to BCFTA no later than July 20. These expense rates will be communicated to WIA area fiscal agents no later than August 15<sup>th</sup>. Local areas will have a grace period to liquidate accrued expenditures, correct and report final expense data. The final report must be uploaded to BCFTA no later than September 15<sup>th</sup>. Based on the September 15<sup>th</sup> upload, unliquidated balances in excess of thirty percent (30%) will be recaptured.

ODJFS will determine the amount to be recaptured from each funding stream by subtracting the cumulative liquidated expenditure rate from seventy percent (70%) of Adult funds, seventy percent (70%) of Dislocated Worker funds, and from seventy percent (70%) of Youth funds. The resulting percentage will be multiplied by the area's total allocation for that funding stream and will be recaptured. (See Attachment A)

Local areas eligible for redistribution must have met the cumulative liquidated expenditure requirement for the fund being reallocated (70%

Adult, 70% Dislocated Worker and 70% Youth). Any recaptured funds will be reallocated for each relative funding stream at the same percentage share as was issued for the program year. The percentage share is derived when the state calculates area allocations using the approved allocation methodology at the beginning of the program year. For each funding stream, the percentage share of the redistribution amounts for non qualifying areas will be designated as statewide funds. In the event a local area declines to receive redistributed funds, the redistributed funds shall be designated as statewide funds.

#### B. Procedures and Sanctions for Late and/or Inaccurate Reporting

Local areas must adhere to the requirements of this policy as well as all other ODJFS fiscal cash management and reporting policies. Local areas that fail to submit a monthly financial report in accordance with the due date of the 15th day of the following month and/or have submitted a report that is inaccurate within a program year, may be subject to the following:

1. For the first occurrence, the local area must submit a written explanation within 5 days of the report due date, outlining the reason(s) for the late or inaccurate submission of the report(s) and a corrective action plan which:
  - a. outlines the reason(s) for the late or inaccurate submission of the report(s);
  - b. describes the action being taken to remedy the problem;
  - c. indicates the date the accurately revised or delinquent report(s) will be submitted to the State for approval. (In no case should the submission of the accurately revised or delinquent report be more than 30 days after the report period. [e.g. July report by September 15th, August report by October 15th, etc.]), and
  - d. notes any technical assistance needed to correct the problem.

The written explanation should be sent to:

Ohio Department of Job and Family Services  
Office of Workforce Development  
4020 East Fifth Avenue  
Columbus, Ohio 43219  
Attn.: Technical Assistance Section

2. For the second occurrence, the local area's authority to draw cash down will be suspended until receipt of accurate corrected report by the Office of Fiscal and Monitoring Services and verified by a fiscal review.
3. For the third occurrence, the local area's ability to draw cash will be subject to review for appropriateness/reasonableness to ensure no fiscal issues will result from the receipt of the cash based on the inaccurate reporting. This cash draw restriction will continue until it is

determined that the local area has taken the necessary steps to provide prompt, accurate reporting on a continuing basis and no further assistance/monitoring is required.

**V. Technical Assistance**

For additional information, you may send your questions to the Office of Workforce Development: [WIAQNA@JFS.OHIO.GOV](mailto:WIAQNA@JFS.OHIO.GOV).

**VI. References**

WIA Final Rules and Regulations - 20 CFR: §660.300, §667.107, §667.160

OAC 5101:9-7-04, WIA Area Financing, Reconciliation, and Closeout

OAC 5101:9-31-02, WIA Initial Formulary Allocation Methodology

Workforce Investment Act (WIA) of 1998, Public Law 105-220, August 7, 1998

**Attachment A – Sample Recapture and Redistribution Table**

\* Please note: figures are not reflective of actual allocation/award amounts.

Example of WIA Formula Recapture and Redistribution		WIA Adult Program		WIA Dislocated Worker Program		WIA Youth Program	
		Area A	Area B	Area A	Area B	Area A	Area B
<b>Area Awards</b>		<b>\$100,000</b>		<b>\$100,000</b>		<b>\$100,000</b>	
<b>December 31 Mid Year</b>	December 31 Spending Requirement -- 35% for Adult -- 35% for Dislocated Worker -- 35% for Youth Program	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
	Area Cumulative Spending for December as Reported in CFIS by January 20	\$30,000	\$52,000	\$25,000	\$55,000	\$35,000	\$29,000
	Variance between Area Spending and Required Spending	(\$5,000)	\$17,000	(\$10,000)	\$20,000	\$0	(\$6,000)
	Amount to be Recaptured	(\$5,000)	\$0	(\$10,000)	\$0	\$0	(\$6,000)
	Redistribution Process Additional Funds*	\$0	\$5,000	\$0	\$5,000	\$2,000	\$0
	January Revised Award Level (Initial Award minus Recaptured funds plus Redistributed Funds)	<b>\$95,000</b>	<b>\$105,000</b>	<b>\$90,000</b>	<b>\$105,000</b>	<b>\$102,000</b>	<b>\$94,000</b>

Example of WIA Formula Recapture and Redistribution		WIA Adult Program		WIA Dislocated Worker Program		WIA Youth Program	
		Area A	Area B	Area A	Area B	Area A	Area B
<b>Award After January Redistribution</b>		<b>\$95,000</b>	<b>\$105,000</b>	<b>\$90,000</b>	<b>\$105,000</b>	<b>\$102,000</b>	<b>\$94,000</b>
<b>June 30 Year End</b>	June 30 Spending Requirement -- 70% for Adult -- 70% for Dislocated Worker -- 70% for Youth Program	\$66,500	\$73,500	\$63,000	\$73,500	\$71,400	\$65,800
	Area Cumulative Spending for June 30 as Reported in CFIS by September 20	\$60,000	\$75,000	\$60,000	\$75,000	\$70,000	\$80,000
	Variance between Actual Spending and Required Spending	(\$6,500)	\$1,500	(\$3,000)	\$1,500	(\$1,400)	\$14,200
	Amount to be Recaptured	(\$6,500)	\$0	(\$3,000)	\$0	(\$1,400)	\$0

	Year End Balance (January Award Level minus Recaptured funds)	<b>\$88,500</b>	<b>\$105,000</b>	<b>\$87,000</b>	<b>\$105,000</b>	<b>\$100,600</b>	<b>\$94,000</b>
* Redistribution amounts to eligible areas are examples only. Actual amounts will vary based on the actual amount of funds recaptured.							