

Oklahoma Employment Security Commission



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Oklahoma Employment and Training Issuance 5-2004

TO: WtW Grant Recipients

FROM: Terry Watson

DATE: March 2, 2004

SUBJECT: Rescission of Fiscal Year 1999 Welfare-to-Work (WtW) State Formula Program

PURPOSE: To provide local WtW grant recipients of the OESC policy and procedures relating to program termination and closeout pursuant to the rescission of the WtW State formula program funded in Fiscal Year 1999 under Section 403(a)(5)(H)(i)(II) of the Social Security Act.

BACKGROUND: Pursuant to the above referenced legislation, the remaining WtW State formula grants are rescinded, effective January 23, 2004, the date of enactment. The language of the legislation is as follows:

SEC. 105. Of the funds appropriated for fiscal year 1999 under section 403(a)(5)(H)(i)(II) of the Social Security Act (42 U.S.C. 603(a)(5)(H)(i)(II)) that were allotted as welfare to work formula grants to the States under section 403(a)(5)(A) of such Act (42 U.S.C. 603(a)(5)(A)), there is hereby rescinded any funds that are unexpended by the States as of the date of enactment of this section, except for such funds as the Secretary of Labor determines are necessary for States to carry out administrative activities relating to the close out of such grants. Notwithstanding section 403(a)(5) of the Social Security Act (42 U.S.C. 603(a)(5)), the Secretary of Labor may take such actions as the Secretary determines are appropriate to facilitate the orderly and equitable close out.

The conference report contained the following clarifications regarding Congressional intent:

The conference agreement modifies a provision proposed by the Senate that rescinds funds appropriated for fiscal year 1999 for the Welfare-to-Work program. The conference agreement rescinds any amounts allotted to the States from funds appropriated for fiscal year 1999 for the Welfare-to-Work program

that are unexpended as of the date of enactment of the section, except for certain close out costs. Unexpended funds would consist of funds allotted to the States that are unobligated by the States, or obligated by the States, but not expended. Only funds to pay for goods and services that have already been provided as of the date of enactment are generally considered expended. Grantees would be required to terminate any agreements providing for the provision of goods and services beginning after the date of enactment unless alternative funding sources are identified.

Since this rescission would accelerate the termination of the Welfare-to-Work grants to the states that are all due to expire during fiscal year 2004, the provision does not rescind funds that the Secretary of Labor determines are necessary for the states to carry out administrative activities relating to closeout. Such cost could include such items as penalties for early termination of leases, and personnel costs relating to the final reporting and closeout of grant activities. Authority is also provided in this provision for the Secretary of Labor to take necessary actions to facilitate the orderly and equitable closeout of the state grants, notwithstanding the programmatic requirements of the Welfare-to-Work program. The conferees expect the Employment and Training Administration to assist states in establishing a transition process to help the remaining Welfare-to-Work participants easily and seamlessly assimilate into Workforce Investment Act programs that allow them to continue to receive assistance.

MESSAGE: The following provides detailed instructions concerning the various aspects of the closeout of the “rescinded” formula-funded WtW grants, as well as related activities that have an impact on closeout. Local WtW Grant Recipients must follow the instructions contained herein.

1. Use of Funds and Cost Limitations

- a. Use and Classification of Remaining Funds. Local WtW Grant Recipients are allowed to expend funds to cover the costs of administrative closeout of the grant. The closeout costs incurred during the closeout period for affected WtW programs will not be subject to the administrative cost limitations. All administrative cost including closeout, should be reported on line item 15 of the expenditure report. Please indicate at the bottom of the final expenditure report the amount of administrative expenditures that were incurred during the closeout period. The 70/30 percent expenditure ratio should still be reported as usual. Costs incurred prior to the closeout period but paid during the closeout period will continue to be reported according to the appropriate cost category.

2. Closeout Procedures

- a. Time Frame. Local WtW grant recipient’s 1999 WtW closeout package and final expenditure reports are due by March 23, 2004.

3. Subrecipient and Vendor Agreements

- a. In General. Existing agreements for the delivery of services for current WtW participants must be terminated effective the date of the rescission. However, subrecipients and subcontractors may be allowed administrative closeout costs and participants may be allowed to complete prepaid “training” only to the extent that no further program costs are incurred and if such training is not otherwise severable. For example, participants in a prepaid semester course must be allowed to complete the semester. Any other services or activities (OJT, work experience, supportive services, etc.) must have ceased and/or can no longer be charged to the WtW grant, effective at the close of business on January 23, 2004. Any arrangements for continuation of current participants and associated service delivery programs must be worked out through local agreements with the State and local Workforce Investment Act (WIA) program administrators and local boards.
- b. Termination Costs. Reasonable costs, often referred to as an equitable adjustment, associated with the termination of subrecipient agreements are allowable. Any other amounts paid in excess of the costs for services provided through January 23, and the reasonable costs of terminating the agreement are unallowable and subject to repayment by the subrecipient. However, if the local awarding entity arranges for the services to continue using alternative funding [e.g., WIA Adult funds], there would be no need to require repayment. Rather, the awarding entity would reverse the WtW charge on its books of account and charge the costs incurred after January 23 to the WIA Adult funding stream. In either case, the amount would be included as part of the WtW unexpended funds.

4. Closeout. When the WtW program was rescinded on January 23, 2004, the fund availability period for all remaining formula funds allotted in Fiscal Year 1999 expired except for those needed to cover closeout costs.

The objective of the financial closeout is to achieve the status where obligated funds, allowable reported costs, and payments (for most recipients the amount of drawdowns) are equal or in balance. Because it constitutes the final closeout of the program, this financial reconciliation must be carefully performed in a manner that pays particular attention to detail. It is imperative to ensure that all costs have been accurately reported and paid, and that the balance of available obligational authority is properly identified.

When obligations, costs and drawdowns are not equal and the discrepancies cannot be reconciled, or where other violations are evident, the Oklahoma Employment Security Commission’s initial and final determination process will be used to resolve the findings.

The final expenditure reports for FY 1999 grants must be submitted with the closeout package no later than 60 days after the date of termination, which is March 23, 2004. After the closeout process has been completed, there will be no Federal funds available to pay for allowable late claims. State and/or local funds will be necessary to pay for any such costs.

5. Liabilities Associated With the Closeout Process.

- a. DOL's Liability. DOL will not be liable for any costs that States and their subrecipients failed to pay before closeout. Furthermore, DOL will not be liable for any late claims received by the States. DOL will not have the funds available for such claims.
- b. Subrecipient Liability. The local WtW subrecipient will be responsible to the State for all costs related to the WtW subgrants that they have received. All closeout activities must be fulfilled locally and in accordance with the State closeout plan. The State will not be liable for any costs that local grant WtW recipients failed to pay before closeout.

6. Unpaid Bills (Liabilities). Unpaid bills are those outstanding, whether received or not, for allowable WtW costs which have resulted from the operation of the programs that have not been paid. These are not closeout costs and should be charged to the appropriate cost category. Local WtW grant recipients are expected to ensure that all WtW grant liabilities are paid before closeout. No unpaid bills can be paid with Federal funds after closeout. Any such bills will have to be paid from non-Federal funds.

7. Unclaimed and Uncashed Checks. State and local escheat law should be followed for the handling of unclaimed and uncashed checks. Amounts required to cover all unclaimed or uncashed checks must be included in the total accrued expenditures reported on the final expenditure report. Funds required to cover these costs must be drawn down as part of the closeout process.

8. Prepaid Expenses. The prepayment of necessary, reasonable, and allocable costs is allowable. Local WtW grant recipients are authorized to pay for the storage of records for a period of three (3) years from the submittal of the final expenditure report to comply with WtW requirements. When an organization ordinarily charges the cost of a single audit as a direct cost charge to its program(s), they are authorized to prepay the allocable share of the single audit(s) which covers the program year(s) to be closed. No prepayment of single audit costs is authorized when an organization normally charges such costs as indirect or overhead costs.

9. Self-Insurance Funds. Local WtW grant recipients may have established self-insurance funds to cover the costs of workers compensation, unemployment compensation, severance pay and similar employee benefits. Claims submitted during the period allowed for closeout will be paid by the entity from those funds. Upon termination of the closeout period and submittal of the final expenditure report, the self-insurance account option may be continued unless the local entity is going out of business, in which case the fund should be transferred to the State. Unpaid claims or those received after the closeout of the grant should be paid by the local entity or the State from the fund. Payment of claims will be limited to unexpended funds remaining in each subrecipient self-insurance fund. Any balance of funds remaining in the self-insurance accounts must be refunded to DOL/ETA.

10. Staff Benefit Costs. Local WtW grant recipients must treat staff leave costs in the same manner as staff leave costs are treated in the individual organization's existing written leave policies and procedures.

- a. Costing Systems. The two most prevalent leave systems are:
 - (1) unfunded systems wherein the costs are incurred when cash payment is made to the employee at the time the leave is taken, and
 - (2) funded systems wherein the cost is incurred at the time leave is earned by the employee and payment is made to the employee at the time leave is taken.
- b. Lump Sum Payments. When a WtW staff person is terminated from the employing entity, a lump sum payment for accrued leave will be borne by the WtW grant as a closeout cost in an unfunded system and as a cash payment (unpaid bill) in a funded system. An escrow account may be utilized if necessary.
- c. Continued Service. When a WtW staff person is retained by the same employing entity, the liability for leave will be borne by the receiving program/fund source in an unfunded system. An escrow account may be utilized for payment purposes in a funded system. In instances where staff is retained and is working on WtW closeout as well as WIA or other programs, the cost of leave must be pro-rated between the programs based on an appropriate allocation method, e.g., time distribution.
- d. Personnel Policies. Local personnel policies will govern the payment of fringe benefits other than leave costs, including severance pay.

11. UI Costs. Unemployment insurance costs properly chargeable to WtW will be paid from each local WtW grant receipt agreement until final closeout. Once the WtW grant is closed, local funds must be used to pay such costs. Organizations and jurisdictions on a contribution basis of UI coverage will not recover any costs associated with a higher organization-wide experience rating as a result of WtW program layoffs.

12. Audits. Local WtW grant receipt agreements must complete normal annual audit cycles in accordance with 29 CFR 97.26, 29 CFR 95.26, and OMB Circular A-133. No additional Federal funds will be provided to cover audit costs.

13. Complaints and Grievances. In accordance with Section 20 CFR 645.270 of the WtW regulations, locals should continue to provide a system for processing complaints. Prior to closeout, the costs associated with WtW program complaints being handled by this system should be charged to the WtW grant. After this period, the costs associated with WtW complaints must be paid from non-Federal funds.

14. Equipment and Supplies. The disposition of equipment and supplies acquired with WtW grant funds is discussed in chapter 14 of the WtW Financial Management Technical Assistance Guide and the appropriate administrative regulations at 29 CFR Parts 97 and 95.

15. Refunds. Any refunds received after closeout, must be returned to OESC.

16. Program Income. Program income generated with WtW funds prior to the rescission, but not used by the termination of the program, must be treated as unexpended grant funds. There are no Federal requirements governing the disposition of WtW program income that is earned after the termination of the WtW program.

17. Records Retention. Local WtW grant recipients are responsible for ensuring that all records associated with the WtW program are retained for three (3) years after submission of the final expenditure report for each year of appropriation. Records must be kept longer if any litigation or audit is begun, or if a claim is instituted involving the appropriated funds or agreement covered by the records. In these instances, records will be retained until the issue has been finally resolved. However, the only authorized closeout cost for record storage is the amount required to meet the three (3) year retention requirement. Since they would constitute an estimated contingency, costs for any longer retention period required must be paid with non-Federal funds. Locals are responsible for ensuring the retention of records for subrecipients who are disbanding or otherwise unable to retain records.

ACTION: Please make this information available to all staff that has responsibility for closeout activities.

INQUIRES: If you have any questions, please contact Tami Decker (405) 962-7595 or Donna Hewitt (405) 641-5668.