COUNTY OF SAN LUIS OBISPO
DEPARTMENT OF SOCIAL SERVICES
WORKFORCE DEVELOPMENT BOARD
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POLICY NO: 25-19

TO: Service Providers

FROM: Department of Social Services

EFFECTIVE: January 01, 2020

SUBJECT: Program Income

REFERENCES:

- Public Law 128, The Workforce Innovation and Opportunity Act, Sec. 184, Fiscal Controls and Sanctions, including section 184(a)(3), 184(a)(5), 194(7)(B) and 194(13)(A-C)
- Title 2 Code of Federal Regulations (CFR) Subpart A – Office of Management and Budget Guidance for Grants and Agreements, Chapter II – Office of Management and Budget Guidance, Part 200 et.al, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance), inclucing Sections 200.80 & 200.307 (Program Incomes), 200.327 (Financial Reporting), and 200.333 (Retention Requirements for Records.
- Title 2 CFR Subtitle B, Chapter XXIX, Part 2900 et.al "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Department of Labor special provisions and Exceptions)
- Training and Employment Guidance Letter (TEGL) 15-14, Subject: Implementation of the New Uniform Guidance Regulations (December 19, 2014)
- Workforce Services Directive WSD12-3, Subject: Quarterly and Monthly Financial Reporting Requirements (July 18, 2012)
- Workforce Services Directive WSD15-25, Subject: WIOA Program Income (May 24, 2016)

PURPOSE:
This policy provides guidance regarding program income parameters for the Workforce Innovation and Opportunity Act (WIOA).

This policy is based on SLOWDB's interpretation of WIOA law, regulations and policies and federal, state and local laws, regulations and policies. This policy will be reviewed and updated based on any additional federal or state guidance.

BACKGROUND:
Beginning with WIOA Program Year 2015-16 (July 1 2015), all subrecipients of WIOA funding must adhere to the Uniform Guidance, DOL Exceptions, and corresponding WIOA administrative requirements, cost principles, and audit requirements. For more information on Uniform Guidance implementation, please see TEGL 15-14 referenced above.

POLICY:
Program Income means amounts generated by a recipient or subrecipient of WIOA funds that was directly generated from a supported WIOA underwritten activity or earned as a result of the WIOA award during the period of performance.

Program income includes, but is not limited to:
- The use or rental of personal property acquired with WIOA funds.
- The sale of commodities or items produced or otherwise fabricated under a WIOA award.
- License fees and royalties on patents or copyrights developed with WIOA financial assistance.
- Goods or services (including conferences) generated as a result of WIOA funded activities, where those goods and services create a cost forgone.
- Any excess of revenue over costs incurred for services provided by a governmental or non-profit entity.
- Interest earned on funds received under the WIOA.
- Fees from employers to use services, facilities, or equipment.

On a fee-for-service basis, employers may use local area funded services, facilities, or equipment to provide employment and training activities to incumbent workers if the following are met:
- The services, facilities, or equipment are not being used by eligible participants;
- Their use does not affect the ability of eligible participants to use the services, facilities, or equipment.
- The income generated from such fees is used to carry out programs authorized under WIOA.

Unless otherwise provided in WIOA, its regulations, or the terms and conditions of a WIOA award, program income does not include the following:
- Interest earned on advances of WIOA funds.
- Rebates, credits, discounts, and any interest earned on them.
- Proceeds from the sale of property, equipment, or supplies.
- Donations and contributions that are voluntarily given to a WIOA-funded program.
- Profits earned by commercial for-profit organizations.
- Funds provided to satisfy the matching requirement of a WIOA-funded program.
- Income earned after the period of subaward performance.

Accounting for Program Income
Service providers and their contractors will account for program income earned in accordance with the “Addition Method” procedures described below:

The addition method means the program income is added to the WIOA award and is used to provide the same services as provided for under the original award agreement. The program income available to the subgrantee for program activities is not formally modified into the subgrant amount.

Subrecipients can calculate earned program income using either the net income or gross income method. Under the net income method, the cost of generating the program income is deducted from gross program income receipts. The revenues and expenditures are tracked separately in accounting records, netted, and then recorded in the appropriate program income account. Under the gross income method, all gross revenues derived from program income activities are accounted for as program income, and the costs associated with generating the revenue are charged to the subaward. In the accounting records, the entire amount of gross revenues and corresponding expenditures are recorded in the program income account for the funding period.

The following example illustrates how a subrecipient would calculate program income using either the net income or gross income method:

A subrecipient plans a conference and receives $10,000 in registration fees in advance of the conference, and incurs an expense of $6,000 to cover the costs of the conference.
• Using the net income method, the subrecipient would report $4,000 (the amount of revenue that remained after subtracting the conference costs) as program income. The subaward is not charged.
• Using the gross income method, the subrecipient would report $10,000 (the entire amount of revenues earned from registration fees) as program income and charge the subaward $6,000 for costs associated with the conference.

Once the amount of program income has been determined, subrecipients may account for the expenditure of program income using either the separate accounting or transfer of expenditures method. Under the separate accounting method, program income is treated as additional funds committed to the subaward for which separately identifiable services are performed and the expenditure of program income is accounted for separately from the original subaward agreement. For accounting purposes, the program income is treated as if it were a separate subaward. Under the transfer of expenditures method, subrecipients initially record the expenditures in the accounts of the original subaward agreement and subsequently transfer the expenditures to the program income account in order to offset the amount of program income earned. The result is the program income is accounted for as fully expended while expenditures charged under the subaward are reduced by the amount of expenditures that have now been applied to program income.

The following example illustrates how a subrecipient would calculate program income expenditures using either the separate accounting or transfer of expenditures method:

A subrecipient earns $5,000 in program income, the amount that revenues exceeded costs under a fixed unit price agreement funded with WIOA funds.

• Using the separate accounting method, the subrecipient used the program income to provide additional training and placement services and established a separate WIOA funded account by cost category to record the expenditures incurred in providing the additional services.
• Using the transfer of expenditures method, the subrecipient transfers $5,000 in expenditures already incurred under the subaward from the appropriate cost categories to the program income account and reduces subaward expenditures in the corresponding cost categories by the same amount. This has the effect of freeing up $5,000 to be used for additional services under the subaward. When submitting its expenditure report, the subrecipient reports the amount of program income earned, the amount expended by cost category, and final net expenditures charged to the subaward.

Program Income Expenditure Requirements

Program income must be expended on allowable subaward activities. It is subject to all WIOA requirements, with the exception of the administrative cost limitation. These requirements include the following:
• Allowable cost guidelines.
• Cost classification guidelines.
• Inclusion of program income earnings and expenditures in the audit.
• Rules on procurement and selection of service providers.
• Participant records and other record-keeping requirements.
• Sanctions for misuse.

Although program income can be accounted for as available until the income is actually used, any cash-on-hand from program income must be liquidated before the subrecipient may request additional WIOA cash for any purpose.

To simplify the implementation of this policy, the state requires that program income generated during the life of a specific allocation must be expended before the end of the availability or termination of that specific funding, or before the closeout is completed, whichever is last. Therefore, at the time of filing a closeout, any unexpended program income must be treated as a reduction in federal expenditures and the excess federal funds will be de-obligated.

Reporting and Documentation Requirements

Subrecipients are required to include program income in their quarterly and monthly financial reports. Program income earnings and expenditures must be reported separately in Section VI, Other Reportable Items (Program), lines 3 and 4. These lines specify how much program income was earned, and how much was expended. See Workforce Services Directive WSD12-3 for quarterly and monthly financial reporting requirements.

Additionally, subrecipients must record and classify program income revenues and expenditures so they can be traced from the quarterly and monthly financial reports to the source documentation supporting the revenue and expenditures. They must maintain proper documentation to show the amount of program income received and the purposes for which it was expended.

Records Retention

Program income transaction records are retained from the end of the subrecipient's fiscal year in which the income is earned. Subrecipients must retain program income records for a period of three years from the date of the last expenditure report submitted to the Central Office Workforce Services Division. If any litigation, claim, or audit is started before the expiration of the three-year period, the records must be retained until all findings have been resolved and final action taken (Uniform Guidance Section 200.333).

ACTION:
All WIOA Adult, Dislocated Worker and Youth Program Service Providers shall comply with this policy. This policy will remain in effect from the date of issue until such time that a revision is required.

INQUIRIES:
Any questions regarding this policy may be directed to the DSS WIOA Program Manager at 805-781-1838.

Workforce Development Board (WDB) Approval Required? Yes No X

Initial approval date: _____N/A_____

WDB revision approval date: _________________