NoRTEC
Policy Statement
WIOA Program Income

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PURPOSE

This policy provides guidance and establishes the procedures for *Workforce Innovation and Opportunity Act* (WIOA) program income.

REFERENCES

- WIOA (Public Law 113-128) Sections 184(a)(3), 184(a)(5), 194(7)(B) and 194(13)(A-C)
- Title 2 *Code of Federal Regulations* (CFR) Part 200: "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance), Sections 200.80, 200.307, 200.327, and 200.333
- Title 2 CFR Part 2900: "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Department of Labor [DOL] Exceptions)
- Title 20 CFR: "WIOA; Notice of Proposed Rulemaking" (NPRM), Section 683.200
- 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 WSD10-7, Subject: *Program Income* (September 28, 2010)

POLICY AND PROCEDURES

Program income is defined as gross income earned by a subrecipient that is directly generated by a supported activity or earned as a result of the WIOA award during the period of performance (Uniform Guidance Section 200.80).

Program income does not increase the amount of funds that were authorized for the subaward. It is considered additional revenue available for use in support of allowable subaward activity.

Program income includes, but is not limited to, income from the following:

- The use or rental of property acquired with WIOA funds.
- The sale of commodities or items fabricated under a WIOA award.
- License fees and royalties on patents or copyrights.
- Goods or services (including conferences) provided as a result of WIOA funded activities.
- Any excess of revenue over costs incurred for services provided.
- Interest earned on funds received under WIOA.
- Fees from employers to use services, facilities, or equipment.

On a fee-for service basis, employers may use the Local Workforce Development Area's WIOA funded services, facilities, or equipment to provide employment and training activities to incumbent workers if the following criteria 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 the 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 real property, equipment, or supplies.
- Taxes, special assessments, levies, fines, and other such revenues raised by a subrecipient.
- 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.

(Uniform Guidance Sections 200.80 and 200.307, and WIOA Section 194[7] and [13])

<u>ACCOUNTING FOR PROGRAM INCOME</u>

Subrecipients must account for program income using the "Addition Method." The Addition Method means that program income is added to the WIOA award and is used to provide the same services as provided under the original subaward agreement. The program income available to the subrecipient for program activities is not formally modified into the subaward amount (NPRM Section 683.200 [c][6]).

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.

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.

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 (WIOA Section 194[7]).

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 NoRTEC. 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).