DATE:        July 2, 2015

TO:         LA's Workforce Development System

FROM:  Jaime H. Pacheco-Orozco, Director  
        Workforce Development Division

            Catherine Bondoc, Director  
            Financial Management Division

SUBJECT:    WDS DIRECTIVE NO. 16-01  
            WORKFORCE INVESTMENT ACT (WIA) GRANT CLOSEOUT

EFFECTIVE DATE:  

This directive is effective on date of issue.

PURPOSE:  

The purpose of this directive is to provide instructions and guidance on the closeout of the City's Workforce Investment Act (WIA) contracts for the period ended June 30, 2015.

BACKGROUND:  

The Workforce Innovation and Opportunity Act (WIOA) was signed into law on July 22, 2014. WIOA supersedes Titles I and II of the WIA Act of 1998 and takes effect on July 1, 2015. Unobligated local PY 2014 WIA funds after the grant closeout will be carried over by the State Employment Development Department (EDD) and added to the City's WIOA allocation for PY 15-16. These carryover funds will be subject to the requirements of WIOA.

As such, critical to a smooth transition to WIOA is the timely completion of the closeout of WIA. All WorkSource and YouthSource Centers, subcontractors, and vendors must adhere to the guidance and instructions provided in this directive. If, and when, the United States Department of Labor (DOL) and EDD provide more specific closeout instructions, the City may issue additional and/or revised instructions accordingly.
POLICIES & PROCEDURES:

Closeout Timeframes/Deadlines

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
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<tbody>
<tr>
<td>June 30, 2015</td>
<td>End of WIA program services. Last day to incur WIA program expenditures.</td>
</tr>
<tr>
<td>July 6, 2015</td>
<td>Provide an estimate of total final expenditures thru June 30, 2015 to FMD.</td>
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<tr>
<td>July 1-31, 2015</td>
<td>Closeout period - fiscal closeout activities only. Resolve all outstanding budget, fiscal review, Single Audit, and/or billing issues. Liquidate ALL expenditure accruals.</td>
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<tr>
<td>July 10, 2015</td>
<td>Submit proposed Closeout Budget for closeout costs during the closeout period July 1-31, 2015.</td>
</tr>
<tr>
<td>July 31, 2015</td>
<td>Submit Closeout #1 for final expenditures for the period ended June 30, 2015.</td>
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<tr>
<td>August 7, 2015</td>
<td>Submit Closeout #2 for closeout costs during the closeout period July 1-31, 2015.</td>
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</table>

Required Reports:

June 2015 Invoice:

The last day to incur program expenditures is on June 30, 2015. On or before July 15, 2015, please submit your regular June 2015 invoice which must include all cash and accrued expenditures incurred through June 30, 2015. This package must include the following:

- Cash Request.
- Expenditure Report (with Schedule of Personnel Costs and Attachment).
- List of Expenditure Accruals/Outstanding Payables (expenditure line item, description of the nature of the transaction, name of vendor/payee, and amount), Include the General Ledger/Journal Entry reference.
- Schedule of Leveraged Resources.
- Refund check, if applicable.

Closeout #1:

On or before July 31, 2015, please submit Closeout #1 which must reflect the final total cumulative expenditures for the period ended June 30, 2015. All accruals included in your June 2015 invoice must be liquidated (i.e., paid) by the submission of Closeout #1. This package must include the following:

- Cover letter on official letterhead, signed by the Executive Director.
- Cash Request.
- Expenditure Report (with Schedule of Personnel Costs, Attachments, and Stand-In Costs.
- Status of Expenditure Accruals/Outstanding Payables.
- Schedule of Leveraged Resources (applicable to WorkSource Centers).
- Supplies Inventory Form.
- Equipment Inventory Form.
• Property Closeout Inventory Certification Form.
• Subrecipient Release Form.
• Subrecipient’s Assignment of Refunds, Rebates and Credits.
• Contract Closeout Certification.
• Refund check, if applicable.

Closeout Period and Closeout #2:

As of the date of issuance of this directive, DOL and EDD have not issued closeout guidelines and instructions and whether closeout costs during a specified closeout period will be allowed. However, in order to assess funding availability, the City requires your best estimate of your final total expenditures for the period ended June 30, 2015. Please send your estimate to Fred.Vocal@lacity.org as soon as possible or by July 6, 2015.

On or before July 10, 2015, please submit your proposed Closeout Budget for the period July 1 to 31, 2015 to your program analyst. The Closeout Budget may not exceed $15,000. Closeout activities and costs may require a thirty-day, no-cost contract amendment, and are subject to available WIA funds in the PY 2014-15 agreement and to allowability by the grantor. Allowable closeout costs may be:

• Salaries, benefits and other expenses of administrative/accounting staff involved in fiscal closeout activities,
• Prepaid storage cost for records for five years,
• City’s proportionate share of Single Audit fees for FY 14-15,
• Accumulated compensated time off earned under WIA for employees who will not be transitioned to WIOA (for unfunded systems), and
• Other expenses related to fiscal closeout activities.

Your program analyst will notify you if your Closeout Budget is approved or not. If approved, please submit Closeout #2 which must include only allowable and approved closeout expenditures for the period July 1 to 31, 2015. This package must include the following:

• Cover letter on official letterhead, signed by the Executive Director.
• Cash Request.
• Expenditure Report (with Schedule of Personnel Costs and Attachment).
• Subrecipient Release Form.
• Subrecipient’s Assignment of Refunds, Rebates and Credits.
• Contract Closeout Certification.
• Refund check, if applicable.

Submission Instructions

All cover letters, reports, supporting schedules, and forms require original signatures and must be signed by the preparer and the designated signatory authority. Two sets with original signatures must be sent to the address below:

EWDD – Financial Management Division
Attn: Catherine Bondoc, Director
An electronic set in the native format (Excel or Word) must also be emailed to EWDDfinancial@lacity.org and to your program analyst.

After the final deadline has passed, the last invoice submitted will be used to unilaterally closeout the contract. Because this is a grant closeout, there will be no extension of deadlines.

**Expenditures and Unliquidated Obligations**

Final expenditures reported must reflect both cash and accrued expenditures from the following:

- Costs of goods and services which have been received and paid for.
- Costs of goods and services which have been received but not paid for.
- Salaries and benefits earned by employees for work performed and leave taken, whether or not the payroll checks have been issued.
- Cost of services received clients/participants.
- Cost of training which has been received by enrolled clients/participants.
- Cost of tuition **required to be paid up front** by training provider for participants enrolled in classes.

A list of expenditure accruals must be attached to your June 2015 invoice. Note that all accruals must be liquidated (i.e., paid) by July 31, 2015. Excess cash from accruals that do not materialize or are not liquidated before July 31, 2015 must be returned to the City. The City will verify the liquidation of these accruals during its first scheduled fiscal review.

Unliquidated obligations are the amount of obligations committed but for which goods or services have not been received or an accrued expenditure has not been recorded. Unliquidated obligations as of June 30, 2015 are not accruals and must not be included in the closeout reports. These obligations may be liquidated and charged to the FY 2015-16 WIOA contracts even if they may be subject to WIA requirements.

**Bank Accounts and Cash Reconciliation**

Bank accounts used for advances with Special Bank Account agreements with the City do not have to be closed if the same accounts will be used for the WIOA program. However, a final reconciliation of WIA cash must be completed. Any remaining excess cash must be returned to the City with Closeout #1.

Bank statements and reconciliations must be available to and will be reviewed by the City during its first scheduled fiscal review.

**Staff Leave Costs**

The treatment of staff leave costs must be consistent with your existing written leave policies and procedures. The two most prevalent leave systems are the unfunded and funded systems. In a funded system, these costs have been reported and paid already. In an unfunded system, the lump sum payment for accrued leave earned by employees who will be terminated or not
transitioned to WIOA may be borne by WIA, but subject to funding availability. If an employee is retained and transitioned to WIOA, the liability for the accrued leave will be borne by WIOA.

**Disposition of Supplies and Equipment**

Supplies are defined as items with a useful life of one year or less and a unit acquisition cost of less than $5,000. The remaining unused supplies must be listed on the Supplies Inventory Form with similar items grouped together by category (e.g., computers, calculators, paper goods, etc.) for inventory and fair market value (FMV) purposes. Calculate the total aggregate FMV and follow the appropriate steps below.

Equipment are tangible, non-expendable personal property items with a useful life of more than one year and an acquisition cost of $5,000 or more per unit, including all costs related to the property’s final intended use. These items must be listed on the Equipment Inventory Form. Determine the FMV for each unit and follow the appropriate steps below.

- **Total Aggregate (for Supplies) or Unit (for Equipment) FMV = > $5,000:**

  The subrecipient may retain the supplies and/or equipment if they will be transitioned and used for the City’s WIOA program or another federal program. If the items will not be used for WIOA or another federal program (priority should be given to activities sponsored by the DOL-Employment Training Administration), subrecipient must determine the City’s share of the total aggregate or unit FMV, deduct $500 or 10% of the sale proceeds, whichever is less, and return the balance to the City, together with the final closeout report or within 30 days after the sale. If the subrecipient has no further use and wishes to dispose of the unused supplies or equipment (other than selling), subrecipient must adhere to EDD Directive WDS14-13.

- **Total Aggregate (for Supplies) or Unit (for Equipment) FMV < $5,000:**

  The subrecipient may retain, sell or dispose of the items with no further obligation to the City, except for the disposition of vehicle.

Methods for determining the fair market value include, but are not limited to, auctions, classified advertisements for similar used items, dealers, and licensed appraisers. For vehicles, the standard authority on the value of used vehicles is the Kelley Blue Book. Depreciated value is not FMV, nor is it a determining factor in establishing the FMV.

All property records must be maintained from acquisition through final disposition and in accordance with the City’s records retention requirements.

**Indirect Cost Rate**

Indirect cost rates must be approved by your federal cognizant agency or by the City. If the indirect cost rate was provisional, please request for final rates within six months after the end of the fiscal year. If the final rate is lower than the provisional rate, the indirect cost must be recalculated and the resulting overpayment must be returned to the City within thirty days after receipt of the final rate.
Indirect cost reported must also be properly broken down as administrative or program costs based on the types of costs included in the pool. The basis of the classification will be verified by the City during its first scheduled fiscal review. Improper classification may result in disallowed costs.

**Program Income**

Program income is the income received that is directly generated by the City’s WIA programs or earned as a result of the City contract during the contract period. Interest income earned on advanced funds received under the City’s WIA contract is included as program income. Program income must be expended first before using grant funds. Any remaining unexpended program income must be returned to the City, together with Closeout #1.

**Audits and Fiscal/Program Reviews**

Annual audit cycles must be completed in accordance with OMB Circular A-133. Commercial organizations must meet the audit requirements specified in 20 CFR 67.200(b)(2)(ii) and City Contract Section 608(l). The Single Audit reports are due no later than nine months after the end of the fiscal/calendar year used. Delinquent subrecipients will automatically be put on audit sanction.

Please resolve all outstanding program, fiscal review and/or Single Audit findings as soon as possible.

The City reserves the right to audit post closeout, disallow costs and recover funds on the basis of these audits or fiscal reviews.

**Stand-In Costs**

Stand-in costs are costs for the program paid for with non-federal sources. They may be used to substitute disallowed costs if they meet the following criteria:

- Must have been incurred in the same period as the costs that they are proposed to replace.
- Must not cause a violation of the administrative and/or other cost limitations (e.g., administrative cost limit of 4% of final approved expenditures).
- Must be recorded in the official books of records.
- Must be reported in the final Expenditure Report.

**Unclaimed or Outstanding Checks**

When one or more checks remain unclaimed or outstanding, the State’s escheat law, as currently outlined in the State Controller’s Office (SCO) Unclaimed Property Reporting Handbook at [http://sco.ca.gov/Files-UPD/guide_upd_updlaw.pdf](http://sco.ca.gov/Files-UPD/guide_upd_updlaw.pdf) must be followed.

**Credits and Other Adjustments**

Applicable credits such as rebates, discounts, refunds, and overpayment adjustments, as well as interest earned on any refund, rebate, dispute or overpayment adjustment applicable to the City must be credited as a reduction of final closeout expenditures reported to the City if received before July 31, 2015. Credits received after July 31, 2015, must be promptly returned to the City.
Refund Checks

Refund checks resulting from excess cash, unearned grant, accruals not liquidated, unexpended program income, disallowed costs, rebates, and other applicable credits must be included with the closeout reports. Identify the appropriate City contract number and funding stream and state the reason(s) for the refund.

Records Retention

In accordance with the City’s records retention requirement, records must be retained for five years after submission of the final expenditure report. Records must be kept longer as a result of a pending audit, litigation, investigation, or other actions involving these records. In these instances, records will be retained until the issue is fully resolved.

EWDD CONTACT

If you have questions regarding this directive, please contact Catherine Bondoc at (213) 744-7294 or at Catherine.Bondoc@lacity.org or contact Jaime Pacheco-Orozco at (213) 744-7124 or at Jaime.Pacheco-Orozco@lacity.org. The TTY number is (213) 744-9395.

REFERENCES

- Title 29 CFR Part 95, “Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”
- Title 29 CFR Part 97, “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments”
- US DOLETA TEGL WIOA No. 38-14, “Operational Guidance to Support the Orderly Transition of Workforce Investment Act Participants, Funds, and Subrecipient Contracts to the Workforce Innovation and Opportunity Act”
- State EDD Directive WSD14-13, “Property-Prior Approval, Purchasing, Inventory, and Disposal”