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WORKFORCE
DEVELOPMENT

TO: State Workforce Innovation Council Chairperson
Marion County Workforce Investment Board Chairperson & Director
Regional Workforce Board Chairpersons
Regional Operators
Directors of Operations for Northern and Southern Indiana

FROM: Andrew J. Penca
Commissioner, Indiana Department of Workforce Development

DATE: August 22, 2007

SUBJECT: DWD Policy 2007-12
Deobligation and Reallocation of Workforce Investment Act Funding

Purpose
To announce the policy on deobligation and reallocation of Workforce Investment Act Title IB Adult, Dislocated Worker, and Youth funding streams. This policy only applies to federal formula allocated funds granted by the Indiana Department of Workforce Development.

Rescission
DWD Communication 1998-66, Deobligation/Reallocation Policy, issued May 28, 1999

Content
The Indiana Department of Workforce Development is issuing guidance concerning the deobligation and reallotment of Workforce Investment Act Title IB Adult, Dislocated Worker, and Youth funding for its two workforce investment boards. In turn, the Balance of State Workforce Investment Board will hold each regional workforce board to the same standard. The Indiana Department of Workforce Development's policy regarding deobligation and reallocation is:

- A minimum of 80 percent total program funds available must be obligated for each funding stream by the end of each program year of allocation.

- Total program funds must be at a minimum 70 percent expended (i.e., accrued expenditures) for each funding stream by the end of each program year of allocation.

- Total program funds must be 100 percent expended (i.e., accrued expenditures) for each funding stream by the end of the two year period of allocation defined as the program year of allocation and the succeeding program year.

Any unobligated or unspent funding will be subject to recapture.

Total program funds available applies to program funds only (not local administrative pool funds) and includes transfers. The annual settlement reports for the immediate proceeding twelve month period will be used to determine the accrued expenditure rate.

Total program funds available is defined as any youth, dislocated worker and adult formula allocation awarded (less local administrative pool) for the current program or fiscal year *and* any carry forward amounts reported from the prior program or fiscal year. The combined total of these two will be total program funds available for the period being evaluated. Transfers to or from Adult and Dislocated Worker programs will apply.[1]

Accrued Expenditures is defined as follows: "The sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expense incurred plus: net increase or decrease in the amounts owed by the local grant recipient for goods and other property received; for services performed by employees, contractors, sub-grantees/service providers, and other payees, and amounts becoming owed for which no current services or performance is required, such as, annuities, insurance claims, and other benefit payments. Note: unexpended obligations (goods and services *not* received), and encumbrances are *not* accrued expenditures.[2]

The total of accrued expenditures reported as of June 30th will be compared to total program funds available to determine the **accrued expenditure rate**. [3]

In order for an organization to be successful, its percentage of accrued expenditures reported compared to total program funds available must equal or exceed 70 percent as reported in the certified annual settlement report submitted to the Indiana Department of Workforce Development.

The Indiana Department of Workforce Development will validate, on-site, the certified annual settlement report submission. This validation will take place after the fact during the program year.

Local areas may also deobligate funds voluntarily from any program at any time, but are asked to keep in mind the timeframes necessary for funds to be reallocated and expended by the receiving areas. Also, the Indiana Department of Workforce Development may require deobligation at any time during the program year if a potential under-expenditure problem is identified.

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[1] 29 CFR 95.2 et seq as modified for clarity by the Indiana Department of Workforce Development.

[2] TEGL No. 16-99, Change 1, dated 11-6-02 taken from 29 CFR 97.3

[3] Term used by US Department of Labor and reported annually to Workforce Investment Act State Administrators (Indiana Department of Workforce Development) by the Department of Labor, Region V. It is Region V's measurement of each state's 70 percent program expenditure rate. Region V's basis for this measurement is referenced in the pending legislation under Workforce Investment Act Reauthorization.

Reallocation
Recaptured funding will be reallocated using the same methodology as used for the current program year allocation formula. If the workforce investment boards meet the criteria below, they will be eligible for reallocation of funds. The Balance of State Workforce Investment Board may then reallocate funds among its eleven regional workforce boards as appropriate.

To qualify for reallocated funding, workforce investment boards and regional workforce boards must have:

- A fully certified workforce investment board or regional workforce board.
- Reported at least 70 percent of total available program funds as accrued expenditures.
- Obligated at least 80 percent of the prior program year's total available program funds available.
- Expended 100 percent of total available program funds for the program year of allocation and the succeeding program year.
- Maintained auditable records, with the most recent financial audit completed without significant issues.
- Stayed within administrative cost limitations.
- Had no major uncorrected monitoring or validation findings for compliance issues.

Note that the policy for deobligating and reallocating funds granted through a methodology other than federal formula allocated will be addressed separately.

Effective Date
Immediately

Review Date
June 30, 2009

Ownership
Career Services

Action
Please share this guidance with Workforce Investment and Regional Workforce Boards' members.

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