

GUIDANCE FOR PERIODIC RECONCILIATION OF AMERICAN JOB CENTER ACTUAL COSTS IN PY 2019

Background: Periodic reconciliation is required by WIOA and must reconcile American Job Center (AJC) budgeted to actual costs at least every six months, according to Illinois' [Handbook for Conducting Periodic Reconciliation](#).

RECONCILIATION REMINDERS

- The reconciliation period is the time when actual costs are incurred, either in a calendar quarter or in a six-month period.
- The next *reconciliation period* is for costs incurred up to June 30, 2020 (for PY19).
 - If reconciling quarterly: costs incurred between March 31, 2020 and June 30, 2020
 - If reconciling semi-annually: costs in incurred between January 1, 2020 and June 30, 2020

Note: If an LWIA reconciled costs quarterly in PY19, the Interagency TA Team recommends conducting semi-annual reconciliation in PY20. Reconciling actual costs incurred between July 1 and December 31 would allow time for additional information about actual pandemic-related costs to become available and to inform additional guidance on the reconciliation process for PY20.

- The *reconciliation process* will occur after June 30 and, in general, will identify actual costs and send invoices to required partners by July 30 for any difference between the actual costs and the originally budgeted amount per partner.
- The reconciliation process and payment of amounts owed should occur before the state's lapse period spending, which is between June 30 and August 31 each year.
- **If the actual amount of an individual line item varies by more than 15% of the budgeted amount for that line item *and* accounts for more than 10% of the total budget**, then the question is whether that variance is permanent or temporary/seasonal.
 - *If the significant variance is permanent:* An amendment to the MOU/annual budget is required with new partner signatures.
 - *If a significant variance is temporary:* The fluctuation can be handled through the reconciliation period *without* requiring an MOU/annual budget amendment.
 - *At this time, the State Technical Assistance Team considers COVID-19 related costs as "temporary."*
- The reconciliation handbook describes the process if a required partner disagrees with the amount owed, which should be spelled out in Section 14 of the MOU for resolving disputes that occur after the annual budget has been approved. If agreement cannot be reached after following the process in the MOU, then the LWIB chair reports the disagreement to the Interagency TA Team.

COVID-19 COSTS INCURRED

The COVID-19 pandemic is anticipated to result in extra costs that were not originally budgeted for Personal Protective Equipment (PPE), cleaning supplies/services and supplemental security services or other expenses at American Job Centers. Required partners are currently incurring these extra costs individually, which is anticipated to result in increased infrastructure and other delivery system costs that exceed budgeted amounts for specific line items PY 2019.

Following are questions and considerations for the implications of these unbudgeted expenses to help guide the reconciliation process that will start in July 2020.

- What costs were incurred for PPE, special cleaning services, supplemental security or other costs specific to the pandemic? Which required partner incurred each cost?
- Were administrative funds or other funds used to obtain PPE, special cleaning services and supplemental security?
- Which costs will be shared and allocated to all partners in the AJC?
- Which excess costs will be absorbed by individual partners?
- For the excess costs that will be shared and allocated to all partners of the AJC, how will they get approval from their State agencies or funders to exceed their spending authority in the approved PY 2019 MOU budget?
- What special timelines are needed if approval from the authorizing agencies could take a while or is unknown?
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GUIDANCE FOR PY 2019 RECONCILIATION

Below are guidelines to consider when reconciling costs related to the COVID-19 pandemic in the fourth quarter of PY 2019.

- 1. Identify actual costs incurred through June 30, 2020.**
 - a. Confirm which costs incurred are specific to the COVID-19 pandemic.
 - b. Confirm the exact amount of pandemic-specific costs incurred by each partner up to June 30, 2020.
 - c. Confirm the line item to which those pandemic-specific costs could be charged.
- 2. Discuss cost sharing, payment processes and timelines for covering extra costs specific to the pandemic with partners.**
 - a. Identify which pandemic-specific costs have or could benefit the entire AJC.
 - b. Identify which pandemic-specific costs are limited to one required partner.
 - c. Discuss and decide which pandemic-specific costs will be shared and allocated out to all required partners in the AJC.
 - d. Discuss and identify any agreed-upon exceptions for partners that will not absorb the extra shared costs related to the pandemic; document the rationale.
 - e. Discuss special processes and time estimates for seeking approval of increased spending authority from the applicable State agency or parent organization.

- f. Develop an agreed-upon timeline for invoicing and payment to cover excess shared costs specific to the pandemic.
 - g. Confirm the process of addressing any disagreements of excess amounts owed as outlined in MOU Section 14: Amendment Procedures and Renewal Provisions.
- 3. Reconcile budgeted to actual costs.**
- a. Calculate whether the extra costs incurred and shared among required partners related to the pandemic exceed 15% of the budgeted amount for that line item *and* account for more than 10% of the total budget.
 - b. If yes, then confirm whether these excess costs are considered temporary.
 - i. As indicated above, the State Technical Assistance Team considers all PY19 COVID-19 expenses as “temporary.”
 - c. If temporary, then confirm with partners that the amount of the extra costs to be shared can be addressed through the reconciliation process.
 - d. If the excess costs are considered permanent, then discuss with partners the rationale, process and timeline for amending the MOU and seeking new signatures.

Inquiries: Please submit any questions through the Frequently Asked Questions (FAQ) page of the WIOA Implementation site at the following link:

<https://www.illinoisworknet.com/WIOA/Resources/Pages/Advisory-Group-FAQ.aspx>

Or contact Mitch Parrish at KEB at mitchp@kebcpa.com and copy wioaplan@illinoisworknet.com.

Additional resources are available at the dedicated webpage, WIOA Implementation During COVID-19, located at: <https://www.illinoisworknet.com/WIOA/Pages/covid.aspx>.