

Subject:	WIOA Title I Young Adult Incentive Payments
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Distribution:	Arapahoe/Douglas Works! Workforce Center Leadership and Employees

ALL APRIL 2018 PGL REVISIONS ARE HIGHLIGHTED IN YELLOW

The Arapahoe/Douglas Workforce Board (ADWB) has designated Arapahoe/Douglas Works! as the provider of Career Services for WIOA Title I: Adult, Dislocated Worker and Young Adult programs, Title III: Wagner-Peyser, and Temporary Assistance for Needy Families (TANF).

**CITATIONS/REFERENCES**

- Workforce Innovation and Opportunity Act, P.L. 113-128 – July 22, 2014
- WIOA Regulations at 20 CFR, part 681
- 2 CFR part 200 of the OMB Uniform Guidance – Cost Principles
- TEGL 21-16: Third WIOA Title I Youth Formula Program Guidance
- Program Guidance Letter (PGL) MIS-2017-01: Guidance on Data Integrity and the Customer Participation Cycle for WIOA Title I and TAA Programs
- PGL WIOA-2017-12, **Change 1**: WIOA Title I Youth Incentive Payments

**PURPOSE**

To provide comprehensive guidance that ensures compliance with the Workforce Innovation and Opportunity Act (WIOA) requirements for the provision of incentive payments to WIOA Title I Young Adult participants. **To update this policy as a result of new guidance from the United States Department of Labor (USDOL), which now allows the payment of youth incentives during the 12-month follow-up period.**

**BACKGROUND**

WIOA provides for a workforce system that is universally accessible and customer centered, with an emphasis on work-based learning and classroom training that is job driven. Among the many service options available to WIOA young adult participants are young adult incentive payments. WIOA encourages the use of incentive payments whenever appropriate to ensure successful program participation in work experiences, education or training.

**POLICY/ACTION**

**Incentive Payments for Young Adults**

20 CFR § 681.640 states that “incentive payments to youth participants are permitted for recognition and achievement directly tied to training activities and work experiences.” This policy provides guidance and procedures governing the award of incentives and ensures that such incentive payments are:

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- Tied to the goals of the young adult program and the young adult's individual service strategy (ISS)
- Outlined in writing before the commencement of program activities related to the payments
- Align with Arapahoe/Douglas Works! policies; and
- In accordance with the requirements contained in 2 CFR part 200.

While the USDOL recognizes that incentives could be used as motivators for various activities such as recruitment, submitting eligibility documentation, and participation in the program, incentives paid for with WIOA funds must be **directly** connected to recognition of achievement of milestones in the program tied to work experiences, education, and/or training. Such incentives for achievement could include improvements marked by acquisition of a credential or other successful outcomes. In addition, because unsubsidized employment is a milestone of the program, as long as it is tied to work experience, education, or training, incentive payments are permitted for the achievement of unsubsidized employment.

Incentives may be paid for the above achievements during participation or they may be paid during follow-up for:

- achievements completed during participation but recognized after exit;
- a credential awarded during follow-up for completion of work experience, education or training completed during participation; or
- the achievement of unsubsidized employment that occurs for the first time during the follow-up period. Incentive payments may not be provided for completion of milestones during follow-up, such as job retention.

**NOTE:**

- Young Adult incentives are NOT considered to be supportive services and therefore do not trigger or extend participation in the Young Adult program;
- No incentives may be provided with WIOA Adult or Dislocated Worker program funding;
- Arapahoe/Douglas Works! may leverage non-WIOA funds for incentives that WIOA cannot fund;
- Incentive payments may be provided to both in-school young adults (ISY) and out-of-school young adults (OSY) as long as they comply with the requirements of 20 CFR § 681.640;
- Incentive payments are allowed **only** during participation and ~~not~~ during follow-up, per March 2018 guidance from the US Department of Labor.

**Case File Documentation**

The following documentation is required when young adult incentive payments are being used:

- ISS that outlines how incentive payments may result from the achievement of specific work experience, education or training goals, and that is dated prior to the commencement of these activities;
- Entry of the IN service in Connecting Colorado when the incentive payment is made, which includes a note referencing the ISS goal that has been achieved. **The IN service is not reported to USDOL, but is available in Connecting Colorado as an administrative service/marker.**
- If the incentive payment is related to an outcome with its own documentation requirement (such as a credential), the outcome must be documented.

**NOTE:** Although not required, placing a copy of the incentive payment issuance document in the case file is recommended.

## OMB Uniform Guidance Related to Youth Incentive Payments

USDOL included the reference to the Uniform Guidance at 2 CFR part 200 to emphasize that while incentive payments are allowable under WIOA, the incentives must be in compliance with the Cost Principles in 2 CFR part 200. For example, Federal funds must not be spent on entertainment costs. Therefore, incentives must not include entertainment, such as movie or sporting event tickets or gift cards to movie theaters or other venues whose sole purpose is entertainment. Additionally, there are requirements related to internal controls to safeguard cash, which also apply to safeguarding of gift cards, which are essentially cash.

## How does the Uniform Guidance refer to incentives?

There is no specific provision on incentives in the Uniform Guidance. The Federal Cost Principles states that any cost charged to a Federal grant must be reasonable, necessary, allowable, and allocable. The Uniform Guidance also considers the prudent person test as well. For example, would a prudent person incur that same cost if he/she were using their own monies rather than grant funds?

When providing such payments, the standards of reasonableness using the prudent person standards prevails. "A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost." (2 CFR 200.404).

The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
- Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

These are all considerations that employees must consider when determining if an incentive is allowable.

In regards to incentive payments specifically, the Cost Principles in 2 CFR part 200 (Uniform Guidance) identifies specific items that Federal funds cannot be spent on. Incentive payments may come in many forms and for example, gift cards for entertainment costs such as movie or sporting event tickets or gift cards to movie theaters or other venues whose sole purpose is entertainment. As outlined in the WIOA Final Rule preamble, these selected items of costs are considered entertainment in nature and would be considered unallowable as incentive payments cannot be used to pay for items that are strictly prohibited in the Cost Principles in the Uniform Guidance.

## What factors affect allowability of costs including incentives?

The seven (7) guiding factors determining the allowability of a cost as found in the in Cost Principles at 2 CFR 200.403 (a-g):

1. Be reasonable for the performance of the award and be allocable thereto under these principles.
2. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
3. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization.
4. Be accorded consistent treatment.
5. Be determined in accordance with generally accepted accounting principles (GAAP).
6. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
7. Be adequately documented.

### What other criteria should be considered?

Additionally, there are requirements related to internal controls to safeguard cash and other forms of incentive payments. When the payment takes the form of a gift card, gift certificate, check or other monetary items, it is best practice that written recognition or receipt of the payment should be contained as part of the participant file or official accounting records. Similar to currency as being a transferable monetary item, adequate internal controls and safeguards should be installed and considered when purchasing and distributing gift cards, gift certificates and ATM cards. It is recommended that an inventory, log, and periodic reconciliation of such items should also be documented and maintained. Lastly, such items should be kept in a secured and locked area.

The system recognizes that incentives could be used as motivators for various activities such as recruitment, submitting eligibility documentation, and participation in the program; therefore, incentives paid for with WIOA funds must be connected to recognition of achievement of milestones in the program tied to work experience, education, or training. There should be proper documentation to demonstrate to Federal reviewers that incentive payments are used in the recognition of achievements and milestones that have previously laid out in the grantee's policy and procedures and individual training plans.

### What are some good grant management practices if using incentives?

Good grant management practices if using incentives include written policies that define or distinguish between incentives, needs related payments, and supportive services as the criteria to earn or receive such payments vary from program or participant. Award(s) should not be subject to (nor appear to be subject to) arbitrary and capricious judgments. In this respect, it is essential to recognize that the ultimate purpose of workforce programs is individual economic self-sufficiency. It is best practice to have a policy in place that employs sound management practices and adheres to consistent and equitable treatment. It is reasonable to expect that Workforce Specialists and staff are trained on such policies to ensure consistent treatment and application across offices, programs, and participants.

### Local Incentive Payments Policy

The Arapahoe/Douglas Workforce Board is responsible for modifying/developing this incentive payments policy that includes, but is not limited to:

1. Eligibility for payments (which milestones or performance goals in the ISS or individual employment plan must be achieved)
2. Establishment of limits regarding the amount of funding for incentive payments and/or length of time payments will be provided
3. Procedures defining when exceptions will be allowed and how these will be approved
4. WIOA restriction on incentive payments using young adult program funds only

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5. Identification of other sources of funding and which programs will utilize these funds (as appropriate)
6. Case file documentation requirements
7. Allowability, safeguarding, documentation, allocability, and internal controls per 2 CFR part 200

**Incentive Payments (only allowable for eligible WIOA Young Adults) – see chart on next page**

Incentive payments may be paid to eligible and active WIOA Young Adults (using WIOA Young Adult funds only). While a WIOA Young Adult may be enrolled in one or more programs at Arapahoe/Douglas Works!, he/she is only eligible to receive incentive payments utilizing WIOA Young Adult funds once activities/milestones have been achieved as outlined in his/her ISS. All incentive payments will require a W-9 to be filed with the Administrative Services Division and approval by the Arapahoe/Douglas Works! Quality Assurance Team. Documentation of activity completion or credential attainment must be documented in the file prior to the disbursement of the incentive payment and included as backup with the incentive Request for Purchase (RFP) form. Exceptions to this policy will be considered on a case-by-case basis and will require approval from the Talent Development Manager.

Activity/Milestone	Incentive Amount
Basic Skills Education / Secondary Education / Postsecondary Education	\$50 for 'A' semester average \$40 for 'B' semester average \$30 for 'C' semester average
Completion of high school diploma or high school equivalency;  Completion of industry recognized occupational credential, which may include, but is not limited to, a degree, licensure, and/or certificate	Completion of high school diploma or high school equivalency=\$100  Completion of occupational credential, which may include, but is not limited to, a degree, licensure, and/or certificate =\$150
Obtained employment (indirect job placement) <u>and</u> maintained employment for at least 30 days  Employment Retention	\$50  \$25 for 3 month retention \$50 for 6 month retention \$75 for 9 month retention \$100 for 12 month retention
1st Scenario: Post TABE Test score reflects an increase of 1 functioning level (not reaching the 9th grade level) or;  2nd Scenario: Post TABE Test score reflects an increased functioning level (at or above 9th grade level)	1st Scenario: \$25 incentive payment or;  2nd Scenario: \$50 incentive payment
Activity (which may include, but is not limited to, leadership, career/employment workshops, passage of occupational/employer exam, satisfactory or better progress reports for training/educational activities, etc.). The recognition and achievement of the activity must be directly tied to goals as outlined.	\$25 value (refer to Guidance)
Completion of Work Training Experience (which may include, but is not limited to, On-the-Job Training, Pre-Apprenticeship, Summer Work Training Experience, etc.).  Direct job placement at work-based learning site from a Work Training Experience (which may include, but is not limited to, On-the-Job Training, Pre-Apprenticeship, Summer Work Training Experience, etc.).	1st Scenario: \$100  2nd Scenario: \$200

Only the Arapahoe/Douglas Works! Program Manager and/or Arapahoe/Douglas Works! Division Manager may grant exceptions to provisions within this policy.