

HANDBOOK FOR CONDUCTING PERIODIC RECONCILIATION

OF BUDGETED TO ACTUAL COSTS FOR SHARED
COSTS IN COMPREHENSIVE ONE-STOP CENTERS

AS REQUIRED BY THE

**WORKFORCE INNOVATION
AND OPPORTUNITY ACT**

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I. Background

The Federal Workforce Innovation and Opportunity Act (WIOA) of 2014 implements new requirements beginning Program Year (PY) 2017, from July 1, 2017 – June 30, 2018.

Among the requirements are those described in Training Employment and Guidance Letter (TEGL) 17-16, issued by the U.S. Department of Labor (DOL) in January 2017. TEGL 17-16 requires that the “one-stop operating budget must be periodically reconciled against actual costs incurred and adjusted accordingly” (page 3). The format for one-stop operating budgets for WIOA programs in Illinois reflects each required partner’s contribution toward infrastructure costs and shared delivery system costs of each one-stop center in a local area.

Periodic reconciliation of both infrastructure costs and local delivery system costs is intended to ensure that the one-stop operating budget “reflects a cost allocation methodology that demonstrates how infrastructure costs are charged to each partner in proportion to the partner’s use of the one-stop center and relative to benefit received.”

While the determination of relative benefit received must be consistent with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (2 CFR part 200), little additional Federal guidance has been issued to date.

The State of Illinois provided guidance for annual budget negotiations of one-stop systems by issuing the “Governor’s Guidelines to State and Local Program Partners Negotiating Costs and Services under WIOA – Revision 4” in November 2019.

“Section 7 of the “Governor’s Guidelines – Revision 4” explains that in regard to reconciliation of budgeted to actual costs, “periodic” means at least semi-annually. It also states that local workforce board chairs are not only responsible for determining the frequency of periodic reconciliation, but also for identifying an individual responsible for performing the reconciliation in the local areas.

To support the individuals responsible for performing reconciliation of costs in this process, the WIOA Interagency core and required partners —consisting of all required program partners in Illinois who administer workforce programs authorized under WIOA—issued this “Handbook for Conducting Periodic Reconciliation of Budgeted to Actual Costs in Comprehensive One-Stop Centers.”

II. Purpose of the Handbook

The primary purpose of this handbook is to provide helpful information and guidance to those responsible for conducting the required reconciliations. This handbook includes a suggested reconciliation timeline, describes special circumstances that may arise during reconciliation and offers sample tools that can be modified to fit each local area’s circumstances.

III. Timeline for Periodic Reconciliation

The State of Illinois requires reconciliation of budgeted to actual costs to occur at least semi-annually, with a local option to reconcile costs more frequently if the local workforce board chair chooses to do so. The following are the semi-annual and quarterly reconciliation periods.

| FREQUENCY OF RECONCILIATION | REQUIREMENT | END DATE OF THE PERIOD FOR WHICH TO RECONCILE COSTS | |
|-----------------------------|--|---|------|
| Semi-annual | Required minimum | 12/31 | 6/30 |
| Quarterly | Optional for the local workforce board chair | 9/30 | 3/31 |
| | | 12/31 | 6/30 |

The *reconciliation period* is the time between the budget’s effective date and the identification of actual costs at a minimum of every six months. In a semi-annual reconciliation:

- Reconciliation Period 1 incurs costs between July 1 and December 31.
- Reconciliation Period 2 incurs costs between January 1 and June 30.

The *process of reconciliation* occurs after the reconciliation period ends. In general, required partners will make payments of any additional amounts owed within 60 calendar days from the end of the reconciliation period.

| SAMPLE TIMELINE FOR SEMI-ANNUAL RECONCILIATION | | | |
|---|---|------|---|
| NUMBER OF DAYS SINCE END OF RECONCILIATION PERIOD | SAMPLE DATES FOR SEMI-ANNUAL RECONCILIATION PERIODS | | ACTIVITY |
| | 12/31 | 6/30 | |
| Within 20 calendar days | 1/20 | 7/20 | Actual cost for the reconciliation period compiled by individual responsible for reconciliation |
| Within 25 calendar days | 1/25 | 7/25 | Individual responsible for reconciliation shares the actual costs for the reconciliation period (i.e., actual costs incurred between 7/1 and 12/31) |
| Within 30 calendar days | 1/30 | 7/30 | Individual responsible for reconciliation issues notices to required partners any additional amounts owed within 30 days of the date of notice |
| Within 60 calendar days | 3/1 | 8/29 | Required partners pay any additional amounts owed, per the notice |

Note: The 6/30 reconciliation process and any final payments from required partners will need to be transacted within Illinois’ lapse period spending, which is the period between the end of the state fiscal year on June 30 and August 31. During this lapse period, the State can still pay bills from the prior fiscal year.

IV. *General Process of Reconciliation*

STEPS TO INITIATE THE RECONCILIATION PROCESS

- 1) The Local Workforce Innovation Board (LWIB) Chair determines the frequency at which the local area will reconcile budgeted to actual costs.
- 2) The LWIB Chair also identifies the individual who will be responsible for both leading the reconciliation process and performing the reconciliation.
- 3) The individual responsible for reconciliation develops a process for identifying actual costs at the end of each reconciliation period.

THE GENERAL PROCESS OF RECONCILIATION

- 1) *Identification of benefits received* – The Final Rules of WIOA require shared costs—both infrastructure costs and additional costs to operate a local one-stop delivery system—to be allocated according to the “proportion of benefit received” by each of the partners, consistent with the federal law authorizing their programs and federal cost principles of 2 CFR part 200. This includes ensuring costs are allowable, reasonable, necessary and allocable (§ 678.760(d)). Allocation of costs relative to the benefits received is a long-standing Federal cost allocation principle.

The general process starts with identifying the applicable benefits each required partner sharing costs receives as a result of its participation in funding comprehensive one-stop centers and local service delivery systems.

- a. The individual responsible for reconciliation compiles a matrix of benefits received by the required partner. (A sample matrix is in the [Reconciliation Spreadsheet \(Tab 3\) located within this link https://www.illinoisworknet.com/WIOA/Resources/Pages/Public-Documents.aspx](https://www.illinoisworknet.com/WIOA/Resources/Pages/Public-Documents.aspx) and can be customized to the local area.)

i. Benefits generally fit into two categories:

1. **Basic benefits**, which are measurable and could include:
 - a. Office space for staff,
 - b. Access to copiers and other equipment,
 - c. Security services,
 - d. Cleaning services,
 - e. Insurance,
 - f. Technology, and
 - g. High-speed internet.
2. **Programmatic benefits**, which reflect real or potential benefits that enhance program services and activities, including:
 - a. Potential increased referrals,
 - b. Improved coordination of services,
 - c. Customer convenience to access co-located services,

- d. Opportunities for cross-trained, onsite program staff,
- e. Potential streamlined intake processes, and
- f. Improved business services integration.

- b. The individual responsible for reconciliation distributes a completed draft of the matrix to all required partners for review and comment.
- c. The individual responsible for reconciliation revises the matrix with required partner input and distributes the final version to required partners with the final notice of results from the reconciliation process.

2) *Identification of FTE commitments* –For purposes of reconciliation, the original full-time equivalent (FTE) commitments made by each required partner at the effective date of the MOU remain the basis of adjusting a required partner’s proportionate share during the reconciliation process.

Note that a change in a required partner’s FTE commitment at any time in the program year requires an amendment to the one-stop operating budget to which all partners must agree. A revised budget reflecting these new FTE commitments is required as part of the amendment to the MOU.

- a. The individual responsible for reconciliation enters the number of budgeted FTEs by required partner into the “Reconciliation Spreadsheet” specific to the reconciliation period (the period in which costs are incurred).

- i. *Note:* A new Reconciliation Spreadsheet should be completed for each period of reconciliation, regardless of whether the Local Workforce Board Chair opts to reconcile semi-annually or quarterly. The Reconciliation Spreadsheet (with an Instructions tab included to assist end users) is located within this link <https://www.illinoisworknet.com/WIOA/Resources/Pages/Public-Documents.aspx>.

3) *Identification of actual costs for the reconciliation period (by line item and in sum)* – The actual costs incurred during the reconciliation period will need to be tracked by the required partner or entity responsible for paying each cost.

In addition to enabling the individual responsible for reconciliation to compile all costs during the reconciliation period, it also helps assess whether any variance in individual line items exceeds the threshold described below:

- A permanent line item variance exceeding 15% of the budgeted amount *and* 10% of the total budget requires an MOU and budget amendment agreed-upon and signed by all required partners.¹

Only the sum of total costs incurred for the reconciliation period will be entered into the Reconciliation Spreadsheet.

¹ The difference between a permanent and seasonal line item variance is described on page 8, Section 2.

- a. The individual responsible for reconciliation reviews the annual one-stop operating budget to identify the required partner that incurred the cost of each shared cost line item in the one-stop operating budget spreadsheet.
- b. The individual responsible for reconciliation completes a draft matrix tracking the required partner incurring each cost and the actual cost incurred. (A sample matrix is in the Reconciliation Spreadsheet (Tab 4) located within this link <https://www.illinoisworknet.com/WIOA/Resources/Pages/Public-Documents.aspx> and can be customized to the local area.)

The process of determining actual costs incurred by required partners will vary by local area. For example:

- i. One-stop operators are applying different methods to bill required partners for the leaseholders' costs incurred to operate the one-stop center or to contribute to shared local delivery system costs. The individual responsible for reconciliation will have to work with each required partner that incurred costs to identify the actual amount incurred.
 - ii. When Title IB is the leaseholder, actual costs incurred during the reconciliation period will be known in conjunction with reporting into the Grant Reporting System (GRS), due by the 20th of each month following the month of reporting.
 - iii. When a state agency is the leaseholder, and if actual costs are unavailable at the time the reconciliation is conducted, then the individual responsible for reconciliation can use the budgeted amounts for the reconciliation. When actual costs are known, then the individual responsible for reconciliation can incorporate any changes in a future reconciliation process.
 1. *Note: When a state agency is the leaseholder, the reconciliation period ending 6/30 marks the end of the program year and state fiscal year. Any amounts owed to the state agency should be paid within the State's lapse period, which is the time between 6/30 and August 31 when the State can still pay bills from the prior fiscal year. Amounts owed by state agencies that are not paid before August 31 will likely be processed through the Illinois Court of Claims.*
- c. The individual responsible for reconciliation confirms actual costs with each required partner that incurred a cost during the reconciliation period.
 - d. The individual responsible for reconciliation completes the Reconciliation Spreadsheet with total actual costs incurred for the respective reconciliation period.

- i. A reconciliation spreadsheet should be completed for every comprehensive one-stop center in which required partners share costs.
- ii. A new reconciliation spreadsheet should be completed for each reconciliation period.
- iii. General steps for completing the Reconciliation Spreadsheet follow:
 1. Manually enter the address of the one-stop center for which budgeted to actual costs will be reconciled.
 2. Manually enter the start and end dates of the applicable reconciliation period for which costs are to be reconciled.
 3. Manually enter each required partner's budgeted FTEs for the respective reconciliation period.
 - a. This figure includes the sum of onsite FTEs and off-site FTEs providing access to services through direct linkage technology at that one-stop center.
 4. Manually enter the budgeted costs applicable to the respective reconciliation period only. (This amount will come from the "Matrix for Tracking Actual Costs Incurred by Required Partner," third column entitled "Budgeted Cost for This Reconciliation Period." Do not enter the total annual budget.)
 - a. Each required partner's proportionate share of that budgeted amount for the reconciliation period will auto-calculate based on the percentage of total FTEs committed for providing access to WIOA services at the one-stop center.
 5. Manually enter the total actual costs incurred during the respective reconciliation period. (This amount will come from the "Matrix for Tracking Actual Costs Incurred by Required Partner," fourth column entitled "Actual Cost at End of Reconciliation Period.")
 - a. Each required partner's proportionate share of that total actual amount will auto-calculate based on the percentage of total FTEs committed to providing access to WIOA services at the one-stop center.
 6. The additional amounts owed or credited to all required partners will auto-calculate.
 - a. Additional amounts owed appear in black font (positive numbers).
 - b. Amounts to be credited to each partner appear in red font (negative numbers).

- 4) *Draft Reconciliation Spreadsheet for partner review* – The individual responsible for reconciliation distributes a draft Reconciliation Spreadsheet to all required partners for review.
 - a. A suggested process is for the individual responsible for reconciliation to request partner review and comment on the Reconciliation Spreadsheet within five calendar days of its distribution. (Also see the sample timeline on page 2 of this handbook.)
 - b. The individual responsible for reconciliation finalizes the Reconciliation Spreadsheet with input received from required partners.

- 5) *Notice of final reconciliation and relative benefit received* – Formal notice must be given to required partners to confirm any additional amounts owed or credit received as a result of the reconciliation process. The date of the formal notice is important to ensure payment is received generally within 60 calendar days of the end of the period for which to reconcile costs., as stated in Section 7 of the Governor’s Guidelines – Revision 4.
 - a. The individual responsible for reconciliation issues a final notice to required partners indicating whether they owe additional amounts or will receive a credit as a result of reconciliation.
 - i. It is suggested that the individual responsible for reconciliation request payment within 30 calendar days of the date of notice.
 - ii. In the case that a credit is due to required partners at the end of the program/fiscal year, then the credit can roll over and apply to the next program year.
 - b. The individual responsible for reconciliation includes a statement with the final notice to verify that each required partner’s share was found “to be proportionate to the benefit received consistent with the matrix of benefits of shared costs.” (See Attachment 2 of this handbook for sample language in a final notice.)
 - c. The individual responsible for reconciliation distributes to all required partners the final notices and a final version of the matrix of benefits received by partner.

SPECIAL CIRCUMSTANCES OF RECONCILIATION

1) If reconciliation occurs after a budget amendment

- a. If reconciliation occurs after required partners amended the one-stop operating budget, then the timing of that amendment will determine which version of the one-stop operating budget to use for reconciliation purposes.

| SCENARIO | VERSION OF BUDGET TO RECONCILE |
|---|---|
| If a budget amendment becomes effective before the end of the reconciliation period: | Reconciliation will be based on the actual costs during the reconciliation period compared to the new amount that partners agreed to contribute per the amended budget. |
| If partners amended the budget after the end of the reconciliation period: | Reconciliation will be based on the actual costs during the reconciliation period 1 compared with the originally agreed-upon budget. |

2) If the actual amount of a line item exceeds the variance threshold

- a. 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 individual responsible for reconciliation must confirm whether that variance is permanent or temporary/seasonal.
- b. Also, the process of reconciling or amending the one-stop operating budget when significant variances occur will likely differ between the mid-year (12/31) reconciliation and the end-of-year (6/30) reconciliation.
- c. Following is a table describing the considerations for determining whether a significant line item variance is permanent or temporary and whether a budget amendment is required.

**CONSIDERATIONS FOR HOW TO HANDLE A SIGNIFICANT VARIANCE
IN A LINE ITEM AT THE 12/31 AND 6/30 RECONCILIATION PERIODS**

| SCENARIO | WHETHER A BUDGET AMENDMENT OR RECONCILIATION WILL OCCUR |
|---|---|
| If a significant variance of a line item is permanent: | An amendment to the one-stop operating budget and MOU is required with new partner signatures. Required partners must still amend the MOU with the amended budget even if the reconciliation occurred after the end of the program/fiscal year. |
| If a significant variance of a line item is temporary or seasonal: | The fluctuation can be handled through the reconciliation process <i>without</i> requiring an amendment to the budget and MOU. |

3) If a required partner disagrees with the reconciliation or budget amendment

- a. Any required partner that disagrees with the reconciliation or the budget amendment resulting from the 6/30 reconciliation period should provide written notification within 15 days of receipt of the final reconciliation notice to the individual responsible for reconciliation explaining the rationale for disagreement or non-payment.

- i. The individual responsible for reconciliation will inform the LWIB Chair, who will follow the process agreed-upon by partners in Section 14 of the local MOU regarding the process for resolving disputes that evolve after cost sharing agreements have been reached.
 - ii. In the event that required partners cannot reach agreement following the process agreed upon in Section 14 of the local MOU, the individual responsible for reconciliation should provide to Michael Baker at Commerce, WIOplan@illinoisworknet.com, a report signed by the LWIB Chair with any partner's justifications for non-payment, proposed solutions that were considered and the reasons the proposed solutions were not accepted.
 - iii. The WIOA Interagency Technical Assistance (TA) Team will consider the delinquent payee and any justification received to identify next steps.
- 4) If a required partner fails to pay an amount owed within 60 calendar days of the end of the period for reconciliation**
- a. If a required partner fails to pay an amount owed within 60 calendar days of the end of the reconciliation period, then the individual responsible for reconciliation will request a written justification from that partner.
 - i. The individual responsible for reconciliation will provide to Michael Baker, WIOplan@illinoisworknet.com, a report signed by the LWIB Chair with any justification received, proposed solutions considered and reasons the proposed solutions were not accepted.
 - ii. The WIOA Interagency Technical Assistance (TA) Team will consider the delinquent payee and any justification received to identify next steps to assure payment is made.

(See Attachment 1 of this handbook for General Invoicing Guidance to Local Areas when Payments are Being Made Centrally by State Agencies.)

Attachments

**GENERAL INVOICING GUIDANCE TO LOCAL AREAS WHEN PAYMENTS ARE BEING MADE
CENTRALLY BY STATE AGENCIES**

1. Payments must be presented on a formal invoice. While each local area has the discretion to decide on a specific invoice format, each invoice must:
 - a. Identify the LWIA by name or number
 - b. Identify the period to which the costs included on the invoice apply
 - c. Identify the amount of reimbursement requested separately for:
 1. Infrastructure costs (in total)
 2. Shared delivery system costs (in total)
 - d. Include only net amounts to be paid after factoring in offsetting contributions
 - e. Reference the agreed upon MOU and its effective date
2. When possible, requests for payment from an entity of local government (e.g., county) are preferred but not required.
3. Requests for payment may be made only after expenses for the invoice period have been incurred and for which reimbursement is requested.
4. The frequency of invoicing is also at the discretion of the local area but quarterly or semi-annual invoicing is preferred in the interests of economy and efficiency.
5. Invoices requesting payment from IDES must be routed through the appropriate IDES Regional Manager.
6. Invoices requesting payment from DHS Division of Rehabilitation Services must be submitted by email to Ashli Stritzel (Ashli.Stritzel@illinois.gov) and cc: Cassie Laird (Cassie.Laird@illinois.gov). Invoices sent to local offices will be returned.
7. Invoices requesting payment from DHS TANF should be emailed to dhs.fcs.adminvouchering@illinois.gov. Invoices sent to local offices will be returned.

SAMPLE FINAL RECONCILIATION NOTICE

Following is sample language individuals responsible for reconciliation can use to issue a final notice and the end of a reconciliation process to communicate 1) whether required partners owe additional amounts or will be credited as a result of the reconciliation and 2) that the amounts are found to be consistent with each partner’s relative benefit received. The final notice should include the final matrix of benefits of shared costs by required partner.

SAMPLE NOTICE

[Date]

As required by the Workforce Innovation and Opportunity Act (WIOA), a reconciliation of budgeted to actual costs for shared costs in the comprehensive one-stop center(s) of Local Workforce Innovation Area (LWIA) ___ was conducted for the Program Year (PY).

The period of reconciliation was _____ to _____. The reconciliation process resulted in the following determination.

Actual costs incurred during this reconciliation period were less than budgeted in the original PY one-stop operating budget. As a result, each required partner’s allocation of those total costs decreased. The attached table shows each required partner’s credit.

OR

Actual costs incurred during this reconciliation period exceeded the amounts budgeted in the original PY one-stop operating budget. As a result, each required partner’s allocation of those total costs increased. The attached table shows the additional amount owed for each required partner.

Please submit payment of this additional amount owed within 30 days of this notice to:

| | |
|------------------------------------|--|
| Name of Entity: | |
| Street Address: | |
| City, State, Zip: | |
| Phone Number for Questions: | |

Through the reconciliation process, each required partner’s share was found to be proportionate to the benefit received consistent with the matrix of benefits of shared costs.

Attached:

1. Amount credited/owed by required partner
2. Final matrix of benefits of shared costs by required partner