ADMINISTRATIVE POLICIES/PROCEDURES

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Subject: Program Income/Stand-In Cost Policy

Definition

The requirements governing the use of program income are found at 2 CFR 200.1. Program income is defined as the “gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance. Program income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees, and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them.” Uniform Guidance, 2 CFR 200.307 provides additional insight on program income.

In addition to the requirements above as well as those under 2 CFR 200.307, the WDB and its sub-recipient(s) will adhere to the following specific provisions:

1. Pursuant to Section 194 (7)(B)(i) of WIOA, receipts from conferences resulting from activities funded under the WIOA title must be accounted for as program income.

2. Pursuant to Section 194 (7)(B)(ii) of WIOA, funds provided to a service provider under the WIOA title that is in excess of the costs associated with the services provided, must be accounted for as program income.

3. Pursuant to Section 194 (7) (B) (iii) of WIOA, interest earned on funds received under the WIOA title must be accounted for as program income.

4. Any interest income earned (with respect to item No. 3) up to $500 may be retained by Sub-recipient(s) for administrative expenses. Interest income in excess of $500 must be remitted to the DHEWD for onward remittance to the appropriate federal awarding agency.

5. Any program income earned (except as provided in item No. 4) may be retained by Sub-recipient(s) only if such income is added to the funds committed to the particular grant under which it was earned and such income is used for the purposes and under the terms and conditions applicable to the use of the grant funds.

6. Program income and expenditures must be reported quarterly to the WDB on the Program Income Report, Attachment D of their contract. The report is due on the 10th day of the month following the end of the quarter. The report will show income

and expenditures by each funding stream. Expenditures associated with program income may be deducted from gross program income if not already charged to the applicable grant or any Federal funds.

7. Program income and expenditures must be reported in the accounting system.

8. Program income must be disbursed before requesting additional cash payments from the WDB for the same program.

9. Except for program income associated with real and personal property, any program income earned after a program is closed must be returned to the DHEWD. Real and personal program income may be carried over to subsequent funding periods.

10. Any program income returned by a Sub-recipient(s) must clearly identify the source of the program income and the contract number it is attributable.

11. Any type of activities in which program income will be generated must be approved in advance by the WDB Director.

Pursuant to the Uniform Guidance, 2 CFR 200.307, the deduction, addition, or cost-sharing/matching method may be used when accounting for program income.

STAND-IN COSTS

Stand-in costs are non-Federal costs that may be substituted for disallowed grant costs. In other words, stand-in costs are costs paid from non-Federal resources that substitute for Federal costs that have been disallowed as a result of an audit or other review. Stand-in costs may be substituted for disallowed costs when they meet the following criteria:

1. The costs must be allowable costs that were actually incurred for the benefit of a federally funded program but paid from a non-Federal fund source.

2. The costs shall have been actually incurred allowable grant costs reported as uncharged program costs under the same grant and in the same program year in which the disallowed costs were incurred.

3. The costs shall have been incurred in compliance with applicable regulations, laws, and the terms and conditions governing the WDB-funded program.

4. The costs shall have been included within the scope of the Sub-recipient(s)' single audit and accounted for in the Sub-recipient(s)' financial system.

5. The costs must not violate any administrative or other cost limitations.

6. The costs must be adequately documented in the same manner as all other WDB-funded program costs. Specifically, stand-in costs must have been reported on the Quarterly Program Income/Stand-in Report.

7. The disallowed cost(s) must occur under the same program that the stand-in costs were reported under. Inasmuch as costs must be net of credits under the governing cost principles, the dollar value of discounts cannot be considered as an allowable grant cost. It must also be noted that the dollar value of in-kind donations cannot be recognized as stand-in costs. In-kind contributions are not considered unpaid program liabilities, but rather as an in-kind match; therefore, they cannot be used as stand-in costs because they cannot be charged to the Federal grant. Examples of other costs that are not stand-in costs may include:

a. Uncompensated overtime;
b. Unbilled premises costs associated with fully depreciated publicly owned buildings;
c. Allocated costs derived from an improper allocation methodology;
d. Discounts, refunds, rebates; and
e. Any State share of the cost of State or community college tuition.

Stand-in costs cannot be created using circumstances or conditions that appear to be legitimate liabilities if no actual costs are incurred. No proposal to substitute disallowed costs with stand-in costs if the disallowed costs result from fraud will be considered.

Before utilizing stand-in costs to substitute disallowed costs, Sub-recipient(s) must notify the WDB Director. Substituted stand-in costs must be subtracted from the accumulated stand-in costs on the immediately following Quarterly Report.