



WORKFORCE IMPLEMENTATION GUIDANCE (WIG) LETTER

DATE: June 26, 2019

NO: WIG GA-19-007

TO: LOCAL WORKFORCE SYSTEM STAKEHOLDERS

FROM: Joe Dan Banker, Assistant Commissioner

SUBJECT: PREPAIDS

- 1. Purpose:** This Workforce Implementation Guide has been created to provide guidance in developing policy and procedures for Prepaid Program Items purchased with WIOA funds. Adherence to a comprehensive policy and procedures will ensure the proper use of federal funds authorized under the Workforce Innovation and Opportunity Act (WIOA).
- 2. Intended Audience:** Local Workforce Development Board (LWDB) members, Local Workforce Development Area (LWDA) Executive Directors, Finance Directors and employees.
- 3. Introduction:** Prepaid Program Items ("Prepaids") are necessary for many areas. Although they provide a needed benefit for many participants, they can be a liability for the LWDA if not handled correctly. Typically as a Prepaid, a large number of items are purchased in bulk in advance and stored, and each individual item must be accounted for at all times. Additionally, many of these items are generally attractive to most people and have value to the holder, therefore safeguarding them is vitally important.
Because Federal funds are used, there are specific regulations that apply to Prepaid purchases. In order to reduce any liability to the LWDA, it is crucial that Prepaids are managed in a manner that is consistent with LWDA policy and applicable state and federal laws, rules and regulations.
- 4. Federal Regulation:** Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is solely for authorized purposes. Federal Regulations can be found in the Uniform Administrative Requirements 2 CFR 200 Part D- Standards for Financial and Program Management (**§200.300-309**) which covers topics of importance- statutory and national policy requirements, Performance measurement, Financial management, Internal controls, Bonds, Payment, Cost sharing or matching and others.



Definition and Examples: Prepaids are items paid for in advance that directly benefits participants for which the usage and/or benefit is received later. The most common types are bus passes, MARTA cards, and gas cards, but Prepaids can be in the form of many other things. Here are a few examples:

1. Bus Passes
2. Transportation cards
3. Gas Cards
4. Thumb drives
5. Testing packets
6. Student backpacks
7. Various kits used by participants
8. Any incentive that is purchased in advance and/or in bulk form

Spreadsheet: Inventory of Prepaids must be continually tracked and fully accounted for from time of purchase through the participant disbursement. A spreadsheet is the recommended best practice for maintaining effective control and accountability of these items.

A good spreadsheet should include, and is not limited to:

1. Beginning Inventory
2. Quantity purchased
3. Quantity disbursed
4. Ending Inventory
5. Serial numbers or any other unique identifiers
6. Funding Streams used for purchase
7. Dates - purchase, disbursement
8. Clearly identified monthly usage
9. Items on hand at end of month
10. Approval signatures

A comprehensive local policy should require that reconciliations be done on a monthly basis in order to identify and correct any discrepancies. A thorough reconciliation should include a physical count of the items, checked against the spreadsheet, and reviewed and approved by a member of management on a monthly basis.

*See excel spreadsheet, provided for your convenience. LWDA's are not mandated to use this particular spreadsheet.

Period of Availability: The fiscal responsibility of managing the cards.

The period of availability refers to the limited amount of time that is allowable to expend Prepaids based on the WIOA funding stream to which the purchase was allocated. This time period is determined by several factors and while it generally lasts approximately two years, this can vary greatly based on other extenuating factors. If Prepaids are not expended within this fluctuating, limited time period, they will be deemed a disallowed cost. This is why large



purchases of Prepaids can present a problem for LWDA's. The key factors to avoid period of availability issues are to maintain an inventory that closely matches monthly usage and to expend promptly.

There are several different methods that can be implemented in order to maintain an efficient inventory. One rule of thumb is to retain an inventory of an average of two months usage. If using a spreadsheet or other means of tracking monthly usage, this can easily be determined. As long as there is good inventory turnover, this two-month rule allows for sufficient levels to be maintained for participant needs without too much excess. There may be occasions when this two months usage rule is not effective. For example, many youth programs are seasonal, with summer serving a larger number of participants. Prepaids that are disbursed to youth during these seasonal periods may need to utilize a different method than the two months usage rule. Because the average usage in March and April might vary greatly from the average usage in July and August, it would be more efficient to utilize a method that determines a reasonable projected number. This number can be estimated by using last year's usage, current number of participants, or some other reasonable basis such as this. Again, the goal is to have enough items to serve as many participants as needed, without having excess inventory.

It is important to utilize the FIFO method when disbursing the items. Please make sure to document either through serial numbers or other means that the oldest items are being expended first to avoid potential questioned costs.

1. Segregation of Duties - This is a basic, key internal control and provides at least two important benefits. First, a deliberate fraud is more difficult because it requires the collusion of two or more persons, and second, it is much more likely that innocent errors will be found. At the most basic level, no single individual should have control over two or more phases of a transaction or operation.
Management should assign responsibilities to ensure a crosscheck of duties. For prepaid items, ideally there must be at least three different individuals fulfilling the following roles - 1. Placing the order, 2. Receiving and physically counting to verify correct quantities received, and 3. Maintaining physical custody of the items. Lastly, please keep the concept of segregation of duties in mind when performing monthly reconciliations as well.
2. Limited Access - The person that maintains custody must store all prepaid items in a locked safe or area with access via key or combination only available to them. It is also acceptable to have an alternate individual with access, as long as it is not the person ordering or receiving/counting.
3. Signed sheets - Must have physical sheets signed and dated by participant verifying receipt. It should also include the signature of the LWDA employee disbursing the item. These sheets must be kept in a central location - for example, a notebook. The sheets should identify the participant classification (Adult, DW or Youth), the serial number or unique identifier of the item, and any other pertinent information.



4. Spot checks - It is recommended that in between the monthly reconciliation counts, a random spot check of the spreadsheet be conducted and compared to the physical inventory. This allows for timely reconciliation of any discrepancies and more effective internal controls.

For further questions, contact:

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