The Department of Labor (DOL) Veterans’ Employment and Training Service (VETS) has identified a way to further assist states in fulfilling the purposes of the one percent performance incentive award (IA) allocation and to mitigate the risk of states expending these funds for other purposes.

BACKGROUND

As amended, 38 U.S.C. § 4102A(c)(2)(A) describes the mandatory components of a Jobs for Veterans State Grant (JVSG) state plan, including “(III) the program of performance incentive awards described in [38 U.S.C. § 4112] in the State for the program year.” A subsequent provision, paragraph (c)(7), directs that one percent of the amount of each grant “shall be for the purposes of making cash awards.” VETS refers to this one percent as the IA allocation.

VETS has several policies in place stating that the IA allocation must be obligated by the end of the first year of the period of performance and liquidated by the end of the fifth quarter. This is intended to preserve the annual IA allocation for its use in incentivizing excellent services to veterans during the previous program year in accordance with the statute. According to those policies, any portion of the IA allocation that is not obligated within the first four quarters must remain unspent and will be deobligated during closeout.

However, the base allocation—that is, the other 99 percent of the annual funding amount provided to a state under the JVSG—may be expended during a period of up to three years, and the IA and base allocations are provided as one total grant.
RECENT UPDATES TO JVSG ADMINISTRATION

There have been three significant updates to JVSG program administration within the last two years that drastically increase the risk of inadvertently expending the IA allocation in a way that is inconsistent with VETS policy and/or the statutorily mandated purpose of making cash awards under the state’s program of performance incentive awards.

First, in Fiscal Year (FY) 2021, the JVSG period of performance was expanded from five quarters to up to three years. This change allowed states additional time to spend funding and provided greater continuity of operations across fiscal years. The JVSG Special Grant Provisions require states to obligate or expend funds on a first-in, first-out basis, charging to the grant award with the shortest remaining period of availability first.

Second, in FY 2022, VETS informed JVSG recipients of the following two major updates to its IA program administration:

a. The IA allocation could be distributed only in the form of cash awards to individuals or offices; and
b. The IA allocation could not be waived, since the statute requires one percent of the grant to be designated for the purpose of making cash awards.

RISK OF INADVERTENTLY MISEXPENDING THE IA ALLOCATION

The combined result of the statute and these recent changes is that approximately 30 of the 54 JVSG recipients will be put into a position where they must independently remember to leave a small portion of their grant unspent each year. In FY22, about 15 states identified that they were unable to immediately comply with the requirement to distribute IA as cash awards, and an additional 15 have never received the IA allocation and are unaccustomed to its strict limitations. A great deal of training and coordination between JVSG program coordinators and state financial staff would be needed to administer and protect a relatively small amount of funding.

Any portion of the IA allocation not obligated by the end of the fourth quarter that is inadvertently expended on a first-in, first-out basis for other purposes will be discovered during closeout and must be repaid. Closeout begins after the end of the period of performance but can take several months to complete. Such delays can make it even more difficult for state staff to correct errors.

SETTING ACCOUNT BALANCE MINIMUMS

To alleviate the risk of states inadvertently expending IA funds after the allowable obligation period, VETS will work with the U.S. Department of Health and Human Services (HHS) Payment Management System (PMS) after the fifth quarter of each grant year to request account balance minimum thresholds for states as needed. This will ensure that, at a minimum, states will leave the unused IA funds available for deobligation during closeout, preventing the need for repayments.
VETS has established a procedure to ensure that the appropriate thresholds are set for each state, if needed. The following is a timeline of events that will lead up to setting thresholds:

a. The grant period of performance begins on October 1 of each year.
b. The fourth quarter ends on September 30. States must obligate any IA funds by this date.
c. Fourth quarter financial reports are due on October 30. Financial reports include the VETS-402 Expenditure Detail Report (EDR), which shows the amount of the IA allocation that has been outlaid and obligated for the state and the remaining IA balance.
d. The annual Incentive Award Report is due on November 14. This must match the total outlays and obligations represented on the EDR.
e. The VETS National Office receives all states’ quarterly reports by November 29 of each year, once Grant Officer’s Technical Representatives (GOTRs) and Regional Offices have confirmed their accuracy.
f. After December 31, the National Office will use aggregated quarterly report data to identify states that have not obligated their full IA allocation and meet with each Regional Office and GOTR to confirm the unobligated IA allocation amount for each state.
g. After January 30, VETS will contact HHS-PMS to set the confirmed account balance minimum for each grant that needs one.

There are intentional pauses built in between steps e, f, and g above. VETS anticipates that these pauses will provide ample time for states to identify any errors they may have made on their fourth quarter EDR and notify their GOTR before thresholds are set.

OTHER RELATED INFORMATION

JVSG program legislation mandates that states implement an annual performance incentive award program, and VETS expects all states to continue working toward this. If states encounter challenges in developing such policies, e.g., due to state laws or policies, GOTRs are available to provide technical assistance.

States that know they will not be able to expend their IA allocations may indicate a willingness to deobligate it in their quarterly reports. If VETS identifies another use for the funds, they will reach out and work with the state to submit a deobligation amendment request. As with all deobligation requests, the transmittal memorandum must include the reason the state will not be able to use the funding, such as a restriction from issuing cash awards. States should reach out to their GOTRs for technical assistance.

States that have an account balance minimum threshold and attempt to draw down funds that would result in falling below the threshold will receive a rejection notice from HHS-PMS advising them to contact their GOTR.

INQUIRIES

Questions regarding this guidance and its attachment should be directed to the GOTR.
i See VPL 03-22, Jobs for Veterans State Grant Recurring Reports and Forms, VPL 01-22 Attachment 5 JVSG Incentive Award Plan Technical Assistance Guide, and the JVSG Special Grant Provisions.

ii See Grant Officer’s Memo 02-21 Jobs for Veterans State Grants Period of Performance Change and Accounting Basis for Reporting.

iii See Grant Officer’s Memo 02-22 Jobs for Veterans State Grants Incentive Award Program Update.

iv See VPL 03-22, Jobs for Veterans State Grant Recurring Reports and Forms.