

## Ohio Works Incentive Program (OWIP) Questions and Answers

The answers below were written in response to questions received from local areas and are intended to further clarify the requirements for earning, reporting, and accounting for payments received under the Ohio Works Incentive Program (OWIP). These answers supplement the earlier guidance provided, which is available on the ODJFS OWIP web page at <http://jfs.ohio.gov/owd/Initiatives/OWIP.stm>.

Question categories addressed below include:

- I. Participant Eligibility
- II. Incentive Payments
- III. Reporting Requirements
- IV. Financial Management
- V. Initial Payment Funds

### I. Participant Eligibility

**Q1 If an Ohio Works First (OWF) recipient obtained employment but didn't report it and was sanctioned, may the area invoice for a placement incentive due to the employment status?**

A1 If an OWIP participant is under an OWF sanction, the local area may invoice for the incentive and attach a narrative describing the reason for the sanction. ODJFS staff will review the information provided and determine if an OWIP incentive may be paid. If the area has documented that the requirements of the OWIP program were met, the OWIP incentive will be issued. Some OWF sanctions, such as the participant not meeting the minimum hours of work participation, may cause the area to not qualify for incentives.

**Q2 If the local area has already received the placement and retention incentives for an OWIP participant who then loses his job and returns to OWF cash assistance, could the area place the participant in another job and receive more OWIP incentives?**

A2 Yes, however the individual must reapply for OWF cash and meet the requirements. If the area subsequently places the recipient in qualified employment, a new series of incentives may be earned.

**Q3 If an OWF Participant began employment in June 2013 but wasn't over income for (or didn't withdraw from) OWF until July, does that job count as a placement under Track B?**

A3 No, the placement occurred before July 1, 2013 so this placement does not qualify for OWIP incentives under either Track A or Track B. For OWIP placement and retention incentives, the job placement must have occurred after 7/1/2013 when OWIP began.

**Q4 Do applicants who enter the OWF program with a job automatically count as a placement under OWIP, or do they have to be receiving OWF cash benefits and then find a job for the area to receive the incentive dollars?**

A4 To qualify for OWIP incentive, the individual must be enrolled in OWF prior to the occurrence of the job placement and the placement must occur on or after July 1, 2013. Individuals who were already employed when they began receiving OWF cash benefits have not been placed by the local area and will not qualify for OWIP incentives.

## II. Incentive Payments

**Q5 An OWF recipient becomes employed but remains eligible for a small amount of cash assistance. The client elects not to receive the OWF cash benefit for which she could qualify. Can our area collect Track B incentives for this former OWF recipient because she is no longer on cash assistance?**

A5 No, to receive the higher incentives available under Track B, the area must place the participant in employment with earnings sufficient to exceed OWF income limits for the assistance group. OWIP participants who qualify for OWF cash assistance (even if they do not opt to receive the benefit) remain in Track A. To receive Track B incentives, the reason codes on CRIS-E Screen AEWAA must indicate the assistance group is over income for OWF cash benefits.

**Q6 Retention trigger date - Is the 90-day (and for Track B, the 180-day) retention incentive computed from the hire date or the date the cash benefits ended?**

A6 For Track A, the 90 days of employment required to qualify for retention incentive begin to be counted on the date employment began. Areas may count every day the individual is in an employed status, including days off such as weekends and holidays. Track B eligibility requires the OWIP participant to be both employed and over income for OWF cash benefits, so the retention period begins on the date both conditions are met. If a recipient began working in October and received her final OWF cash benefit in November, the first day to be counted toward the Track B 90-day employment retention period would be December 1<sup>st</sup>, the effective date she is no longer on OWF cash.

**Q7 We are assisting an OWF recipient who will reach her 36-month time limit for receipt of OWF cash benefits at the end of this month. If she gains employment of over 20 hours per week by the end of the month, can our area receive placement and retention incentives, even beyond the 36-month OWF time limit?**

A7 Yes, if the assistance group remains income eligible for OWF, the area may invoice for the placement incentive under Track A as of the date the job began and may invoice for the retention incentive after 90 days of employment even if the OWF case closes due to the 36-month time limit. Note that Track A participants who exit from OWF cash for reasons other than the 36-month time limit, such as failing to complete a redetermination of benefits, will not qualify the area for the retention incentive. An exception is made for those Track A participants who lose benefits due to the OWF time limit to encourage areas to continue assisting them. If the earnings caused the assistance group to be over income for OWF cash assistance, the area may invoice for the Track B incentives as appropriate, regardless of the 36-month OWF time limit.

**Q8 We placed an OWF recipient in a full-time job but after few days, the participant quit the job and returned to OWF cash. May we now invoice for the placement incentive even though we know the job did not work out?**

A8 Yes, the area has met the OWIP requirement of placing an OWF recipient in qualified employment and may invoice for a placement incentive. For the placement incentive, it makes no difference how long the job continued. The documentation submitted with the invoice must indicate the individual worked or would have worked at least 20 hours per week or 86 hours per month.

**Q9 If an individual obtained employment at two different companies at the same time, is the area permitted to invoice for two placement incentives?**

A9 No, once an area receives a placement incentive for an OWIP participant, no additional placement incentives may be earned until after that job ends. Likewise, the retention incentives may only be earned for one participant and one job retention at a time. If the participant's job ends and a new job is subsequently found, the area may receive a new placement incentive for the same participant at the new job, but areas may not duplicate placement incentives and overlap retention periods for participants working multiple jobs at the same time.

### III. Reporting Requirements

**Q10 What data must be entered into the Ohio Workforce Case Management System (OWCMS) for the OWIP participants?**

A10 Participants must be entered in the OWCMS special grant office for OWIP and the Job Placement screen must be completed. If an OJT opportunity was provided, the OJT service must be documented on the Services screen in OWCMS. The requirements for OWIP data entry were provided during the 8/9/2013 webinar. The presentation slides and a link to the webinar recording can be found on the OWIP web page at <http://jfs.ohio.gov/owd/Initiatives/OWIP.stm>.

**Q11 What needs to be entered in OWCMS in order to bill for retention payments? Is the initial entry in OWCMS with the employment span still open all that is necessary for billing or is there a screen that we need to complete?**

A11 No further data entry is required in OWCMS to earn the retention payments. The area should simply submit an invoice for the retention payment after the required retention time period with proof the individual is still employed at least 20 hours per week or 86 hours per month (such as pay stub from within the past 30 days, new employer statement, updated verification from The Work Number, etc.) If the individual has switched from Track A to Track B or *vice versa*, also submit new screen prints of CRIS-E screens AEWAA and IQEL.

**Q12 Does the agency need to issue Internal Revenue Service (IRS) form 1099 documenting any payments issued to our OWF clients that participate in the OWIP program for income tax purposes?**

A12 The answer below is not intended as tax or legal advice. Local areas are encouraged to discuss issues related to the taxability of program benefit payments with their local legal counsel or with the IRS directly.

In general, IRS rules permit payments to individuals by government units under legislatively provided social benefit programs for the promotion of the general welfare to be excluded from the recipient's gross income for tax purposes. This is known as the "General Welfare Exclusion" (GWE). To qualify under the GWE, the payments must:

- Be made from a government fund.
- Be for the promotion of the general welfare, based on individual or family need.

- Not be made as payment for services performed by the participant.

OWIP is a federally funded program that assists low income individuals with finding work. If the OWIP payments to participants are intended to enable participation in the program in order to acquire skills that will afford opportunities for gainful employment and are not issued as a reimbursement for services performed by the participant, it is likely the payments are excluded from the participant's countable income and the issuance of form 1099 is not necessary.

If areas are using OWIP funds to pay participants in lieu of some or all of the public assistance benefits to which the participants are entitled, then according to IRS Revenue Rulings 71-425 and 75-246, the payments may not have to be treated as income for tax purposes because arguably in such instances the OWIP payments would be based on family need rather than as compensation for services rendered. Areas should consult with the IRS or their legal counsel if further clarification is needed. Also review IRS Revenue Rulings 63-136, 68-38, and 72-340 related to the General Welfare Exclusion.

**Q13 Our area plans to share half of the OWIP incentives with the participants who qualified for them. Do the incentive payments the client receives affect eligibility for other programs (e.g., SNAP, Medicaid, OWF, PRC)?**

A13 Depending on the frequency of payments, eligibility for other programs may be affected. For TANF-funded programs, Food Assistance, and Child Care, a lump sum paid only at placement, 90 days, and 180 days post-placement is non-recurring, is excluded from the family budget, and does not affect eligibility or benefit levels. However, reoccurring payments issued on a regular basis would generally impact eligibility and benefits.

The Medicaid program will begin to compute income for program eligibility in accordance with IRS definitions on January 1, 2014. As noted in the previous answer, IRS rules exclude payments that enable participation in programs benefitting the general welfare, so OWIP payments of this nature will not affect Medicaid eligibility. For OWIP payments issued to participants prior to January 2014, the Medicaid income exemptions are defined in Ohio Administrative Code, section 5101:1-39-18, which states:

Any cash (other than remuneration for sheltered employment and incentive payments) provided by a governmental medical or social services program is not income... Reimbursements for medical or social services already received that are not in excess of the medical or social services expenses are not considered income. Any amount of the reimbursement that is in excess of the medical or social services expenses incurred is considered unearned income.

Contact the appropriate program area directly if you need further clarification.

#### IV. Financial Management

**Q14 What costs are allowable and unallowable using the OWIP incentive funds our area earned?**

A14 The incentive funds earned by an area lose their TANF identity and need not follow TANF-specific regulations. In general, the costs described in the local area's approved OWIP application represent the types of costs that are allowable with incentive funding. If an area is considering specific purchases and would like ODJFS to comment on the allowability under OWIP funding, send a brief budget and narrative description of the planned expenditures to [OWIP@jfs.ohio.gov](mailto:OWIP@jfs.ohio.gov).

**Q15 What supporting documentation must be submitted with the OWIP invoice to earn the incentive payments?**

A15 The area must provide verification that each participant qualifying for incentive is employed at least 20 hours per week or 86 hours per month (such as a pay stub, employer wage verification, or The Work Number verification). Also the area must attach CRIS-E screens AEWAA and IQEL documenting the status of the household's OWF cash benefits and, for Track B incentives, appropriate reason codes on AEWAA showing the assistance group is over income for OWF cash benefits.

**Q16 Our plans have changed since the OWIP application was submitted. Should we now update the OWIP application to reflect these changes and re-submit it to ODJFS?**

A16 Yes, an area may request modification to its OWIP application at any time. The local WIB director or designee should send the revised application to [OWIP@jfs.ohio.gov](mailto:OWIP@jfs.ohio.gov) with the modified sections highlighted. ODJFS staff will respond either with approval to implement the proposed changes or will seek further clarification or revisions.

#### V. Initial Payment Funds

**Q17 What costs are allowable or unallowable with the initial payment funds?**

A17 Initial payment funds must be spent on activities allowable under the TANF program for services provided to TANF-eligible individuals.

**Q18 Is it allowable to use OWIP funding to enter into a service contract with a local government entity (for example, our County DD Workshop)?**

A18 Yes, areas may enter into contracts using either their initial payment funds, or their earned incentive payments, or both. Such purchased services may include job placement, job coaching, and career readiness instruction for OWIP participants. Initial payment funds are TANF dollars and must be spent on services that benefit TANF-eligible individuals. A line item for contractual costs is available on the OWIP initial payment invoice for areas to report such expenditures when billing for initial payment.

**Q19 Is the initial payment funding only available at the beginning of the first year of the program and not repeated at the beginning of the second year?**

A19 That is correct. The OWIP program is authorized in the state budget from 7/1/2013 to 6/30/2015 but the initial payment funding is only available in the first year of the program.

**Q20 How long will the initial payment funding be available, assuming an area did not expend the entire amount in the first 30 days?**

A20 All invoices for initial payment dollars must be submitted to ODJFS by 6/30/2014.

**Q21 What supporting documentation must be submitted with the invoice when billing for OWIP initial payment funds?**

A21 For initial payment invoices, no supporting documentation is necessary beyond the invoice form itself. Areas must list their actual costs by line item on the initial payment invoice, describe any "other" costs in more detail in the space provided on the invoice, and maintain source documentation locally to justify these purchases at audit, but need not attach the original source documents to the invoice.

**Q22 What documentation must we keep on file for the expenses incurred as initial payment costs?**

A22 Areas should maintain similar financial records as they would for any other federal program. The sorts of documentation that have passed muster in past audits such as invoices, bank statements, receipts, and cost allocation source documents should also suffice for OWIP. Federal cost principles, use of generally accepted accounting practices, and allowable cost allocation methods must be followed; initial payment funds remain federal TANF program dollars.