

Accrued Expenditures and Obligations

Why This Session Is Needed

Accrual reporting is required.

Financial reporting may impact existing and future funding.

Past monitoring and studies show inconsistent understanding of the requirement.

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Lesson Overview & Module Objectives (1 of 2)

Obligations

- Define obligations
- Identify and categorize examples of obligations and encumbrances

Accrued Expenditures

- Define accrued expenditures
- Identify and categorize examples of accruals

Common Challenges

- Identify challenges to tracking and reporting obligations and accruals

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Lesson Overview & Module Objectives (2 of 2)

Cash Basis Accounting

- Describe the records needed and the process used to track, support, and report obligations and expenditures accurately for a cash basis accounting system

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Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following statements by circling the appropriate number in the middle column of the sheet, labeled Pre-Training, for each of the statements.

- The differences between cash and accrued expenditures.
- The definitions and characteristics of obligations, unliquidated obligations, and encumbrances.
- When an ITA becomes an obligation and expenditure.
- The documentation requirements for accruals at all levels when operating on a cash basis.
- System requirements necessary for linking cash basis systems to required accrued expenditure financial reports.

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Obligations

Learning objectives

- Define obligations
- Identify and categorize examples of obligations and encumbrances


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What is an Obligation?

2 CFR 200.71

Obligations

- Orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment during the same or a future period
- Legally binding




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What is an Unliquidated Obligation?

Unliquidated Obligations

Any obligation for which an accrued expenditure has not yet been incurred, as of the reporting period end date.



Unliquidated obligations should include amounts that will become due to subrecipients and subcontractors.



SOURCE: ETA's 9130 reporting instructions

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Characteristics of an Obligation

- Legal commitment to pay
- Occurs at time services rendered
- Before services rendered where binding agreement exists
- Budget authority must be available
- "Definite and certain"
 - Comptroller General

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Examples of Obligations

Obligations

- Contracts and subaward agreements
- Purchase Orders
- Cash payments

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What is not an Obligation?

- Projected staff time?
- Future rent payments?
- Future or projected training?
- Individual Training Accounts (ITAs)?
- Encumbrances
- Internal requisition for a purchase order
- Items budgeted during period of grant award?

See TEGL 28-10 for information on obligations and encumbrances

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Other "Obligation" Issues Found by ETA

- Reporting encumbrances as obligations
- Not having a system in place to capture obligations appropriately
- Not reviewing unliquidated obligations
 - Deobligation of unused funds

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Status Check

\$1,000 ITA is approved for a participant to attend college for computer training; participant not yet enrolled.

? Has an obligation occurred?

A One-Stop has a 12-month lease from January through December at \$1,000 per month.

- Rent is payable on the first of each month.
- Termination clause calls for 2 months rent amount in case of early termination.

? On March 1, what is the maximum amount that can be reported as obligated against the lease?

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Accrued Expenditures

Learning objectives for this section

- Define accrued expenditures
- Identify and categorize examples of accruals
- Identify challenges to tracking and reporting obligations and accruals

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What is an Accrued Expenditure?

2 CFR 200.34(c)

Accrued Expenditure

- Cash disbursed for property and services;
- Indirect expense incurred;
- Value of third-party in-kind applied; and
- Net increase or decrease in amounts owed for:
 - (i) Goods and other property received;
 - (ii) Services performed by employees, contractors, subrecipients, and other payees; and
 - (iii) Programs for which no current services or performance are required, e.g., annuities, insurance claims, other benefit payments

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What is Accrual Accounting?

- Transactions are recognized in accounting period in which they occur
- Revenue is recognized when earned
- Expense is recognized when incurred

ITEM ORDERED Accrual Expenditure recorded ITEM RECEIVED

- May be cash disbursement
- May be delivery of goods/services

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What is Accrual Accounting?

- Transactions are recognized in accounting period in which they occur
- Revenue is recognized when earned
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ITEM ORDERED Accrual Expenditure recorded ITEM RECEIVED

- May be cash disbursement
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Why Do We Report Accrued Expenditures?

- Reliable** • Provides more **reliable** information to DOL and Congress
- Effective** • Allows for more **effective** management of program funds
- Consistent** • **Consistent** financial reporting
- Understates** • Cash basis **understates** true spending
- Rescissions** • Failure to report on accrual basis could result in loss of funds, i.e., **rescissions**

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ETA Requires Reports on Accrual Basis


EXPENDITURES

CASH	BASIS	ACCRUAL
Value of third-party in-kind contributions applied*		
Cash disbursements for direct charges for property and services		
Amount of indirect expense charged	Amount of indirect expense incurred	
Amount of cash advance payments including payments made to subrecipients		
Net increase or decrease in the amount owed for: Goods and other property received, services performed by employees, contractors, subrecipients and other parties, Progresses for which no current invoices or performance are required.		

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Examples of Accruals




E-TIME PAY WEEKLY TIMESHEET

Staff

- Salaries, wages, and fringe benefits

Training


- Started training prior to invoice receipt



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Examples of Accruals




E-TIME PAY WEEKLY TIMESHEET

Staff

- Salaries, wages, and fringe benefits

Training


- Started training prior to invoice receipt



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Examples of Accruals



Staff

- Salaries, wages, and fringe benefits




Training

- Started training prior to invoice receipt


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More Examples of Accruals



You received a partial order for goods but have not paid the invoice




You have not yet received a subrecipient's invoice or report

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What are Not Accruals?




- ✗ Contracts for goods or services that **HAVE NOT** been received
- ✗ Orders placed for which goods or services **HAVE NOT** been received or paid
- ✗ Performance contracts in which benchmarks **HAVE NOT** been achieved



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Common Accrual Reporting Issues (1 of 2)

- Grantees not reporting on accrual basis 
- Cash disbursements equal or exceed expenditures 
- Not requiring subrecipients to report on accrual basis, reporting only disbursements 

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Common Accrual Reporting Issues (2 of 2)

- Inaccurate reporting at subrecipient levels, which results in inaccurate reporting by direct grantees 
- Lack of consistent reporting 
- Underreporting of program expenditures 


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Identifying Accrued Expenditures (1 of 2)

Team-Builders Org.
As of 6/30/2014

DOL Grant Amount	\$600,000
Expenditures	
Disbursements -checks issued	\$100,000
Goods received (not billed, not paid)	\$ 25,000
Subrecipients' Expenditures (invoices)	\$ 50,000
Subrecipients' goods recv'd (not billed, not paid)	\$ 15,000
Subrecipients' unexpended Balances	\$ 30,000



What is the amount of accruals?

a) \$190,000
b) \$ 40,000
c) \$ 70,000

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Identifying Accrued Expenditures (2 of 2)

Team-Builders Org.
As of 6/30/2014

DOL Grant Amount	\$600,000
Expenditures	
Org.'s Disbursements Checks issued	\$100,000
Org.'s Goods Received (not billed, not paid)	\$ 25,000
All Sub's Expenditures Invoices	\$ 50,000
All Sub's Goods rec'd (not billed, not paid)	\$ 15,000
All Sub's Unexpended Balances	\$ 30,000

?

What amount goes on Line 10e "Total Federal Share of Expenditures" on the ETA-9130?

a) \$150,000
b) \$175,000
c) \$190,000

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Important!

All accrued expenditures are obligations

Not All obligations are accrued expenditures because of unliquidated obligation

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How Would You Classify These Cost Situations?

Assumption: All activities/charges below are allocable to a DOL-ETA grant

1. Of a total contract of \$50,000, there is \$40,000 unspent, for which no goods or services have been provided.

A Accrued Expenditure

B Unliquidated Obligation

C Obligation

D Disbursement

E Encumbrance

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How Would You Classify These Cost Situations?

Assumption: All activities/charges below are allocable to a DOL-ETA grant

2. Staff travel was completed but no travel reimbursement was submitted or paid before the end of the quarter.

- A** **Accrued Expenditure**
- B** **Unliquidated Obligation**
- C** **Obligation**
- D** **Disbursement**
- E** **Encumbrance**

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How Would You Classify These Cost Situations?

Assumption: All activities/charges below are allocable to a DOL-ETA grant

3. You order, pick up, and pay for supplies all in the same day.

- A** **Accrued Expenditure**
- B** **Unliquidated Obligation**
- C** **Obligation**
- D** **Disbursement**
- E** **Encumbrance**

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How Would You Classify These Cost Situations?

Assumption: All activities/charges below are allocable to a DOL-ETA grant

4. At the end of the quarter, you allocate the quarterly indirect costs.

- A** **Accrued Expenditure**
- B** **Unliquidated Obligation**
- C** **Obligation**
- D** **Disbursement**
- E** **Encumbrance**

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How Would You Classify These Cost Situations?

Assumption: All activities/charges below are allocable to a DOL-ETA grant

5. Funds earmarked to cover next quarter's staff costs?

- A** **Accrued Expenditure**
- B** **Unliquidated Obligation**
- C** **Obligation**
- D** **Disbursement**
- E** **Encumbrance**

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How Would You Classify These Cost Situations?

Assumption: All activities/charges below are allocable to a DOL-ETA grant

6. Cost estimate prepared by technician to fix copy machine?

- A** **Accrued Expenditure**
- B** **Unliquidated Obligation**
- C** **Obligation**
- D** **Disbursement**
- E** **Encumbrance**

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How Would You Classify These Cost Situations?

Assumption: All activities/charges below are allocable to a DOL-ETA grant

7. Invoice from technician for repairs made to copy machine?

- A** **Accrued Expenditure**
- B** **Unliquidated Obligation**
- C** **Obligation**
- D** **Disbursement**
- E** **Encumbrance**

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Status Check

? An employee puts in a requisition for a purchase of \$500 office supplies on July 1; a \$500 purchase order is issued to the supplier on July 3; all supplies are delivered on July 5; invoice is received on July 10, and payment made on the same day.

? On what dates did the obligation and the accrued expenditure occur?

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Common Challenges

Learning objectives for this section

- Identify challenges to tracking and reporting obligations and accruals

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Tracking and Reporting Obligations and Accruals: Common Challenges

Salaries and Related Costs

Leave (Funded/Unfunded)

Leases

ITAs and Training Contracts

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Salaries

Salaries and Related Costs

- Obligation
 - No
- Accrued expenditure
 - At the time the salaries are earned
 - When the services are rendered




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Leave (1 of 2)

Leave (Unfunded)

- Obligation
 - No
- Accrued expenditure at time leave is taken
- When payable as "terminal" leave
- Accrued expenditure at time payment is due to separating employee




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Leave (2 of 2)

Leave (Funded)

- Obligation
 - No
- Accrued expenditure when leave time is earned
- When payable as "terminal" leave
 - Escrow accounts
- Benefits
 - Charged to most appropriate funding source at time earned
- Funds are available when leave is taken, or paid as terminal leave




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Leases

Leases

- Obligation
 - Current occupancy month
 - Maximum payment for termination
- Amount of funds to satisfy full length of lease may be encumbered but is not an obligation
- Unoccupied space is not an obligation




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Individual Training Account (ITA)

ITA

- Issuance of an ITA
 - Authorization for training only



- Obligation
 - At time of participant enrollment in training
 - If and when a financial agreement is executed between grantee and training institution for specific training
- Expenditure
 - Tuition is earned based on training provider policy
 - At point when provider's tuition refund policy expires
 - When tuition is pre-paid

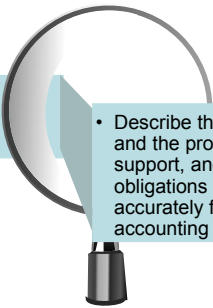
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Cash Basis Accounting

Learning objectives for this section

- Describe the records needed and the process used to track, support, and report obligations and expenditures accurately for a cash basis accounting system



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What is Cash Basis of Accounting?

Cash Basis of Accounting

- Revenue is recognized when received
- Expenditures are recognized in accounting period in which cash payment occurs

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How are Cash and Accrual Systems Different?

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How are Cash and Accrual Systems Different?

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Samples of Accruals

-  Invoices for goods and/or services received but not paid.
-  Value of goods and/or services received but not yet invoiced.
-  Portion of payroll, and related fringes, earned by employees at the end of the reporting period but pay period is not completed and payroll not made until next reporting period.
-  ITA amounts for training begun but not invoiced.

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The key pieces to an accrual tracking system

Cash basis accounting system

- Policies and procedures** for compiling accrued expenditures for financial reporting to ETA (9130 report) or to the pass-through entity for subrecipients
- Process for determining accruals** at end of reporting period based on actual amounts known or best estimates based on adequate supporting documentation
- Maintain spreadsheets** that consolidate cash-basis system costs and accruals to prepare required accrual financial reports

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Accrued Expenditures and Obligations

- Definitions**
 - Obligations 2 CFR 200.71
 - Accrued Expenditures 2 CFR 200.34
- Requirements**
 - 2 CFR 200.302 and 200.327
 - 2 CFR 2900.14
- Tracking the Data**
 - Accounting system and supporting documentation

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Accrued Expenditures and Obligations

- Definitions**
 - Obligations 2 CFR 200.71
 - Accrued Expenditures 2 CFR 200.34
- Requirements**
 - 2 CFR 200.302 and 200.327
 - 2 CFR 2900.14
- Tracking the Data**
 - Accounting system and supporting documentation

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Key Concepts

- FINANCIAL REPORTING**

DOL requires **accrued expenditures at all levels and obligations** to be reported quarterly on the ETA-9130 report.
- Product**

If cash-basis accounting, estimates for accruals are OK if adequately documented.
- COMPLIANCE**

All amounts reported on the ETA-9130 must be traceable to accounting records and source documentation.

Data maintained and supported in compliance with GAAP.

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Take Home Exercise

Handout

- Complete at your leisure.
- Answer sheet will be provided.

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Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by circling the appropriate number in the column of the sheet labeled Post-Training for each of the statements.

- The differences between cash and accrued expenditures.
- The definitions and characteristics of obligations, unliquidated obligations, and encumbrances.
- When an ITA becomes an obligation and expenditure.
- The documentation requirements for accruals at all levels when operating on a cash basis.
- System requirements necessary for linking cash basis systems to required accrued expenditure financial reports.

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“If you do not change direction,
you may end up where you are heading..”
~ Lao Tzu

Thank You!

Please Complete Your Evaluations

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Financial Reporting for Recipients and Subrecipients






Why This Session Is Needed

Need to understand core concepts and definitions, including obligations, expenditures, accruals, and program income.	Clarify DOL financial reporting requirements.	Improve report integrity and reliability, while enhancing the ability to manage grant funds.
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Financial Reporting 2



Lesson Overview & Module Objectives

Requirements	• Describe basic DOL financial reporting requirements
ETA 9130	• Identify the data elements reported on the ETA 9130 Financial Report
Subrecipient Reporting	• Identify the subrecipient reporting requirements
Common Issues	• Avoid common mistakes and their consequences

Financial Reporting 3

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Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by **circling** the appropriate number in the middle column of the sheet, labeled Pre-Training, for each of the statements.

?

- How to report accrued expenditures.
- What to report in the Recipient Share section of the 9130.
- How to collect accruals and program income data from subrecipients.
- What gets reported as Other Federal Funds expended.
- What information is required in the Remarks section of the 9130.

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General Reporting Requirements

Learning objectives for this section

- Describe basic DOL financial reporting requirements

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Why We Need Financial Data

- Monitor utilization of funds
- Budget decision-making
- Report to Congress and other stakeholders on appropriate funds
- Assess status of the grant and recipient organization

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General Requirements (1 of 2)

**Uniform Guidance
2 CFR Part 200**


- 200.302 (b)(2)**
Financial management
Accurate, current, complete disclosure of financial results
- 200.327**
Financial reporting
No less frequently than annually nor more frequently than quarterly per terms and conditions of Federal award, except in unusual circumstances

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General Requirements (2 of 2)

DOL Exceptions



2900.14 Financial reporting
Recipient must develop accrual information through **best estimates** based on an analysis of the documentation at hand.

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Program Statute and Regulatory Requirements

- WIOA Statute Section 185(e)
- ETA 9130 approved by OMB
- States and other direct grant recipient requirements may impose additional reporting requirements
- Prior WIA Regulations 20 CFR 667.300 Reporting requirements

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ETA Guidance on Financial Reporting

Training & Employment Guidance Letter (TEGL) 28-10	Training & Employment Guidance Letter (TEGL) 13-12
<ul style="list-style-type: none">Federal Financial Management and Reporting DefinitionsMay 27, 2011	<ul style="list-style-type: none">ETA-9130 Quarterly U.S. Department of Labor (DOL) Employment and Training Financial Report InstructionsFebruary 8, 2013

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Basic Reporting Requirements


Basis	• Accrual
Frequency	• Quarterly
Due	• 45 Days after quarter end
Closeout Report	• Due 90 days after grant end
Transmission Method	• ETA on-line reporting system


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Reporting Periods, Due Dates and Cumulative Data

 Each report must be complete and accurate for all levels where funds are expended through the last day of the quarterly report period.

 Ensure that data is reported by subrecipients and submitted to DOL by the due date.




 DOL financial reports are cumulative until the end of the life of the allotments or the period of performance for the DOL awards.

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On-line Reporting System

http://www.doleta.gov/grants/pdf/FSR_eform.pdf




- Follow instructions in the Notice of Award 
- Provide requested reporting contact information  An e-mail is sent to primary contact with password and PIN
- System is user-friendly and provides guidance to assist user in completing the form  System edits – hard and soft

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Password and PINs

Uses for Each

-  Password issued to access system and enter data
-  PIN issued to certify data
-  Instructions link provides information on how to use system




http://www.doleta.gov/grants/pdf/FSR_eform.pdf

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Status Check

Are the statements true or false?

-  Accurate and complete financial data provides an important tool for managing grantee and subrecipient budgets.
-  Estimated accruals should not be included in financial reports since they are not certain and quantifiable.
-  Direct grantees may impose reporting requirements on subrecipients that go beyond the Federal requirements.

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ETA-9130 Requirements

Learning objectives for this section

- Identify the data elements reported on the ETA 9130 Financial Report
- Identify the different 9130 versions and sections

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The ETA-9130 Financial Report

The 9130 has 13 versions:

- Basic 9130 plus 12 program-specific versions
- Every funding source requires its own report

Refer to Handout
Basic ETA 9130

http://www.doleta.gov/grants/financial_reporting.cfm



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9130 Versions

Current ETA-9130s for Each Program

- Basic 9130 (Discretionary and NEG)
- Employment Service & Unemployment Insurance Programs
- National Farmworkers Jobs Program
- Older Worker Program
- Indian & Native American Program
- Workforce Investment Act - Local Youth
- Workforce Investment Act - Local Adult
- Workforce Investment Act - Local Dislocated Worker
- Workforce Investment Act - Statewide Youth
- Workforce Investment Act - Statewide Adult
- Workforce Investment Act - Statewide Dislocated Worker
- Workforce Investment Act - Statewide Rapid Response
- Trade Adjustment Assistance Grant Program

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Sections of the 9130

Basic Information

Federal Cash Section

Federal Expenditures

Total Administrative Expenditures

Unliquidated Obligations

Recipient Share

Program Income

Additional Expenditure data requirements

Remarks

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ETA-9130 Report Basic Information

Sections 1 – 9

U.S. DOL ETA FINANCIAL REPORT Print Report

LOCAL YOUTH						
The report for 03/31/2013 is Awaiting State Certification as of 04/24/2013						
1. Federal Agency and Organizational Element to which Report is Submitted DOL / ETA		2. Federal Grant or Other Identifying Number Assigned by DOL		OMB Approval No. 5010-0047 Expires PRE-ENTERED		
3. Recipient Organization Name and complete address including ZIP Code US DEPARTMENT OF LABOR - SAMPLE MARK STREET WASH, DC ZIP Code						
4a. DUNS Number	4b. EIN	6. Receipt Account Number or Identifying Number, Not Required by DOL - Grantee Use		6. Final Report	7. Basis of Accounting	
PRE-ENTERED	PRE-ENTERED			Yes/No -Grantee	Accrual/Basis of Report	
8. Fiscal Grant Period From: PRE-ENTERED To: PRE-ENTERED				9. Reporting Period End Date PRE-ENTERED		

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Federal Cash

- **10a: Cash Receipts**
 - What did you draw down from the PMS?
- **10b: Cash Disbursements**
 - What cash has been disbursed?
- **10c: Cash on Hand**
 - Automatic calculation
 - Excess cash requirements apply, explain in Remarks

Federal Cash: (DOL records reflect quarter end cumulative drawdowns of \$.00)			
a. <u>Cash Receipts</u>	0.00	0.00	0.00
b. <u>Cash Disbursements</u>	0.00	0.00	0.00
c. <u>Cash on Hand (line a minus b)</u>	0.00	0.00	0.00

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Line 10a Cash Receipts

For Non-Formula Programs	WIOA Formula Programs
<ul style="list-style-type: none"> Data Pre-Entered Quarter-end PMS drawdown records 	<ul style="list-style-type: none"> Data required to be entered Quarter-end PMS drawdown records = total drawn from each subaccount

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Cash – Keep in Mind

-  The 9130 refers to FEDERAL cash only
-  Line 10c Cash on hand can never be less than zero
-  Attention to detail is important
-  What happened to the drawdown I made the day before the end of the quarter?

Financial Reporting 23

SMART FINANCIAL GRANTS MANAGEMENT 2015

Federal Expenditures and Unobligated Balance

Lines 10d through 10i


10d. Federal funds authorized	10e. Federal Share of Expenditures	10f. Administrative Expenditures
10g. Unliquidated obligations	10h. Total Federal obligations	10i. Unobligated Balance

d. Total federal funds authorized			
e. Federal share of expenditures	0.00	0.00	0.00
f. Total administrative expenditures	0.00	0.00	0.00
g. Federal share of unliquidated obligations			0.00
h. Total Federal obligations (sum of lines e and f)			0.00
i. Unobligated balance of Federal funds (line d minus h)			0.00


Financial Reporting 24

SMART FINANCIAL GRANTS MANAGEMENT 2015


10e Federal Share of Expenditures




Cannot exceed 10d (Federal funds) – hard edit



Will usually be greater than 10b



Credit Balance



If less than prior reported cumulative amount


- Soft Edit, Caution, Remarks must include explanations

Net of Refunds, Rebates and Credits


Financial Reporting 25

SMART FINANCIAL GRANTS MANAGEMENT 2015


10e Federal Share of Expenditures




Cannot exceed 10d (Federal funds) – hard edit



Will usually be greater than 10b



Credit Balance



If less than prior reported cumulative amount


- Soft Edit, Caution, Remarks must include explanations

Net of Refunds, Rebates and Credits


Financial Reporting 26

SMART FINANCIAL GRANTS MANAGEMENT 2015


10f Administrative Expenditures



Not every program uses same definition



Not all grants have same limits



Includes Direct and Indirect Administrative Costs

Financial Reporting 27

SMART FINANCIAL GRANTS MANAGEMENT 2015

10g Federal Share Unliquidated Obligations

Unliquidated Obligations

The sum/value of undelivered services/goods under a legal binding agreement

The amount of obligations for which an accrued expenditure (line 10e) has not yet been incurred

Financial Reporting 28

SMART FINANCIAL GRANTS MANAGEMENT 2015

Recipient Share (1 of 2)

10j. Total Recipient Share Required = Required Match **10k. Recipient Share of Expenditures**

Recipient Share:

j. Total recipient share required	0.00	0.00	0.00
k. Recipient share of expenditures	0.00	0.00	0.00
l. Recipient share of unliquidated obligations	0.00	0.00	0.00
m. Total recipient obligations (sum of lines k and l)	0.00	0.00	0.00
n. Remaining recipient share to be provided (line j minus m)	0.00	0.00	0.00

Financial Reporting 29

SMART FINANCIAL GRANTS MANAGEMENT 2015


Recipient Share (1 of 2)

10j. Total Recipient Share Required = Required Match **10k. Recipient Share of Expenditures**

Recipient Share:

j. Total recipient share required	0.00	0.00	0.00
k. Recipient share of expenditures	0.00	0.00	0.00
l. Recipient share of unliquidated obligations	0.00	0.00	0.00
m. Total recipient obligations (sum of lines k and l)	0.00	0.00	0.00
n. Remaining recipient share to be provided (line j minus m)	0.00	0.00	0.00

Financial Reporting 30



Recipient Share (2 of 2)

10l. Unliquidated Obligations

10m. Total Recipient Share (Calculated)

10n. Remaining Recipient Share to be Provided

Recipient Share:

j. Total recipient share required	0.00	0.00	0.00
k. Recipient share of expenditures	0.00	0.00	0.00
l. Recipient share of unliquidated obligations	0.00	0.00	0.00
m. Total recipient obligations (sum of lines k and l)	0.00	0.00	0.00
n. Remaining recipient share to be provided (line j minus m)	0.00	0.00	0.00

Financial Reporting 31



Recipient Share Issues



Leveraged Resources

- Recipient does not report leveraged resources because there is no match requirement associated with the grant



Lack of Documentation


- In-kind contributions that are not supported by documentation



Stand-In Costs

- Recipient cannot use stand-in costs to address disallowed costs unless they report these costs in the period in which they occur on line 10k

Financial Reporting 32



Program Income (1 of 2)

10o. Total Program Income Earned

10p. Program Income expended

10q. Unexpended program income

Program Income:

o. Total Federal program income earned	0.00	0.00	0.00
p. Program income expended in accordance with the addition method	0.00	0.00	0.00
q. Unexpended program income (line o minus line p)	0.00	0.00	0.00

Financial Reporting 33

SMART FINANCIAL GRANTS MANAGEMENT 2015

Program Income (2 of 2)

Often Not Reported Correctly

What You Need to Watch Out For

- The definition of program income is at 2 CFR 200.80
- States must accumulate program income earned and expended by subrecipients for Local Dislocated Worker, Adult, and Youth programs when preparing the quarterly 9130 reports
- Direct grantees must include program income earned and expended by subrecipients

Financial Reporting 34

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Additional Expenditure Data Requirements

11a: Other Federal funds expended: Found on all reporting forms

11b-11e: Required items vary by program

Examples – Real property proceeds expended (WIOA, ES, UI)
– Local Youth

11. Additional Expenditure Data Requirements:		
a. Other Federal Funds Expended	<small>Note: Enter Federal non-grant funds expended for grant activities.</small>	
b. Real Property Proceeds Expended	<small>Note: should include expenditures of all Federally-funded investment resources.</small>	
c. Out of School Youth Expenditures		
d. In School Youth Expenditures		
e. Summer Employment Opportunities Expenditures		

Financial Reporting 35

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Section 12 Remarks

Enter Information for Items Requiring Explanations

Excess cash on hand Reduction in cumulative expenditures Decrease in disbursements

UI Supplemental Budget Request detail Other significant expenditure adjustments (e.g., FIFO adjustments, prior period changes)

12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation. Note: Enter explanations that describes any variance that would likely illicit a question of acceptance. A common remark is explaining cash on hand.

Financial Reporting 36

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Section 13 Certification

Certification done by entering PIN

Same as affixing a signature of authorized Certifying Official

13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all expenditures and unliquidated obligations are for the purposes set forth in the award documents.

a. Typed or Printed Name and Title	c. Telephone/Area code, number and extension)
b. Signature of Authorized Certifying Official	d. Email address:
	e. Date Report Submitted

Financial Reporting 37

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Status Check

Are the statements true or false?

- ? If the amount of accrued expenditures reported is equal to the amount of reported cash disbursements, accruals are likely not being reported properly.
- ? For grants having a match requirement, match expenditures must be reported on line 10k (recipient share) of the 9130.
- ? For grants having no match requirement, line 10k (recipient share) must be zero.

Financial Reporting 38

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Subrecipient Reporting

Learning objectives for this section

- Identify the subrecipient reporting requirements

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Reminders for Subrecipient Reporting

Each entity with subrecipients is responsible for collecting/monitoring all required DOL reporting elements

Direct grant recipient may impose different forms, shorter due dates, more frequent reporting requirements on subrecipients

Monthly Report

Monthly reporting better for managing subawards

Certain data often missed/not collected – make sure report formats reflect required elements

Financial Reporting 40

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Subrecipient Reporting Considerations

Start with the reports you must prepare for ETA

Timing – Frequency and due dates

- Quarterly
- Due 45 days after the end of the quarter
- When would you need data from your subrecipients to meet your reporting deadlines?

Data items

- Information required on the 9130
- Other data: by budget category, unique requirements?

Other reporting requirements

- Accruals

Financial Reporting 41

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Timing Issues (1 of 2)

How often do I need financial information to manage the program?

Questions to Ask

- Is quarterly reporting sufficient?
- Is there time to take appropriate corrective actions?
 - Budget realignments
 - Other modifications
 - Implement corrective action plans
 - Make other corrections
- How are reports transmitted?

Financial Reporting 42


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Timing Issues (2 of 2)

When do I need to receive subrecipient reports?

- How many subrecipients?
- How long to compile data?
- What if reports are late?
- What if reports are missing?

Is monthly reporting a better option?




Financial Reporting 43


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Data Items

What information do I need?

Same data as on Federal reports?

More? 

Less? 

What data would allow me to effectively manage?

Financial Reporting 44

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Data Items – Cost Item Breakouts

What about these items?

- Costs by activities?
- Costs by budget line items?

What is in the subagreement?

- Line item restrictions?
- Prior approval requirements?

Financial Reporting 45

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Reporting Requirements

-  Reporting expenditures on the **accrual** basis
-  Adhering to the requirements for program income
-  Allocating costs to funding sources and cost categories/objectives

Financial Reporting 46

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Common Reporting Issues

Learning objectives for this section

- Avoid common mistakes and their consequences

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Other Data Items

<p>What is required on the Federal reports?</p> <ul style="list-style-type: none">CashObligationsProgram income – earned and spentRecipients shareLeverages ResourcesOther Federal funds	<p>Do I have another way to get this?</p> 
--	--

Financial Reporting 48

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Reporting Solutions

-  Develop instructions and format for subrecipient reporting
-  Spell out the reporting requirements to your subrecipients
-  Provide definitions and explanations of each reporting item on your reporting format

Financial Reporting 49

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Lack of Familiarity with ETA Grants





What do I need to worry about?

- My subrecipient is new to ETA grants, but has plenty of experience handling grants from other Federal agencies
- I am sure they know how to fill out these reports

Financial Reporting 50

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Common Reporting Issues (1 of 2)

- Recipients and subrecipients not reporting on accrual basis 
- Cash disbursements exceed expenditures 
- Inaccurate reporting at subrecipient levels, which results in inaccurate reporting by direct recipients 
- Important data items not collected from subrecipients 

Financial Reporting 51

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Common Reporting Issues (2 of 2)



- Lack of consistent reporting 
- Underreporting of program expenditures 
- Late reporting 

Financial Reporting 52

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Status Check

Answer the following questions.

-  As a pass-through entity, what factors should be taken into account in determining the financial reporting requirements for subrecipients?
-  What are some indications that subrecipients might not be properly reporting accruals?

Financial Reporting 53

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Quiz

- The reporting quarter ends on Thursday. If funds are drawn on Tuesday for a Friday payroll they should not be reported as cash-on-hand.
- If I don't receive a subrecipient financial report in time to include on my report to ETA, I should just report the amount in the following quarter.
- The "Recipient Share" section should only include the expenditures of the direct reporting entity, not those of its subrecipients.
- The report forms and instructions that I issue to my subrecipients must require that they report Program Income earned and disbursed.

Financial Reporting 54

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Key Concepts

- Accurate financial reporting from all levels where funds are expended requires understanding of the rules, definitions and reporting elements**
- Financial data reported each quarter can impact future funding levels and other budget decisions**
- Authorized individual entering PIN is certifying that report is accurate, complete and complies with reporting requirements**
- Accurate and complete financial reporting by subrecipients is critical to a direct grantee's own reporting accuracy**

Financial Reporting 55

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Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by **circling** the appropriate number in the final column of the sheet, labeled Post-Training, for each of the statements.

- How to report accrued expenditures
- What to report in the Recipient Share section of the 9130
- How to collect accruals and program income data from subrecipients
- What gets reported as Other Federal Funds expended
- What information is required in the Remarks section of the 9130

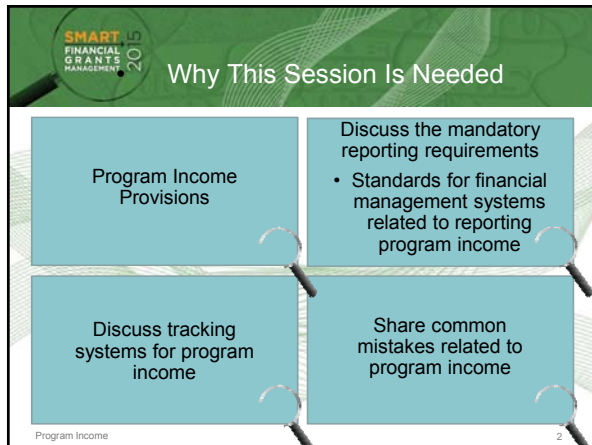
Financial Reporting 56

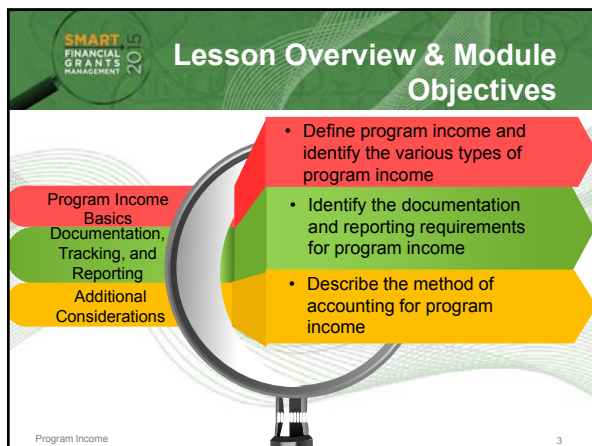
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THANK YOU!

Please complete your evaluations.







SMART FINANCIAL GRANTS MANAGEMENT 2015

Knowledge Check

On a scale of 1 (lowest) to 5 (highest), rate your knowledge and understanding of the following by **circling** the appropriate number in the middle column of the sheet, labeled Pre-Training, for each of the statements.

- What is program income and how it is earned
- ETA reporting requirements for program income
- How to determine the amount of program income generated and expended
- The difference between the gross and net methods in accounting for program income
- When program income must be spent

Program Income 4

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Program Income Basics

Learning objectives for this section

- Define program income and identify the various types of program income


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What is Program Income?

2 CFR 200.80

Program Income

- 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 6

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Sources of Program Income (1 of 2)

- Fees for services performed
- Use or rental of personal and real property acquired under federal awards
- The sale of commodities or items fabricated under the federal award
- License fees and royalties on patents or copyrights
- Speaking engagements – honoraria received

Program Income 7

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Sources of Program Income (2 of 2)

- Receipts from goods or services (including conferences provided as a result of activities funded under this title)
- Funds provided to a service provider under this title that are in excess of the costs associated with the services provided
- Interest income earned on funds received under this title
- States follow CMIA

Program Income 8

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User Fees


Fees charged must be no less than those charged by private companies for equivalent services

Percentage of participation in cost is the same percentage that applies to fees

Fees must be charged, as appropriate, as long as the Federal government retains interest (fair market value is \$5,000 or greater)

User fees are generated when real or personal property purchased with Federal funds is used for purposes other than the funding award


Program Income 9



Does Not Include

- Interest earned on advances, except regulated in Federal statutes, regulations, or the terms and conditions of the award
 - WIOA does include interest as program income
- Rebates, credits, discounts, and interest earned on them
- Proceeds from sale of real or personal property
 - Unless provided for in regulation or grant terms and conditions

Program Income 10




Status Check

Are the statements true or false?

- Program income is income directly generated by a supported activity or earned as a result of the Federal award.
- Program income includes the proceeds from the sale of personal property funded by the grant.
- Program income includes user fees from services provided for use of space funded under Federal awards.

Program Income 11



Documentation, Tracking, and Reporting

Learning objectives for this section

- Identify the documentation and reporting requirements for program income
- Describe the method of accounting for program income
- Identify the allowable uses of program income and when it must be used

Program Income 12



Method of Accounting

200.80 Revenue Generated (Gross Method)

200.307(b) Cost of generating program income (Net Method)

"Program income means **gross income earned ...**" [emphasis added]

If authorized by Federal regulations or the Federal award, costs incidental to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the Federal award.

Program Income 13

Use of Program Income

200.307(e) Use of program income acknowledges two methods:

- Deduction and Addition


Addition method – 200.307(e)(2)

- Program income added to the Federal award
- ETA has traditionally used this method
- Specified in Notices of Awards (NOAs) – formerly in grant award package

Program Income 14

Allowable Uses of Program Income

- **200.307(e)(2)** ... The program income must be used for the purposes and under the conditions of the Federal award.
- Program income may only be used for activities that would be allowable under the grant award that generated the income.



Program Income 15


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When to Use Program Income

200.305(b)(5)

Program income





- To the extent available, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.
 - Program income must be used before requesting cash.*



Program Income 16

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Allowable Costs for Program Income

-  Reasonable, allowable, and allocable cost for the respective funding sources
-  Cost not prohibited by the cost principles of the award and/or applicable regulations and statutes
-  Cost must not be prohibited by Federal, State, or local requirements, regulations, or statutes
-  Cost limitations do not apply to program income

Program Income 17

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Reporting Program Income (1 of 2)

FINANCIAL REPORTING

Program income is reported on the ETA 9130 for the period in which it is earned

Cash from program income is to be reported as disbursed before additional grant funds are drawn down

Program income earned should be reported as expended on the 9130 (200.305)

Treat the same as if a separate grant—it is additional funding and it must be used by the same entity and funding stream that generated the income

Program Income 18

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Reporting Program Income (2 of 2)

Program Income is reported on lines 10o through 10q of the ETA 9130 report

- Program income earned (10.o.)
- Program income expended (10.p.)
- Unexpended program income (10.q.)

Program Income:


o. Total Federal program income earned	
p. Program income expended in accordance with the addition method	
q. Unexpended program income (line o minus line p)	

Program Income 19

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Subrecipient Reporting




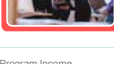
- Pass-through entities must require tighter due dates for subrecipients' reports to be received
 - Ensure that program income data are reported up through the system by subrecipients and ultimately to DOL by the DOL due date




Program Income 20

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Tracking Program Income

-  Chart of accounts
-  Books of accounts
-  Subsidiary ledgers
-  Records include CFDA and award numbers

Program Income 21




Documentation

- Accruals, expenditures, and estimates of expenditures must be kept
- Percentage of participation by Federal programs in the generation of program income
- Account for program income separately from grant funds

The rules that apply to documentation of use of program funds also apply to expenditures of program income (invoices, payrolls, journal vouchers, etc.)

Program Income 22




Documentation

- Accruals, expenditures, and estimates of expenditures must be kept
- Percentage of participation by Federal programs in the generation of program income
- Account for program income separately from grant funds

The rules that apply to documentation of use of program funds also apply to expenditures of program income (invoices, payrolls, journal vouchers, etc.)

Program Income 23



User Fees: Receipts and Expenditures

Standard documentation and recordkeeping

- Books of account must reflect the accounts receivable and the accounts payable amounts
- Policies must address, at a minimum, processes for:
 - Determining amounts and invoicing
 - Collecting amounts due
 - Safeguarding the receipts
 - Depositing receipts
- Ensuring receipts are properly credited to the award that funded the property

Program Income 24

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Status Check

Are the statements true or false?

- For ETA-funded grants, the addition method is typically used to account for program income.
- Program income must be used only for costs that are allowable under the grant.
- Program income is earned only by the direct recipient and not by subrecipients.
- The documentation and reporting requirements applicable to grant funds also apply to program income.

Program Income 25

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Additional Considerations

Learning objectives for this section

- Identify how to avoid common mistakes

SMART FINANCIAL GRANTS MANAGEMENT 2015

Impact on Audit Threshold

200.502

Basis for determining Federal awards expended

- Federal award is expended when the activity related to the Federal award occurs
- Program income expenditures count towards the audit threshold, currently \$750,000 of Federal funds
 - Must be included in the pool of audited cost
 - Program income expenditures cannot stand in for questioned cost

Program Income 27

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Quiz

1. Program income generated and expended does not have to be reported by all ETA recipients and their subrecipients. True ___ or False ___
2. Program income generated for concurrent awards can be used for any of my active grant funding sources from DOL. True ___ or False ___
3. For program income, administrative costs and program costs are required to be separately tracked and reported for the respective funding source. True ___ or False ___
4. Program income earned after the period of availability for allotted funds and after the period of performance for awards must be returned to DOL. True ___ or False ___
5. Program income must be spent prior to spending grant funds. True ___ or False ___

Program Income 28

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Common Mistakes

- The definition of program income is not known and/or fully understood 
- Pass-through entities do not require subrecipients to report program income on their financial status reports, resulting in underreporting of program income by the pass-through entities 
- Program income is not properly reported in the period in which it is earned and disbursed 

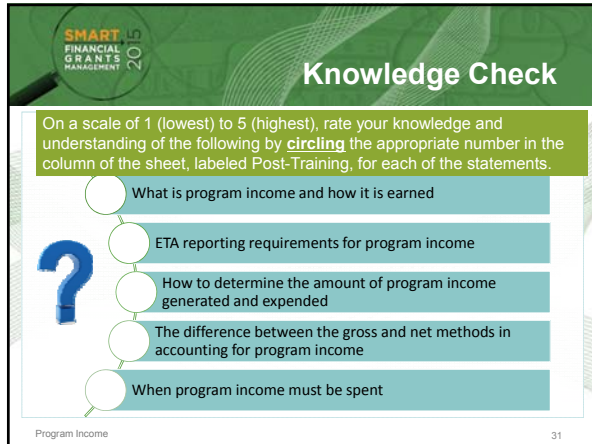
Program Income 29

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Key Concepts

-  Treatment of program income in Uniform Guidance is essentially unchanged from previous circulars
-  Guidance applies to all recipients and their subrecipients
-  Entities must create systems and assign responsibility for tracking program income
-  Program income is subject to reporting requirements

Program Income 30



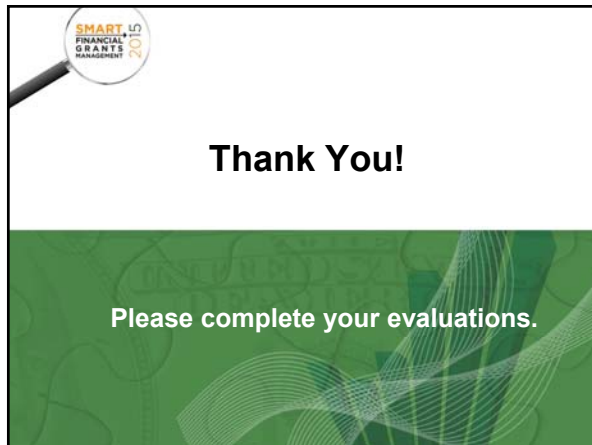
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- The difference between the gross and net methods in accounting for program income
- When program income must be spent

Program Income 31



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Thank You!

Please complete your evaluations.
