



Grantee's Financial Reporting

Accrual Accuracy





What Does This Have to Do With Me???





Objectives of this session

- Discuss The Financial Reporting Standard
- Assigning responsibility
 - Program and fiscal staff working together
 - Developing accrual Data
 - Sub-recipient reporting systems
 - Estimating for missing data
 - Liquidating Accruals during 90-day period flowing end of grant



Accrual Reporting for Formula Grants and Direct Funded Grants

- Quarterly Expenditures and Program Income must be reported to ETA on the accrual basis of accounting (WIA regulations 20 CFR 667.300)
- WIA Regulation & DOL Grant Agreements
- 29 CFR, Part 95.21 (b)(1) and 97.20 (a)(1) and (b)(1) – Standards for financial management systems – accurate, current, and complete disclosure of financial results for each federally sponsored program
- DOL Reports Must Use 9130 reporting instructions





Terminology

- What are accruals - goods or services received but not yet paid
- What are cash expenditures?
 - The amount of services and goods received for which a payment has been made; commonly known as disbursements
- What are accrued expenditures?
 - The value of all services and goods received whether paid (disbursements) plus unpaid (accruals)

Miscellaneous

- We will walk through examples of types of accruals and how/when they should be recorded





Examples of Common Accruals include:

- **Wages, salary and fringe benefit costs** (for work performed or leave taken in a given period for which employees have not yet been paid).
 - **Training** – Participants attending classes – no invoice received from the training institution.
 - Activity occurred under a **sub-grant** – no invoice or report received.
- 



Obligation or Accrual

- Order placed
 - Delivery and payment in future
 - Obligation, not accrual
 - Delivery taken, payment in future
 - Accrual
- Payment & delivery simultaneous
 - Obligation
 - Accrued expenditure with cash outlay



Salaries of Employees

- Obligation
 - When salaries are earned
 - Including related items
 - Retirement fund contributions, etc.
- Accrued expenditure
 - At the time the salaries are earned,
 - When the services are rendered
- Simultaneous recording



Annual Leave (funded)

- Obligation
 - Recorded at the time leave is earned
- Accrued expenditure
 - Recorded at the time leave is earned
 - Escrow accounts must be kept
- Simultaneous recording



Travel Expenses

- Obligation
 - Travel actually performed
 - Ticket purchased
 - Not issuance of travel authorization
- Accrued expenditure
 - Travel actually performed
 - Ticket purchased
- Simultaneous recording

Overhead Cost/Central Service Cost

- Must be accrued quarterly





Public Utilities

- Obligation
 - When utility bill received
 - No contract required if
 - Rates fixed by regulatory bodies
- Accrued expenditure
 - When utility bill received, or
 - Billing period ends/services received
- Recorded appropriately





Advance payments

- Generally, prohibited by law
 - Exceptions
 - Tuition
 - Subscriptions
 - Insurance
 - Obligation and accrued expenditure recorded simultaneously
- 



Individual Training Account (ITA)

- Obligation
 - At time of participant enrollment in training
 - At time payment is due and payable
- Accrued Expenditure
 - At time payment is due and payable
 - Depending on institution's payment policy
- Issuance of an ITA
 - Authorization for training only



Training institution payment policy

- Payment in advance (registration/enrollment)
 - Obligation & accrued
- Payment in advance (class begins)
 - Obligation & accrued
- Payment upon invoicing
 - Obligation at time of enrollment
 - Accrued as class is attended (service received)
- Drop-out and refund policy



ITA—Additional Considerations

- Type of training program
 - Degree program
 - Certificate program
 - Multiple classes
 - Single Class





Training Contracts

- Single Semester
 - Contract to obligate funds and pay on an “as training received” basis
- School Year
 - Contract to obligate funds for school/program year and pay each semester/quarter cost as training received



Training Contracts

- Multiple Year Program of Instruction
 - Contract to obligate this year's funds for multiple years
 - Contract to obligate this year's funds with an option for renewal when next year's funds become available



Five Month Class [September-January]

- Register/enroll in August
 - Payment timing
 - Prepayment at registration
 - During first month [September]
 - During third month [November]
 - During fifth month [January]
 - Three or more months after completion
 - Add/drop refund provisions
- 



Leases

- Obligations
 - Lease agreement signed
 - Amount = maximum payment for termination
 - Not entire lease amount
- Accrued Expenditure
 - As service is provided
 - Space is occupied
 - Maybe paid in advance



SO WHAT'S THE BIG DEAL





Failing to Report on the Accrual Basis of Accounting

- Is a violation of the ETA reporting requirements – WIA and Uniform Administrative Requirements
- Has generated Congressional interest in utilization of funds under the WIA program
ETA provides quarterly information to OMB and Congress





Focus of ETA has changed, as reflected in the WIA Reauthorization Bills

- Secretary's recapture policy to be based upon 70% expenditures rather than 80% percent obligations (total funds incl. carry-in funds)



Failure to Report Accruals

- Could result in loss of funding
- Could result in questioned costs - funds have been exhausted for prior grants and accrued expenditures are found in the current grant that rightfully belong in the prior grant.





These Are Not Accruals

- Obligations (such as Contracts, Purchase Orders) or orders placed for goods or services not yet received
- Performance Contracts – benchmarks not yet achieved.





Not Accruals

- Training vouchers, (including Individual Training Accounts)
 - Vouchers are authorizations but may never be negotiated
 - Timing of accrued expenditures depends on the payment policies of the training provider and over what period the training is provided.
- Unfunded leave systems versus funded leave systems



Using Estimates to Develop Accruals

- When documentation is available, accruals will be exact amounts
- When specific documentation is not available, it is OK to use estimates based on the best information available
- Estimates and the basis for them must be recorded on spreadsheets





Program Income – accrual basis

- Grantees must account for income generated as a result of grant funds
 - Examples:
 - Interest on float in the bank (general Fund included)
 - Use fees charged to others for use of space or equipment paid for by the grant
 - Fees for services, or sale of products
 - Conference fees
 - Speaker fees by directors and staff if regular salary is funded by the grant Revenue in excess of expenditures for gov't or non-profits
 - Conference fees
 - Speaker fees by directors and staff if regular salary is funded by the grant





Not Program Income

- Proceeds from Sale of Property
- Refunds, Rebates, Credits
- Donations
- Ticket to Work Payments from SSA





Grantee's Accrual Reporting Systems Verification (desk or on-site)

- Important to ask:
 - How many grants are administered by the entity?
 - Are there both direct grants and formula grants?
 - Are there any subrecipients





Grantee's Accrual Reporting Systems Verification (desk or on-site)

- Determine who in the organization is responsible for pulling together the financial data to prepare the financial reports for submission to DOL
- Note: This could be several individuals

Names of Individuals _____





Grantee's Accrual Reporting Systems Verification (desk or on-site)

- Preparation: Where are the official accounting records maintained?

Location _____

Name of Individual _____

Note: You will need to meet with responsible staff to discuss and observe the process





Grantee's Accrual Reporting Systems Verification (desk or on-site)

- Q1. Is your accounting system on a cash basis?
Yes or No
 - If Yes. Determine if the expenditures are reported on the accrual basis of accounting?
 - If No - *Even if accounting system is on an accrual basis, you will need to determine if grantee is including costs for ALL activity and 3 months of data for each quarter unless there is no activity (project ended or is winding down...)*
 - *e.g., on-going training and/or sanctions for late-reporting subrecipients)*
- 



Grantee's Financial Reporting On-Site Monitoring

- If grantee uses only the cash basis accounting records to prepare reports reports, they are in violation of accrual reporting requirements.
- **This is a finding of non-compliance**



Grantee's Financial Reporting On-Site Monitoring

- If grantee has a cash accounting system but says they report on an accrual basis
- Ask:
 - How do you determine accruals?
 - How do you document them?
 - Show me





How to Convert Cash Accounting System to Accrued Expenditures

- If the grantee has a cash accounting system
 - There is no requirement to change a cash system to an accrual accounting system.
- All reported costs must be supported by documentation
 - Cash expenditures are supported by official books of account, and supporting documents.
 - Accruals must be separately documented



How to identify accruals if the entity has a cash accounting system

- Q 2. Is there a spreadsheet or other method prepared by the entity to record and document accruals?
- Ask them to describe their process
 - Accrual should be captured based upon each major object classification: personnel and fringe, travel, equipment, training, stipends, supportive services, indirect costs, sub-contracts. . .line item budgets



Methods to record estimates of accruals

- Linking Spreadsheet Method
 - Grantee and subs will record all transactions (both cash and accrual) on supplemental spreadsheets as they occur





Supporting Documentation of Estimated Accruals

- All reported accruals must be documented (in accounting system or spreadsheets) and maintained with the official books of account
 - must be made available to auditors and monitors
 - Reversing accrual entries/replacing with actual disbursement



Supporting Documentation of Estimated Accruals

The basis for estimated costs should be described and recorded on spreadsheets

For example:

- Est. based on previous pay period (for payroll);
 - Based on last invoice received;
 - Called Case Manager XYZ to obtain # of participants in training;
- 



Other Factors to Consider

- Do subcontracts/sub-grants contain clauses pertaining to financial reporting on the accrual basis of accounting?
- Are there other written policies pertaining to financial reporting?
- Has reporting training been provided to sub-grantees?





Grantee's Sub-grantee Financial Reporting

- Look at a few subrecipient reports to determine if costs reported by the sub-grantees are equal to the payments made to the sub-grantees by the higher tier at quarter's end.





Grantee's Sub-grantee Financial Reporting

- If there are missing reports, what steps were taken to ensure that accruals are reported for any missing reports.





Grantee's Sub-grantee Financial Reporting

- Has the grantee performed on-site monitoring of its sub-grantees to determine if reports are on the cash or accrual basis of accounting?
- What are the results of the monitoring?



The answer to the question:
What Does This Have to Do With Me???

You are the eyes and ears for ETA. Shine
your light on your subs



QUESTIONS?

