



Reporting Obligations for ETA Programs

Learning Objectives

- Explain the difference between an obligation, accrued expenditure, and an encumbrance
- List the various steps in recording, tracking and reporting an obligation at all levels
- Identify some of the common challenges
- Know appropriate resources to consult

Why is this important?

- Fiduciary responsibility
- Tremendous need
- Scarcity of resources
- Need for consistent financial reporting
 - ETA's financial credibility
 - Future funding availability
 - Over-reporting and under-reporting
 - Both lead to funds being lost

What is an Obligation?

- For the Federal Government
 - OMB Circular A-11
 - Legally binding agreement
 - Expenditure now or in the immediate future
 - Resources must be available before obligation incurred
- For Grantees
 - 29 CFR 97.3 and 95.2
 - Orders placed, contracts and subgrants awarded, goods and services received during a given period
 - Payment during the same or future period

Characteristics of an obligation

- Legal commitment to pay
- Occurs at time services rendered
- Before services rendered where binding agreement exists
- “Definite and certain” – Comptroller General



Examples of Obligations

- Contracts and subgrant agreements
 - Contract for payroll services
- Purchase orders
 - An order for One-Stop furniture
- Cash payments
 - Payment of a bill an airline ticket

Obligation vs. Encumbrance

But what about...

- Projected staff time?
- Future rent payments?
- Future or projected training?
- Individual Training Accounts (ITAs)?
- Items budgeted during period of grant award?

What is an Encumbrance?

- An anticipated expenditure or funds restricted for anticipated expenditures
- Projected costs due in a current or future period
- May not be paid in advance of actual work
- Expenditure is not definite or certain
- No legal liability to pay
- **IS NOT REPORTED**

Examples of Encumbrances

- Future rent payments
- Staff salaries that will be paid when work is performed
- Projected training costs for participants

Obligation or Encumbrance?

- Light Bill?
- Estimated funds budgeted to cover next week's payroll costs?
- Estimated funds budgeted to cover the quarter's staff costs?
- Estimate prepared by technician to fix copy machine?
- Invoice from technician for repairs made to copy machine?



Life Cycle of an Obligation

Step 1 Is there a legal commitment to pay

Step 2 Record in the books of account

Step 3 Monitor status of obligations

Step 4 Report obligations on 9130 form

Step 5 Periodic reconciliation and adjustment

What's an accrued expenditure?

- Charges incurred in a given period
- Goods and property received – whether or not a payment is made.
- Services performed
 - Employees, contractors, subgrantees, etc.

Type of activity	Obligation	Accrued Expenditure	Encumbrance
Good/services received and paid for	X	X	
Good/services received but not paid for	X	X	
Good/services ordered, paid for but not received	X	X	
Good/services ordered but not received and not paid for	X		
Good/service promised but not ordered not received and not paid for			X

Obligations for Specific Items

When does the
obligation get reported???

Obligation for Salaries

- When salaries are earned
 - Including related items
 - Retirement fund contributions, etc.
 - Initially recorded as both an obligation and an accrued expenditure for reporting purposes



Obligation for Leave (1)

- Unfunded Leave System
- Obligation occurs
 - Recorded when leave taken
 - When payable as “terminal” leave
 - Initially obligated at the same time as the accrued expenditure



Obligation for Leave (2)



Date	Amount
10/20	\$ 738.97
10/21	526.82
10/22	590.53
10/23	524.21
10/26	362.24
10/27	308.42

- Funded leave system
 - Recorded at the time leave is earned
 - Escrow accounts
- Benefits
 - Costs are charged to the most appropriate source of funding at the time it is earned
 - Funds are available when leave is taken, or paid as terminal leave

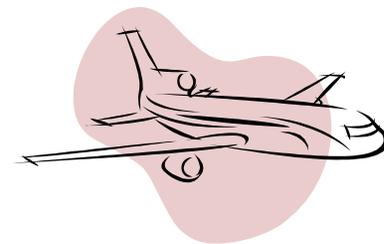
Obligation of Leases

- Length of lease has no bearing
- Amount
 - Current occupancy month
 - Maximum payment for termination
 - Not entire lease amount
- Unoccupied space is not an obligation



Obligation of Travel Expenses

- Travel actually performed
- Ticket purchased
- Issuance of travel authorization
 - Only approval to travel



Individual Training Account (ITA)

- Issuance of an ITA
 - Authorization for training only
- Obligation?
 - At time of participant enrollment in training
 - At time payment is due and payable (if due up front)
 - If a financial agreement is executed between grantee and training institution for specific training

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 (cont.)

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



Additional Challenges

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

Resources

- One Stop Comprehensive Financial Management Technical Assistance guide:
www.doleta.gov/grants/pdf/FinalTAG_August_02.pdf
- TEGL 28-10
 - Reporting definitions and examples
- Online Training Modules
www.workforce3one.org/resources