



# Accrual Reporting

# Learning Objectives

- Define accrued expenditures
- Identify examples of accrued expenditures
- Determine when and how accruals are reported at all levels, including the subrecipient level

# Accrued Expenditures

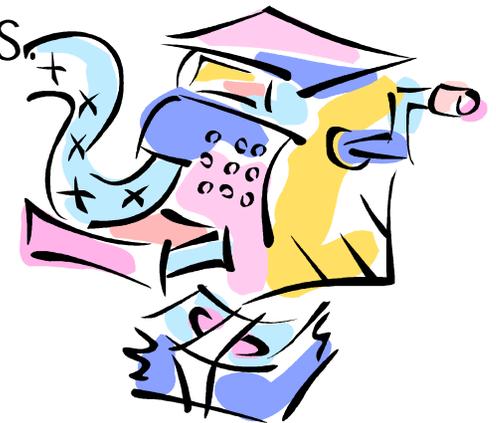
Charges incurred during a given period for goods, services or other tangible property received and other amounts becoming owed for which no current service or performance is required.

**Regardless of whether or not a cash payment is made.**



# Cash Disbursement

The sum of actual cash disbursements for direct charges for goods and services, the amount of cash paid out for indirect expenses charged to the grant, and the amount of cash advances and payments made to subrecipients and subcontractors.



# Why is accrual reporting important?

- In accordance with GAAP
- Provides more reliable information to USDOL and Congress
- Allows for more effective management of programs
- Consistent financial reporting

## Why is accrual reporting important? (cont'd)

- Cash basis understates true spending
- Failure to report on accrual basis could result in loss of funds

## Items for which costs may be accrued:

- Training
- Salaries
- Annual Leave (funded and unfunded)
- Travel
- Leases

# Obligation vs. Accrual

- Orders Placed
  - Delivery and payment in future
    - Obligation, not accrual
- Delivery taken, payment in future
  - Obligation
  - Accrued expenditure
- Payment & delivery simultaneous
  - Obligation
  - Accrued expenditure
  - Cash outlay

# Definitions and References

- 29 CFR 95.2
- 29 CFR 97.3
- 2008 Governmental Accounting Standards Board (GASB), Section 1700 and 1700.128
- 31 USC Section 6503, Cash Management Improvement Act

# Common Challenges

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

# Common Accrual Reporting Issues

- Grantees not reporting on accrual basis
- Cash disbursements exceed accruals
- Inaccurate reporting at subrecipient levels, which result in inaccurate reporting by prime grantees

# Reminder

If you are a prime grantee that provides funding to subrecipients, all expenditures must be rolled up and accurately reflected on the "Federal Share of Expenditures" (line 10e) on the ETA-9130 report in the period in which they are incurred.



# Tracking and Reporting Accruals

## Common Challenges

- ITA's and Training Contracts
- Salaries and related costs
- Leave (funded and unfunded)
- Travel
- Leases

# Individual Training Account (ITA)

- Accrued Expenditure
  - If paid upon enrollment, at time payment is due and payable
  - If paid after training begins, costs are accrued as training occurs, at least quarterly, regardless of whether payment has been made
  - Depends on institution's payment policy
- Issuance of an ITA
  - Authorization for training only

# Salaries

- Accrued expenditure
  - At the time the salaries are earned
  - When the services are rendered



## Leave (unfunded)

- Accrued expenditure
  - Recorded when leave taken
  - When payable as “terminal” leave

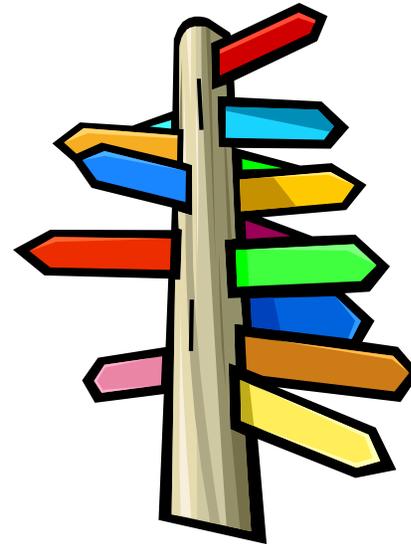
## Leave (funded)

- Accrued expenditure
  - Recorded when leave earned
  - Funds drawn and deposited in a restricted account



# Travel Expenses

- Accrued expenditure
  - Travel actually performed
  - Ticket purchased



# Leases

- Accrued Expenditure
  - As service is provided
  - Space is occupied
  - May be paid in advance



REMEMBER

All accrued expenditures are obligations

**BUT**

Not all obligations are accrued expenditures

# Grantees report

- Accrued expenditures on the ETA- 9130
- Based on data obtained from accounting system and subrecipient reports
- Linking spreadsheets, if cash based system
- Source documentation
- Data maintained and supported in compliance with GAAP

## Subgrantees must report accruals:

- Based on frequency required by grantee
- Based on report forms designated by grantee

**For local areas, this means reporting format and frequency of reports will be based on instructions provided by the State.**

## Subgrantee reporting (cont'd):

- Data obtained from accounting system
- If cash based system, linking spreadsheets
- Supported by source documentation

## In conclusion, it is important to remember:

- All accrued costs must be reported
- All reports must trace to source documentation
- Cash basis accounting
  - Linking records must be maintained
  - Maintained in accordance with GAAP



# For reporting issues or technical assistance, grantees should contact the following:

- Grantee: ETA Federal Project Officer
- Subgrantees: Grantee

