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Category:	Workforce Investment Act
Subject:	Reporting Obligations and Accrued Expenditures
Source:	State
Revise/Replace:	
Contact:	Internal Audit
Distribution:	Workforce Region Directors, Workforce Region Financial Staff, Employment and Training Program Staff, CDLE Financial Reporting and Analysis Staff, Internal Audit
Colorado One-Stop System Policy Guidance Letter #:	02-20-WIA
Date:	June 7, 2002

I. REFERENCE(S):

Workforce Investment Act of 1998 (WIA); 20 CFR Part 652 et al; Wagner-Peyser Act of 1933, as amended by Public Law 105-220 Workforce Investment Act of 1998, effective August 7, 1998; 20 CFR 667.150 and 667.160; and CDLE Policy Guidance Letter 01-14-F1 dated June 1, 2001.

II. PURPOSE:

To provide subrecipient record keeping and reporting guidelines to meet federal and state requirements for reporting obligations and accrued expenditures.

III. BACKGROUND:

A. In accordance with the Workforce Investment Act of 1998 and 20 CFR 667.150 and 667.160, the amount available for reallotment for a program year is generally equal to the amount by which the prior year's unobligated balance of allocated funds exceeds 20 percent of that year's allocation for the program, less any amount reserved (up to 10 percent) for the cost of administration.

B. To be eligible to receive funds under the reallocation procedures, a local area must have obligated at least 80 percent of the prior program year's allocation, less any amount reserved (up to 10 percent) for the cost of administration. A local area's eligibility to receive a reallocation must be separately determined for each funding stream.

C. The act requires the Governor of each state to prescribe uniform procedures for the obligation of funds to avoid the requirement that funds be made available for reallotment. The act also requires that states develop procedures for making funds available from the State and local areas in the event that a State is required to make funds available for reallotment.

IV: POLICY/ACTION:

A. U.S. Department of Labor (USDOL) Definitions

Obligations. Amounts of orders placed, contracts and subgrants awarded, goods and services to be received, and similar transactions during a funding period that will require payment by the grantee (recipient or subrecipient) during the same or a future period. (29 CFR Part 97.3)

Accrued Expenditures. The charges incurred by the grantee during a given period requiring the provision of funds for (1) goods and other tangible property received, (2) services to be performed by employees, contractors, subgrantees, subcontractors, and other payees; and (3) other amounts becoming owed (by the grantee) under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit programs.

B. Colorado Department of Labor and Employment (CDLE) Definitions

Obligations. The CDLE definition of an Obligation is the same as the USDOL definition less the total of all expenditures to date.

Accrued Expenditures. The CDLE definition of an Accrued Expenditure is the same as the USDOL definition less the total of all disbursements to date.

C. Reporting Obligations

(1) Because unobligated funds are subject to reallotment at both the Federal and State level, it is imperative that subrecipients report quarterly obligation balances in addition to disbursements and accrued expenditures. Quarterly reporting is necessary in order to track and measure progress towards meeting the state obligation requirement, to encourage ongoing record keeping in the area of obligations, and to avoid having local funds reallocated to other regions.

(2) The monthly Expense Report (ER) will be used for subrecipient reporting of expenditures, accruals, and obligations. The updated ERs will reflect in the to-date columns, information reported by the subrecipient through the last period's report.

(3) As stated in section III above, each state is required to prescribe uniform procedures for the obligation of funds to avoid the requirement that funds be made available for reallotment. To ensure uniform procedures, subrecipients will comply with the

following guidance and policy for reporting obligations:

(a) If multiple years of funding for a given Federal program are available simultaneously for the same purposes, the oldest funds will be used first (first-in first-out basis).

(b) Purchase orders that have been issued in accordance with small purchase or other simplified procurement procedures may be obligated when the purchase order is issued.

(c) An obligation may be recorded for an open-ended contract or option agreement when neither the items nor quantities are specified. However, in the case of indefinite quantity contracts for supplies or services that specify delivery of minimum quantities during a given period, an obligation shall be recorded upon execution of the contract for the cost of the minimum quantity specified.

(d) All obligations, deobligations, adjustments, or corrections shall be documented. A letter contract or a letter of intent and any amendments to them are documentary evidence to support the recording of an obligation. An obligation can also include a purchase order, an Individual Training Account (ITA) agreement, or an agreement to provide on the job training or work experience. A verbal order or agreement shall be reduced to writing before the obligation may be reported.

(e) When the amount of the obligation is not known or cannot be ascertained feasibly at the time that it is to be reported, the best estimate shall be used.

(f) Rules for the obligation of funds vary with the various types of expenses.

1. The obligation for most expenses occurs when an order is placed or a contract is awarded for the procurement of goods and services.

2. Other expenses that are not supported by an order or contract for goods or services may be obligated for a 12 month period if they can be reasonably estimated and if they are normally thought of as "fixed" (Not varying much from month to month). Examples include: Rent, salaries and wages, insurance expense, payroll service expenses, taxes, utility expenses, and expenses charged by a county for such services as accounting, payroll, procurement, budget, and human resources. ITA, OJT and Work experience agreements may be obligated up to 12 months.

(Caution: See Paragraph C(3)(a) above for requirements relating to the use of first-in first-out - older funds must be used first). If multiple years of funding for a given Federal program are available simultaneously for the same purpose, the oldest funds must be obligated first. In other words, do not obligate funds if there is a prior year unobligated balance available.)

D. Reporting Accrued Expenditures (Accrued Liabilities)

(1) Accrued expenses are items of expense that have been incurred during the period but have not yet been paid. As such, they represent liabilities at the end of the period.

(2) To ensure uniform procedures, subrecipients will comply with the following guidance and policy for reporting accrued expenditures.

(a) Most accrued expenses represent liabilities that will be paid sometime during the succeeding period for services received before the end of that reporting period. An accrual must be established for the receipt of all goods and services for which a disbursement has not been made. This is true regardless of whether an invoice has been received or not. If an expense has been previously obligated, the obligation should be reduced by the amount of the accrual for that expense. Examples of accruals that must be reported monthly include:

(1) <u>Accruals for Individual Training Accounts (ITA).</u> Training provided by any training source for which payment has not been made as of the end of the reporting period must be accrued regardless of whether an invoice has been received or not. An accrual must be established if the training commenced prior to the end of the reporting period.

(2) <u>Accrued Salaries and Wages.</u> Salaries and Wages earned in the period for which payment has not been made.

(3) <u>Amounts Withheld from Employees' Pay.</u> Income taxes, union dues, charitable contributions, retirement plan deductions, insurance, savings bonds, and other withholdings that have not been paid as of the end of the reporting period.

(4) <u>Accrued Payroll Taxes.</u> The employer's portion of payroll taxes for wages earned for which payment has not been made as of the end of the reporting period.

(5) <u>Pension Plan Accruals.</u> The amount of the employer's contribution to any retirement or 401K plans that were not paid as of the end of the reporting period.

(6) <u>Accrued Professional Fees.</u> Fees earned as of the end of the reporting period for which payment has not been made.

(7) <u>Amounts Accrued under service Guarantees.</u> Fees earned by vendors for service and maintenance agreements that have not been paid as of the end of the reporting period.

b. Accrued items are frequently based on estimates of amounts which will subsequently become payable. It is therefore necessary to provide the best estimate available at the time that the accrual is reported. These estimates may be particularly susceptible to misstatement and it is appropriate to make adjustments to these estimates after the reporting period.

V. IMPLEMENTATION DATE:

Obligations and accruals will be reported starting with the reports submitted in July 2002. (June Reporting). Subsequent reports will report accruals monthly and obligations quarterly.

VI. INQUIRIES:

Please direct any question you have regarding this PGL to Internal Audit at 303-318-8057/8058 or the Employment and Training Accountant at 303-318-8117.

Robert D. Hale, Director
Division of Employment & Training