

TEXAS WORKFORCE COMMISSION LETTER

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| ID/No: | WD 40-11 |
| Date: | November 3, 2011 |
| Keyword: | Financial Reporting |
| Effective: | Immediately |

To: Local Workforce Development Board Executive Directors
Agency Grantees
Commission Executive Offices
Integrated Service Area Managers



From: Laurence M. Jones, Director, Workforce Development Division

Subject: **Fiscal Year 2012/Program Year 2011 Cash Draw and Expenditure Reporting System Instructions**

PURPOSE:

To provide Local Workforce Development Boards (Boards) and Texas Workforce Commission (TWC) Grantees (Agency Grantees)¹ with Fiscal Year (FY) 2012/Program Year (PY) 2011 Cash Draw and Expenditure Reporting (CDER) system instructions for grant award contracts (contracts) other than those for American Recovery and Reinvestment Act (ARRA) of 2009 funds.

Note: Refer to WD Letter 04-11, issued March 1, 2011, and entitled “American Recovery and Reinvestment Act of 2009: Cash Draw and Expenditure Reporting System Instructions and Other Reporting Information,” for CDER system instructions that apply to ARRA funds.

BACKGROUND:

TWC requires Boards and Agency Grantees to use the CDER system to report expenditures, draw cash, and submit financial contract closeout packages. Several CDER system reporting changes apply for FY 2012/PY 2011 contracts, as described in this WD Letter. This WD Letter also incorporates the U.S. Department of Labor Employment and Training Administration’s issuance of federal guidance for reporting obligations and accrued expenditures in Training and Employment Guidance Letter (TEGL) No. 28-10, issued May 27, 2011, and entitled “Federal Financial Management and Reporting Definitions.” All other information is unchanged from FY 2011/PY 2010 information and continues to apply.

¹ The TWC’s Integrity of the Texas Workforce System rule §802.2(1) defines *Agency Grantees* as “grantees that receive funding from the Agency, such as Skills Development Fund, Wagner-Peyser 7(b), and Workforce Investment Act (WIA) statewide, to provide workforce services.”

PROCEDURES:

Fiscal Year 2012/Program Year 2011 Changes for Boards and Agency Grantees

Boards and Agency Grantees must comply with the reporting guidance in TEGL 28-10, to the extent that it affects the preparation of CDER system expenditure reports.

NLF

Fiscal Year 2012/Program Year 2011 Changes for Boards Only

FY 2012/PY 2011 Texas Department of Family and Protective Services (DFPS) contracts (contract acronym “CCP”):

- Boards must be aware that for consistency with other child care contracts CCP contracts will have four active cost categories:
 - *100 Administration*
 - *150 Information Systems*
 - *868 Operational Costs*
 - *869 Direct Care*

NLF

(In previous CCP contracts, only *100 Administration* and *869 Direct Care* were active.)

- Boards charging information systems or operational costs to CCP contracts must report such costs in cost categories *150 Information Systems* and *868 Operational Costs* according to the cost category descriptions provided in Attachment 2. (Under previous CCP contracts, such costs would have been reported under cost category *100 Administration*.)
- Boards must be aware that the sum of the following three cost categories will not be permitted to exceed the administrative cost cap for these contracts because all costs other than those for direct care are administrative costs under CCP contracts:
 - *100 Administration*
 - *150 Information Systems*
 - *868 Operational Costs*

NLF

NLF

Boards must be aware that cost category *101 Administration (One-Stop Operator)* will not be active for any contract unless the partnership agreement between a Board and a local workforce development area’s chief elected officials, entered into under Texas Government Code §2308.253(g)(1), is changed to name an entity other than the Board as the administrative entity.

NLF

Boards must be aware that the following supplemental cost categories will not be available or required when reporting expenditures under the indicated FY 2012/PY 2011 contracts:

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- *Start-up Activities* supplemental cost category for Trade Adjustment Assistance (TAA); and
- *Veterans’ Initiatives* supplemental cost category for Workforce Investment Act. (Veterans’ initiatives expenditures—i.e., for the Texas Veterans Leadership Program—will be funded under FY 2012/PY 2011 Employment Service Operating Grants and will not require separate expenditure reporting.)

Boards must be aware that Attachment 1, the cost category matrix, is updated to: NLF

- include contracts for the distribution of additional FY 2012/PY 2011 Child Care Local Match funds; and
- change the name of the CCP “In Home” funding stream to “General Protective” to reflect the name DFPS now uses to describe the care.

CDER System Use

Boards and Agency Grantees must use the CDER system to perform the following in accordance with established requirements: NLF

- Submit financial reports
- Make cash draws
- Submit financial contract closeout packages

Boards and Agency Grantees may obtain Catalog of Federal Domestic Assistance information using the Contract Funding Summary Report available in the CDER system. LF

Obligations and Accrued Expenditures

Boards and Agency Grantees must submit accurate monthly financial reports that include all obligations and accrued expenditures. NLF

- “Obligation” means a debt established by a legally binding contract, letter of agreement, sub-grant award, or purchase order, which has been executed prior to the end of a contract period, for goods and services provided by the end of the contract period, and which will be liquidated 60 calendar days after the end of a contract period.
- “Accrued expenditure” means a charge incurred during a given period for goods and tangible property received, and services performed that cause decreases in net financial resources. Accrued expenditures include expenses incurred, but not paid.

Boards and Agency Grantees must reasonably estimate accrued expenditures based on what is to be paid, historical data, or some other reasonable methodology. Boards and Agency Grantees must maintain adequate documentation to support accrued expenses and the methodology used. Documentation can include actual invoices not yet paid. NLF

Boards and Agency Grantees must provide an explanation in the CDER system if accrued expenditures for a contract are less than or equal to 5 percent of the respective contract budget. This applies to monthly, final, and revised final expenditure reports. NLF

Administrative Cost Limits

Boards and Agency Grantees must comply with the applicable administrative cost caps for a particular contract, as set forth in TWC rules or contracts. NLF

Boards and Agency Grantees must use professional judgment—as well as program statutes, regulations, rules, and guidance—to determine whether a particular cost is administrative or non-administrative/programmatic. NLF

Financial Report Due Dates

Boards and Agency Grantees must submit financial reports by the following due dates, even if the due date falls on a holiday or weekend.

NLF

| Report | Due By |
|--------------------------|---|
| Monthly Financial Report | 11:59 p.m. on the 20th calendar day of the month following the month in which the costs were incurred |
| Final Financial Report | 11:59 p.m. on the 60th calendar day following the end of the contract |
| Revised Financial Report | 11:59 p.m. on the day the revised report is created |

If a contract has no activity during a reporting month, Boards and Agency Grantees must enter \$0.00 amounts and certify those amounts as for any contract with expenditures.

NLF

Boards and Agency Grantees must be aware that creation of a final financial report automatically makes the financial contract closeout package available for completion, as described in WD Letter 44-05, and any subsequent issuances.

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Late Notifications and Cash Draw Cutoff

Boards and Agency Grantees must be aware that:

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- the CDER system will automatically e-mail late notifications as shown below if a financial report is not certified by the above due date;
- the CDER system will send late notification e-mails to the recipient indicated for that particular day, as well as recipients of the previous day’s e-mail;
- if a financial report is not submitted by 11:59 p.m. on the fourth day after the due date, cash draw access (including cash draw requests and receipts) will be turned off beginning at 12:00 a.m. on the fifth day;
- if cash draw access is turned off, it will remain off until the Board certifies all past due reports;
- when it is anticipated that a Board’s financial report will not be certified by 11:59 p.m. on the fourth day, TWC’s executive director and the Board’s executive director will receive verbal notification that cash draw access will be turned off on the following day; and
- TWC may populate expenditure amount lines on a monthly financial report with \$0.00 amounts after the fifth day that a report is past due.

| Days Past Due | Board or Other Grantee Recipient | TWC Recipient |
|----------------------|---|------------------------------------|
| 1 day | Online preparer and certifier | Financial Systems & Reporting Unit |
| 2-4 days | Boards: Chief Financial Officer (CFO) Other Grantees: Top Official | CFO |
| 5 days | Cash Draw Turned Off | |

Boards and Agency Grantees must use the CDER system’s “Expenditure Report Worklist” page to identify past due reports because late notification e-mails will not identify the past due report that initiated the notice. **NLF**

Boards and Agency Grantees can e-mail cashdraw.ta@twc.state.tx.us to verify cash draw capabilities. Boards and Agency Grantees must be aware that aside from this and the above e-mail notifications, Boards and Agency Grantees will not be notified when cash draw capabilities have been turned off as a result of past due reports, or when cash draw capabilities have been restored in response to receipt of a past due report. **NLF**

Errors and Omissions

If a Board or Agency Grantee identifies an error or omission in a monthly financial report after the report due date, the Board or Agency Grantee must reflect the correction in the “current month expenditures” of the reporting period during which the error or omission was identified. **NLF**

Policies and Procedures

Boards and Agency Grantees must maintain written policies and procedures for the classification of administrative and program expenditures that include the rationale for such classifications. **NLF**

Subrecipient and Vendor Costs and Determinations

Boards and Agency Grantees must properly report costs arising from vendor and subrecipient relationships. **NLF**

Boards and Agency Grantees must use the following to determine whether an entity is a subrecipient or vendor: **NLF**

- Office of Management and Budget Circular A-133, §§__.105 and __.210
- State of Texas Single Audit Circular in Uniform Grant Management Standards, Part IV §§__.105 and __.210
- Chapter 20 and Appendix J, Financial Manual for Grants and Contracts

Boards Only: SNAP E&T Funds Priority of Use

When funding expenditures to serve ABAWDs, Boards must apply the following order of use, giving priority to unexpended balances of prior-year funds: **NLF**

- First Priority—ABAWD-Only
- Second Priority—SNAP E&T General Population Funds

Boards Only: TAA

Boards must continue to use cost category *110 Operating Grant Activities*, described in Attachment 2, if the TAA contract contains an operating grant component for space, utilities, phone, office supplies, travel, and other costs incurred to support TAA-funded merit staff. **NLF**

Boards Only: WIA Youth

Boards must differentiate between expenditures for in-school youth (ISY) and out-of-school youth (OSY) by reporting expenditures in the appropriate cost category that corresponds to the youth served. For example: **NLF**

- *611 Direct Program – Education and Training (ISY)*
- *611 Direct Program – Education and Training (OSY)*

Boards Only: WIA Local Activity Funds and Formula Designations

Boards must report WIA local activity expenditures as part of the funding from which they were requested. Local activity cost categories will appear on the expenditure report in “inactive” status, and will be activated once a contract action is approved.

NLF

Boards that designate WIA adult funds for WIA dislocated worker activities, or vice versa, must report expenditures in the following cost categories, respectively:

NLF

- WIA Adult – DW
- WIA DW – Adult

Boards Only: Rapid Response

Boards must transfer budget from the dislocated worker allocation to the *849 Rapid Response* cost category as rapid response expenditures are incurred. (The *849 Rapid Response* cost categories have initial budgets of \$0.00.)

NLF

Boards may transfer up to 25 percent of the amount of their original dislocated worker allocation to the *849 Rapid Response* cost category without requesting TWC approval.

LF

Boards must be aware that no more than 10 percent of the sum of the non-rapid response dislocated worker cost categories can be budgeted for dislocated worker administration at any time. In order to maintain the 10 percent administrative cost limitation when transferring funds to the *849 Rapid Response* cost categories, 10 percent of the transfer amount will be taken from dislocated worker administration and converted to program dollars. The remaining 90 percent will be transferred from dislocated worker nonadministrative funds.

NLF

Boards must categorize all cash draws for dislocated worker funds, including those for rapid response, as dislocated worker funds in the CDER system.

NLF

Boards Only: Child Care Attendance Automation

Boards must use the following cost categories in child care attendance automation (CCAA) service contracts to report CCAA costs invoiced by the TWC-designated vendor for services:

NLF

- *150 CCAA Network Enhancements*
- *151 CCAA Direct Care Tracking*

INQUIRIES:

Direct inquiries regarding this WD Letter to Kimberly R. Emmerich, Director of Financial Operations, at Fiscal.TA@twc.state.tx.us.

ATTACHMENTS:

- Attachment 1: Cost Category Matrix
- Attachment 2: Cost Category Descriptions

RESCISSIONS:

WD Letter 03-11

REFERENCE:

Office of Management and Budget Circular A-133, §§ 105 and 210
Social Security Act, Title IV, Part A, §404(b)
Workforce Investment Act §134(d)
Temporary Assistance for Needy Families, Final Rule, 45 CFR §§260.31, 263.0, 263.2, and 263.13
Workforce Investment Act, Final Rule, 20 CFR §§662.240, 662.260, 663.200, 664.200, 664.300, 664.410, 664.440, 664.450, 664.460, 664.470, 664.600, 665.310, 665.320, and 667.220
Temporary Assistance for Needy Families, preamble commentary, *Federal Register*, Vol. 64, No. 69, Monday, April 12, 1999, pages 17808–17814 and 17843–17844
Workforce Investment Act, Final Rule, preamble commentary, *Federal Register*, Vol. 65, No. 156, Friday, August 11, 2000, pages 49364–49367
Trade Adjustment Assistance, Final Rule, Merit Staffing of State Administration and Allocation of Training Funds to States, *Federal Register*, Vol. 75, No. 63, Friday, April 2, 2010, pages 16988–17002
Training and Employment Guidance Letter No. 1-10, issued July 2, 2010, and entitled “Promulgation of 20 CFR Part 618 Trade Adjustment Assistance: Merit Staffing of State Administration and Allocation of Training Funds to States”
Training and Employment Guidance Letter No. 16-10, Change 2, issued February 4, 2011, and entitled “Instructions for Operating the Trade Adjustment Assistance Program after the Termination of the Trade and Globalization Adjustment Assistance Act Amendment on February 12, 2011 - Program Reverts to 2002 Amendments”
Training and Employment Guidance Letter No. 28-10, issued May 27, 2011, and entitled “Federal Financial Management and Reporting Definitions”
U.S. Department of Labor’s One-Stop Comprehensive Financial Management Technical Assistance Guide (July 2002), page II-10-14
Texas Government Code §2308.253(g)(1)
Uniform Grant Management Standards, Part IV, §§ 105 and 210
Texas Workforce Commission General Administration Rules: 40 TAC §800.52 and §800.72
Texas Workforce Commission Integrity of the Texas Workforce System: 40 TAC §802.43
Texas Workforce Commission Choices Rules: 40 TAC §§811.42, 811.43, 811.45, and 811.46
Texas Workforce Commission Supplemental Nutrition Assistance Program Employment and Training Rules: 40 TAC §813.31 and §813.32
Texas Workforce Commission Financial Manual for Grants and Contracts
WD Letter 44-05, issued August 9, 2005, and entitled “Texas Workforce Commission Online Contract Closeout Process”
WD Letter 02-09, issued February 10, 2009, and entitled “Definitions of One-Stop Operator and Administrative Entity”
WD Letter 04-11, issued March 1, 2011, and entitled “American Recovery and Reinvestment Act of 2009: Cash Draw and Expenditure Reporting System Instructions and Other Reporting Information”
WD Letter 23-11, issued August 3, 2011, and entitled “Guidelines for Implementing Workforce Investment Act Waivers”

FLEXIBILITY RATINGS:

No Local Flexibility (NLF): This rating indicates that Boards and Agency Grantees must comply with the federal and state laws, rules, policies, and required procedures set forth in this WD Letter and have no local flexibility in determining whether and/or how to comply. All information with an NLF rating is indicated by “must” or “shall.”

Local Flexibility (LF): This rating indicates that Boards and Agency Grantees have local flexibility in determining whether and/or how to implement guidance or recommended practices set forth in this WD Letter. All information with an LF rating is indicated by “may” or “recommend.”