

**Chapter 21: Youth
Financial Reporting For Regular WIA Youth Program**

Issue Date/

Effective Date:

July 1, 2010

Updated: **March 28, 2012**

Required Action

Action: To provide WSAs with guidance on monthly financial reporting requirements for activities funded under the Regular WIA Youth Program.

Who: All WSAs and youth service providers in the State of Minnesota.

Background: All grant recipients must report monthly financial data in accordance with instructions issued by DEED. Failure to meet the deadline (without prior approval) may result in suspension of Cash Requests. **The Regular WIA Youth Program Financial Status Report (FSR) was updated on February 15, 2012 and was issued for reporting PY 2011** Regular WIA Youth Program expenditures. Training and Employment Guidance Letter No. 28-10, dated May 27, 2011 provides ETA grantees and sub-grantees with definitions of expenditures and obligations as they relate to the Federal Reporting requirements specified in ETA grant agreements, the Uniform Administrative Requirements, and Government Accounting Standards to ensure consistent application of definitions in preparation of ETA's financial reports.

Policies and Procedures:

Cash Advance Payment Request (CAPR): After the start of the grant period and costs are incurred, grantees may request cash reimbursement using the DEED Cash Request form. In general, cash requests are to be submitted for costs already incurred and should be submitted to DEED at regular intervals (i.e. on a monthly basis). DEED Cash Management/Cash Requests Policies are more fully described in Chapter 510 of DEED's Policy and Procedures Manual which is sent out with each Grant Agreement. **Send CAPR by Email to DEED.GrantPayments@state.mn.us.**

Monthly Financial Status Reports (FSRs): Monthly Financial Status Reports (FSRs) outlining monthly expenditures are to be submitted to DEED by the 20th of each month for each month of the grant period until a Final Report is submitted, even if there were no expenditures. **Send FSR by Email to DEED.FSR@state.mn.us**

Cost Categories: The following nine major cost categories have been established under the Regular WIA Youth Program: administration, in-school youth wages/fringe benefits, out-of-school youth wages/fringe benefits, in-school direct services, out-of-school direct services, in-school youth support services, out-of-school support services, in-school other services, and out-of-school youth other services. It is the policy of DEED that costs be tracked accordingly. Swift Activity Codes have been added for each category.

Definition of Cost Categories (SWIFT Activity IDs):

Subgrantee Administration (833): The costs associated with the overall management and administration of the Regular WIA Youth Program; these costs are not directly related to provision of services to participants.

In-School Youth Wages/Fringe Benefits (841): Funds spent on wages and fringe benefits for eligible youth who do not meet the definition of an out-of-school youth for the period that the youth is not enrolled in the summer component (between April 1 and September 30).

Out-of-School Youth Wages/Fringe Benefits (825): Funds spent for wages and fringe benefits for eligible youth who is a school dropout, either graduated from high school or holds a GED, but is basic skills deficient, unemployed or underemployed.

In-School Youth Direct Services (874): Funds spent on direct services for eligible youth who are enrolled in the summer component.

Out-of-School Youth Direct Services (877): Funds spent on direct services for eligible youth who is a school dropout, either graduated from high school or holds a GED, but is basic skills deficient, unemployed or underemployed.

In-School Youth Support Services (848): Funds spent on support services for eligible youth who do not meet the definition of an out-of-school youth for the period that the youth is not enrolled in the summer component.

Out-of-School Youth Support Services (862): Funds spent on support services for eligible youth who is a school dropout, either graduated from high school or holds a GED, but is basic skills deficient, unemployed or underemployed.

In-School Youth Other Services (860): Funds spent on Other Services for eligible youth who are enrolled in the summer component.

Out-of-School Youth Other Services (878): Funds spent on other services for eligible youth who is a school dropout, either graduated from high school or holds a GED, but is basic skills deficient, unemployed or underemployed.

LIMITATIONS ON COSTS

Subgrantee Administration - A maximum of ten percent (10%) of the WSA's allocation may be used for administrative purposes.

Out-of-School Youth – At least thirty percent (30%) of the WSA's allocation must be used to serve out-of-school youth for the period that the youth is not enrolled in the summer component.

NOTE: An Excel version of the revised FSR or CAPR form is available from the DEED's Office of Youth Development upon request at Joan.Raasch@state.mn.us or 651.259.7548.

Attachments:

Attachment A – DOL/ETA's Definitions of Expenditures and Obligations

Reference Section:

Cites/References: Training and Employment Guidance Letter (TEGL) No. 16-99, Change 1; TEGL No. 28-10, dated May 27, 2011

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Youth website:

http://www.PositivelyMinnesota.com/All_Programs_Services/Office_of_Youth_Development/Index.aspx

**DOL/ETA'S Definition of Expenditures and Obligations
Per TEGL 28-10, dated May 27, 2011**

b) Expenditures

In general, expenditures (sometimes referred to as outlays) mean charges made to the project or program in support of its authorized activities. These charges may be accounted for on either a cash or accrual basis. However, ETA requires all grantees to report all financial transactions on a full accrual basis. Accrued expenditures mean 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 performed by employees, contractors, sub-grantees, subcontractors, and other payees; and (3) other amounts becoming owed under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit payments. [29 CFR 97.3]

In general, total accrued expenditures are costs incurred for goods and services received regardless of whether the payment has been made. 29 CFR Part 97 (and with similar language in 29 CFR Part 95) states that:

“If the Federal agency requires accrual information and the grantee’s accounting records are not normally kept on the accrual basis, the grantee shall not be required to convert its accounting system but shall develop such accrual information through an analysis of the documentation on hand.”¹

For grantees using a cash accounting system, expenditures in their system are actual cash disbursements for charges for goods and services, and payments made for indirect expenses incurred, and also may include the amount of cash advances made to contractors and sub-grantees. Therefore, grantees using cash basis accounting also must maintain accrual worksheets to capture the additional data and documentation required to report their expenditures on an accrual basis. Any cash disbursements representing advances for which expenditures have not yet been incurred must be deducted.

There are various kinds of accrual accounting systems, including modified accrual. All accrual accounting systems do not necessarily capture all the accrued expenditures that have been received but has not been invoiced. Grantees using an accrual accounting system may also need to develop worksheets to capture additional accruals that must be reported.

Examples of expenditures that are to be report to ETA include: (a) all costs of goods and services which have been received and paid for; (b) the salaries and benefits earned by employees for work performance or leave taken, whether or not

¹ 29 CFR 97.41

the payroll checks have been issued; (c) the cost of services received by clients/participants, such as child care or transportation, for which the grantee has a legal requirement to pay; (d) the cost of training which has been received by enrolled participants; and (e) the cost of tuition paid up front for participants enrolled in classes as explained below.

It is important to note that accrued expenditures include costs where the services have been received, but not yet billed. A prime example of this is tuition. Tuition costs are often billed months after the participant has entered and received training. Therefore, the cost of the tuition for the training is accrued, even though it has not been billed. On the other hand, tuition is a specific exception, as provided by the Comptroller General, to the prohibition of paying for services before they are received. The full cost of tuition for the current semester/quarter classes in which an individual is enrolled can be expensed when paid up front. By reporting the costs on an accrued basis, grantees may accrue the costs either at the beginning of the semester/quarter when paid up front for, or as the participant receives training. Since the cost of training is often a significant component of expenditures incurred under ETA programs, this provides a much more realistic and timely assessment of the actual costs incurred for training. Please note that accrual of advanced payments for tuition applies only to the current term and does not apply to long-term and multi-year training programs, as discussed below.

c) Obligations

Obligations, as defined in 29 CFR 97.3, means the amount of orders placed, contracts and sub-grants awarded, goods and services received, and similar transactions during a given period will require payment by the grantee during the same or future period.²

In sum, obligation is a term that references actions where a legal commitment to pay exists. The obligation may occur at the time the services are rendered, or before services are rendered when a binding agreement has been entered into. Grantees must note that the Comptroller General of the United States has issued statements concerning obligations that include: “definite commitment which creates a legal liability” and “definite and certain.” (B-136383, June 27, 1958 and B-116795, June 18, 1954). In other words, obligations are legal requirements – not plans, budgets, or encumbrances.

Examples of obligations or legal commitments include sub-grant agreements, purchase orders, or cash disbursements. Obligations do not include such actions as projected rent payments, future or projected training, or items that are budgeted during the period of the grant.

² For re-allotment purposes, the Workforce Investment Act of 1998 adds additional language to this definition, found at 20 CR 660.330.

Obligations should not be confused with “encumbrances.” In accounting, an encumbrance means an anticipated expenditure or funds restricted for anticipated expenditures. Encumbrances are used by organizations to account for projected or budgeted costs that may come due in a current period or future period. Examples of encumbrances may include: the rent that will be paid for the upcoming year (see discussion below); staff salaries that will be paid when the staff actually performs the work; and projected training costs for participants that are in year-long or multi-year training programs. The above examples are encumbrances because none of these items above meet the more stringent standards of being an obligation, such as being definite and certain and creating a legal liability, and the costs associated with them may not be paid in advance of the actual work, occupancy, or registration for training. Organizations may use encumbrances to set aside funds for known future needs. Encumbrances need to be reviewed on a periodic basis and either obligated or liquidated in order to manage fund availability and use, in accordance with each entity’s system requirements.

The use of obligations as a measure of the grantee’s financial performance provides for internal controls as they are included in grantee accounting systems and accounted for in accordance with Generally Accepted Principles or GAAP. There have been discussions in the grantee community that projected training costs should be counted as obligations. Projected training costs do not meet the definitions of obligations found in 29 CFR 97.3 as they do not meet the requirement of being definite or certain, nor do they constitute a legal liability until the participant is registered in a specific course. Further, a Comptroller General decision related to pre-payment of tuition costs states that the period covered by the pre-payment (i.e., obligation) only extends to the current period of the participant is registered and attending classes (Comptroller General Decision [B-148283, 1962]). Therefore, while grantees need to be aware of future needs and should have a system for managing these needs, the inclusion of such items as obligations would violate Federal grantee accounting and ETA reporting standards.

There are also similar discussions regarding reporting leases as obligations. Since rent payments are contingent on continued occupancy, the only portion of a lease that can be reported as an obligation is the amount due if the lease is canceled, often called the cancellation penalty. Appropriate accounting for an operating lease is to record only the current expenditure and include only the cancellation penalty as an unliquidated obligation.

To provide a specific example, Individual Training Account (ITA) amounts for tuition are not obligations at the time the ITAs are issued by the grantee to a participant.³ They become obligations only at the time the participant enrolls in training at the training institution. The issuance of the ITA is equivalent to a budgeted limit for training. An ITA is a commitment by the grantee to a participant which does not result in a legal commitment until the participant registers for a class with a particular educational institution. Once the participant registers for

³ Where ITA is defined at 20 CFR 663.410.

classes, the obligation can be recorded. Consequently, the amounts ITAs for which enrollments have not occurred are merely encumbrances to manage fund availability and use and are not report to ETA.

Accurate accounting of obligations is important because it directly relates to future funding availability. If a grantee tracks and reports amounts which are not actual obligations and obligations which are over-reported end up not being liquidated, and unexpended or unused portions of the grant are not de-obligated timely for re-use, funding authority for the grant may expire and the funds would be returned to the U.S. Treasury. Once returned to the U.S. Treasury, these funds are no longer available for the purpose intended. Inefficient utilization of Federal funds results in the appearance that the program did not require all the funds it was previous appropriated. In the past, this appearance has been used to justify budget reductions and even mid-year rescissions.