

WIA Technical Assistance Conference



Division of Employment and Rehabilitation Services Finance and Budget Unit

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Overview of DERS Finance and Budget



- The Division of Employment and Rehabilitation Services (DERS) within the Arizona Department of Economic Security (DES) is composed of the following entities:
 - ✦ Rehabilitation Services Administration
 - ✦ Unemployment Insurance Administration
 - ✦ Child Care Administration
 - ✦ Employment Administration
- The WIA Program is located within Employment Administration.
- The DERS Finance and Budget Unit (FBU) is responsible for budgetary and financial management functions related to all administrations within DERS.



Role of WIA Fiscal Team



- DES – DERS is the State designated administrator of the WIA program.
- The WIA fiscal team, as part of the DERS FBU, is entrusted with:
 - ✦ Ensuring fiscal compliance
 - ✦ Monitoring grant expenditures
 - ✦ Budget allocations
 - ✦ Conducting fiscal on-site monitors
 - ✦ Processing contracts
 - ✦ Providing technical assistance on fiscal related matters



Fiscal Issue#1: Reporting Accruals



Accrual Accounting vs. Cash Accounting



- Accrual accounting records income when they are earned and expenditures when they are realized.
- Cash-based accounting records income when payment is received and expenditures when they are paid out.

Accrual accounting is advantageous because:

- There is no gap between the exchange of goods/services and the records for revenues/expenditures
- The organization has a better idea of its current resources
- It allows for better planning



Definition of Accrued Expenses



- Accrued expenditures mean the charges incurred by the grantee or sub-recipient during a given period for:
 - ✦ Goods and other tangible property received
 - ✦ Services performed by employees
 - ✦ Services performed by contractors or other payees
- It also includes costs for which no service is due, such as:
 - ✦ Annuities
 - ✦ Insurance
- To put it simply, accrued expenditures are costs incurred for goods and services received regardless of whether the payment has been made.



Why is Accrual Reporting Important?



- Accrual reporting is a requirement per 20 CFR 667.300 and 29 CFR Part 95 and 97.
- Reported expenditures and program income, including any profits earned, must be on the accrual basis of accounting and cumulative by fiscal year of appropriation.
- If the recipient / sub-recipient's accounting records are not normally kept on the accrual basis, the recipient must develop accrual information through an analysis of the documentation on hand.



Why is Accrual Reporting Important?



- Financial reporting by grantees enables DOL-ETA (Department of Labor – Employment and Training Administration) to report to its stakeholders key information about the use of grant funds.
- There have been instances where not all grantees have complied with the requirement for reporting on the accrual basis.
- This lack of consistency in the reporting of expenditures affects the ETA’s ability to provide accurate data to Congress and others regarding the current use of appropriated funds.



Why is Accrual Reporting Important?



- Inaccurate data may have a detrimental impact regarding decisions on future funding levels.
- In particular, understating expenditures in a given period may provide false impression that the funding levels Congress provides meet or exceed current needs.
- The accrual method has been demonstrated to be a better determination of the actual costs of a particular program at a point in time.



Why is Accrual Reporting Important?



Inaccurate reporting of accruals is one of the top DOL region 6 on-site monitor findings.



Examples of Accruals



- Includes all cost of goods and services which have been received and paid for.
- Salaries and benefits earned by employees for work performed or leave taken, whether or not payroll checks have been issued.
- Cost of services received by clients such as child care or transportation, for which the grantee has a legal requirement to pay.



Examples of Accruals



- **Cost of training which has been received by enrolled participants.**
- **Cost of tuition paid up front for participants enrolled in classes.**
- **Tuition is a specific exception, as provided by Comptroller General, to the prohibition of paying for services before they are received.**



Examples of Accruals



- Costs of tuition may be accrued either at the beginning of the semester when paid up front or as the participant receives training.
- Accrual of advance payment for tuition applies only to the current term and does not apply to long term training programs.



Reporting Accruals



- Accruals need to be reported on line # 8A (e) for administrative expenses and on line # 8B (e) for programmatic expenses on the WIA expenditure and cash draw report.
- For the Youth expenditure reports, please be sure to input the “ in school” and “out of school” amount on line 9c and 9d that will tie to the total expenditures reported on line 8B(e).



Example of Accrued Expenditures



8. Transactions	Cumulative
A. Cash - Administration :	
a. Cash Receipts to Date	\$50,000.00
b. Cash Disbursements to Date	\$50,000.00
c. Cash on Hand (line a minus b)	\$0.00
Expenditures and Unobligated Balance - Administration:	
d. Total Federal funds authorized	\$50,000.00
e. Federal share of expenditures	\$50,000.00
f. Federal share of unliquidated obligations	\$0.00
g. Total Federal obligations (line e plus f)	\$50,000.00
h. Unobligated balance of Federal funds (line d minus g)	\$0.00
B. Cash - Youth Program:	
a. Cash Receipts to Date	\$450,000.00
b. Cash Disbursements to Date	\$500,000.00
c. Cash on Hand (line a minus b)	(\$50,000.00)
Expenditures and Unobligated Balance - Youth Program:	
d. Total Federal funds authorized	\$600,000.00
e. Federal share of expenditures	\$525,000.00
f. Federal share of unliquidated obligations	\$10,000.00
g. Total Federal obligations (line e plus f)	\$535,000.00
h. Unobligated balance of Federal funds (line d minus g)	\$65,000.00
C. Program Income:	
a. Total Federal program income earned	\$1,500.00
b. Program income expended in accordance with the addition method	\$1,500.00
c. Unexpended program income (line a minus line b)	\$0.00
D. Recipient Share:	
a. Total recipient share required	
b. Recipient share of expenditures	
c. Recipient share of unliquidated obligations	
d. Total recipient obligations (sum of lines b and c)	\$0.00
e. Remaining recipient share to be provided (line a minus line d)	\$0.00
9. Additional Expenditure Data Required	
a. Other Federal funds expended	
b. Real property proceeds expended	
c. Out of school youth expenditures	\$157,500.00
d. In school youth expenditures	\$367,500.00
e. Summer employment opportunities expenditures	
f. Total out of school and in school expenditures (Total MUST match line 8B(e))	\$525,000.00

Report Accruals on line #8A (e)
for administrative expenses

Report Accruals on line #8B (e)
for programmatic expenses

Input the "in school" and
"out of school" amount on
line 9c and 9d that will tie
to the total expenditures
reported on line 8B(e).



Fiscal Issue #2: Program Income



DEFINITION AND TYPES OF PROGRAM INCOME

Program Income



- Program income is defined as additional revenue available for grant purposes that have been earned as a result of a grant-funded activity or as a result of the grant agreement during the grant period.
- Although program income is earned as a result of the grant activity, it does not increase the amount of total allocation per the award document.



Program Income



- Examples for program income that may be generated
 - **Fee for services provided** – A One-Stop operator provides pre-employment services for businesses and participants eligible under the WIA program. There is per-head fee for these services. The fees are considered program income.
 - **User or Rental fees** – A local WIA program has purchased a fax machine with WIA funds and allows usage by the Jobs program and Veteran's program, for a usage fee. The fees charged are considered program income.
 - **Income from sale of goods manufactured as part of grant activity** – As part of a course on business development, materials are bought and used to manufacture small items. The proceeds from this sale of these items is considered program income.
 - **Interest income** – Interest earned on WIA funds are to be treated as program income.



Program Income Exclusions



- The following is a list of revenues that are not included as program income:
 - **Applicable credits** – Reductions to grant costs as a result of refunds, rebates, credits, discounts.

Example: A sub-recipient receives a year end rebate on volume purchasing of software. The rebate is not considered program income and must be recorded as a reduction to the line item costs for software.

- **Sale of property (Equipment)** – The revenue realized from the sale of a property is not considered program income.
- **Donations** – As donations and contributions are not generated by the use of grant funds, such revenues do not constitute program income.



Reporting Program Income



- Program income is reported on line # 8C (a,b,c) of the WIA expenditure and cash draw report.
- Local areas must report program income on a cumulative basis to be consistent with the rest of the data provided on the report. If program income has been earned/expended it needs to be reported through the end of the grant period.
- Even though you may not earn income each month, the carry-forward amount must be recorded.
- Per CMIA regulations, any program income earned must be expended before requesting any additional funds.
- Program income must be expended on allowable WIA activities.



Example for Program Income



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Expenditures and Unobligated Balance - Administration:	
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e. Federal share of expenditures	\$50,000.00
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h. Unobligated balance of Federal funds (line d minus g)	\$0.00
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C. Program Income:	
a. Total Federal program income earned	\$1,500.00
b. Program income expended in accordance with the addition method	\$1,500.00
c. Unexpended program income (line a minus line b)	\$0.00
D. Recipient Share:	
a. Total recipient share required	
b. Recipient share of expenditures	
c. Recipient share of unliquidated obligations	
d. Total recipient obligations (sum of lines b and c)	\$0.00
e. Remaining recipient share to be provided (line a minus line d)	\$0.00
9. Additional Expenditure Data Required	
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f. Total out of school and in school expenditures (Total MUST match line 8B(e))	\$525,000.00

} Program income reported on line # 8C



Common WIA On-Site Monitor Findings



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- If a local area is delinquent on the submission of its A-133 single audit report, the WIA fiscal unit must be periodically updated on the status of the audit.
- Some local areas are still not reporting expenditures on an accrual basis. This can be verified on the WIA cash draw and expenditure report, when a local area's cash disbursement to date equals the federal expenditures to date.
- WIA cash draw and expenditures not submitted in a timely manner.
 - Regardless of whether or not there have been expenditures to report in a given month, all local areas must submit these reports at least on a monthly basis.
 - Tardiness in submission of the expenditure reports will result in fiscal sanctions including freezing of funds.



Common WIA On-Site Monitor Findings



- DOL policy on Fraud and Abuse not displayed in areas where clients and staff walk in.
- Discrepancies on the annual inventory list submitted., including:
 - Missing details
 - Incorrect location of the item indicated on the list
- Cost allocation plan/methodology should not be based solely on a plan, budget or estimates of planned activity. The base must be a measure of actual cost or actual effort expended.



Common WIA On-Site Monitor Findings



- Costs related to promotional items/public relations need to comply with the requirements per OMB Cir A-87.
- Per OMB A-87, costs related to public outreach designed solely to promote the governmental unit is unallowable. The flyers or the promotional item must display a logo that the activity is funded by the WIA program.
- These type of costs must be supported by strong justification and documentation to indicate that the cost benefits the WIA program.



Questions?

