

TEXAS WORKFORCE COMMISSION LETTER

ID/No:	WD 04-15, Change 2
Date:	December 4, 2015
Keyword:	Financial Reporting
Effective:	Immediately

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



From: Reagan Miller, Director, Workforce Development Division

Subject: Cash Draw and Expenditure Reporting System Instructions—*Update*

PURPOSE:

To provide Local Workforce Development Boards (Boards) and other Texas Workforce Commission (TWC) Grantees (Agency Grantees) with **updated** Cash Draw and Expenditure Reporting (CDER) system instructions for grant agreements.

This WD Letter provides information regarding the following: Supplemental Nutrition Assistance Program Employment and Training (SNAP E&T) priority of use of funds.

- ~~Two new direct cost categories for the Supplemental Nutrition Assistance Program Employment and Training (SNAP E&T) contracts to capture surplus Able-Bodied Adults Without Dependents (ABAWDs) expenditures being reported on the SNAP E&T General Population contracts after ABAWD funds have been expended~~
- ~~New SNAP E&T ABAWD and SNAP E&T contracts~~
- ~~New Workforce Investment Opportunity Act (WIOA) cost categories~~
- ~~Reinstated cost category 395 Infant/Toddler Quality Improvement~~

CHANGES TO WD LETTER 04-15:

New information in this WD Letter is indicated by:

- A ~~strikethrough~~ of the original language, which indicates that language has been deleted; and
- **Bold** typeface, which indicates new or clarifying language.

BACKGROUND:

TWC requires Boards and other Agency Grantees to use the CDER system to report expenditures, draw cash, and submit financial contract closeout packages for grant agreements. TWC provides instructions for use of the CDER system through this WD Letter and the following:

- CDER system training modules, which provide instructions for system navigation;
- WD Letter 44-05, issued August 9, 2005, and entitled “Texas Workforce Commission Online Contract Closeout Process”;
- Grant agreements, which sometimes specify cost categories or instructions that are additional to or supersede the instructions in this WD Letter; and
- Other TWC issuances

PROCEDURES:

CDER System Use

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

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

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

Cash Draws

NLF: Boards and other Agency Grantees must use cash drawn through the CDER system only for expenditures that are allowable under the agreement from which the funds were drawn.

Obligations and Accrued Expenditures

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

- “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.

NLF: Boards and other Agency Grantees must ensure that amounts reported as obligations meet all of the following conditions:

- The agreement that created the obligation is written.
- The obligating document is for allowable goods or services.
- The obligating document contains the elements of a valid contract—i.e., it is an offer, acceptance, consideration, executed by legally authorized representatives.
- The obligating document contains a commitment to purchase specific goods or services.
- The associated purchase meets a bona fide need of the grant agreement from which funds are obligated.

- The goods or services associated with the amount reported as an obligation of a particular grant agreement are received during the contract period of that grant contract, with the exception of:
 - allowable pre-award costs;
 - allowable advance payments; and
 - allowable closeout costs

NLF: Boards and other Agency Grantees must not report any of the following as an obligation:

- Budgets and plans
- Travel authorization
- An agreement with no commitment to make a purchase
- A contract renewal option that has not been executed
- Any other amount that does not meet the definition of an “obligation”

NLF: Boards and other Agency Grantees must be aware that not all expenditures precede a previously reported obligation. Some actions simultaneously trigger both an obligation and the associated expenditure(s), in which case Boards and other Agency Grantees must ensure that only the expenditure is reported.

Examples of actions that commonly trigger an obligation and expenditure simultaneously are:

- noncontractual salaries and wages that are earned as work is performed;
- annual leave (whether charged to the contract when the leave is earned or taken);
- utilities and leases that can be terminated without a monetary penalty; and
- allowable advance payments if no legally binding debt existed prior to payment

NLF: Boards and other Agency Grantees must reasonably estimate accrued expenditures based on payments due, historical data, or some other reasonable methodology. Boards and other 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 other 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 grant budget. This applies to all expenditure reports.

NLF: Boards must comply with TEGL 28-10, issued May 27, 2011, and entitled, “Federal Financial Management and Reporting Definitions.”

Administrative Cost Limits

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

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

Financial Report Due Dates

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

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

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

NLF: Boards and other 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, issued August 9, 2005, and entitled “Texas Workforce Commission Online Contract Closeout Process,” and any subsequent issuances.

Late Notifications and Cash Draw Cutoff

NLF: Boards and other Agency Grantees must be aware that:

- 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 or Agency Grantee certifies all past due reports; 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.

Past Due	Board/Agency Grantee Recipient	TWC Recipient
1 day	Individuals designated by Board/Grantee	Financial Systems & Reporting
2–4 days	Individuals designated by Board/Grantee	Chief Financial Officer
5 days	Cash Draw Turned Off	

NLF: Boards and other 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 other Agency Grantees can e-mail cashdraw.ta@twc.state.tx.us to verify cash draw capabilities. Boards and other Agency Grantees must be aware that aside from this

and the above e-mail notifications, Boards and other 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.

Errors and Omissions

NLF: 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 next available monthly expenditure report.

Policies and Procedures

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

Subrecipient and Vendor Costs and Determinations

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

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

- 2 CFR §200.330
- Chapter 1, Financial Manual for Grants and Contracts

Boards Only: SNAP E&T Funds Priority of Use

NLF: When funding expenditures to serve Able-Bodied Adults Without Dependents (ABAWDs), Boards must prioritize as follows:

- ~~First~~ **First** Priority—unexpended balances of prior year funds
- ~~Second~~ **First** Priority—ABAWD-Only
- ~~Third~~ **Second** Priority—SNAP E&T General Population Funds

For direct program costs (611–Education and Training and 612–Career Services), the cost categories for both ABAWD and non-ABAWD expenses are available in the same contract. When ABAWD funding is added to the existing contract, a CDER System “Business Rule” in the Contract Program Budget Worksheet requires each Board to budget at least the amount of ABAWD funding in the ABAWD cost categories.

NLF: Boards must report General Population funds spent on ABAWDs in the ABAWD categories.

The 10 percent administration limit will continue to remain at 10 percent of the SNAP E&T allocation (ABAWD plus General Population funding) but is no longer restricted to either ABAWD or General Population funding specifically.

Boards Only: TAA

NLF: Boards must 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.

Boards Only: WIA Youth

NLF: 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:

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

Boards Only: WIA Local Activity Funds and Formula Designations

NLF: 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 become 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:

- *WIA Adult – DW*
- *WIA DW – Adult*

Boards Only: WIOA Transitional Activities

NLF: Boards must use cost category *080 WIOA Transitional Activities* to report costs associated with the transition from WIA to WIOA. The description of this cost category is provided in Attachment 2 to this WD Letter. Additionally, Boards must ensure that transitional costs are reported using one of the following funding streams:

- WIA youth
- WIA adult
- WIA dislocated worker

Boards Only: ~~New~~ WIOA

NLF: Effective for new contracts beginning July 1, 2015, Boards must begin using the following new cost categories:

- Youth
 - *612 In-School Youth (ISY) Direct Program – Career Services*
 - *612 Out-of-School Youth (OSY) Direct Program – Career Services*
 - *617 ISY Work Experience*
 - *617 OSY Work Experience*
 - *618 OSY Pay for Performance*
 - *618 ISY Pay for Performance*
- Adult
 - *100 TRF Administration (Direct Recipient)*
 - *107 TRF Monitoring (Exception: WIOA Program Monitoring)*
 - *612 Direct Program – Career Services*
 - *616 Transitional Jobs*

- 616 TRF Transitional Jobs
- 618 Pay for Performance
- 618 TRF Pay for Performance
- 619 Incumbent Worker Training
- 619 TRF Incumbent Worker Training
- 655 TRF Support Services – JARC Transportation
- 708 TRF Program Management & Support (Direct Recipient Only)
- 709 TRF Subrecipient Operating Costs (Non-One-Stop Operator)
- Dislocated Worker
 - 100 TRF Administration (Direct Recipient)
 - 107 TRF Monitoring (Exception: WIOA Program Monitoring)
 - 612 Direct Program – Career Services
 - 616 TRF Transitional Jobs
 - 616 Transitional Jobs
 - 618 TRF Pay for Performance
 - 618 Pay for Performance
 - 619 TRF Incumbent Worker Training
 - 619 Incumbent Worker Training
 - 655 TRF Support Services – JARC Transportation
 - 708 TRF Program Management & Support (Direct Recipient Only)
 - 709 TRF Subrecipient Operating Costs (Non-One-Stop Operator)

Note: WIOA allows 100 percent transferability (TRF) between the adult and dislocated worker funding streams. Boards must notify their contract managers when transferring funds and report the costs within the applicable category with the TRF prefix.

New cost category descriptions are provided in Attachment 2.

Boards Only: Rapid Response (for WIA contracts issued prior to July 1, 2015)

NLF: 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.)

LF: 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.

NLF: 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 non-administrative 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: *Note:* For WIOA contracts issued after July 1, 2015, any Rapid Response activities must be reported in the WIOA Rapid Response (WOR) category.

Boards Only: Child Care Attendance Automation

NLF: 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:

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

Boards Only: Texas Rising Star

NLF: Boards must use the following cost categories to identify Texas Rising Star (TRS) provider certification system costs:

- *378 TRS Personnel Costs*
- *378 TRS Promotion and Supports*

These categories are available under the Child Care Quality (CCQ), Child Care Funds (CCF) and Child Care Match (CCM) grants. Their descriptions are provided in Attachment 2.

NLF: When funding these expenditures, Boards must prioritize as follows:

- First Priority—unexpended balances of prior-year funds
- Second Priority—CCQ funds
- Third Priority—CCF funds
- Fourth Priority—CCM funds

Boards Only: Mentor/Assessor

NLF: Boards must use the following cost categories to identify TRS provider certification system costs:

- *378 TRS Personnel Costs – Mentor/Assessor Funding*
- *378 TRS Promotion and Supports – Mentor/Assessor Funding*

These categories are available under the Child Care Quality (CCQ) grants. Their descriptions are provided in Attachment 2.

NLF: When funding TRS mentor/assessor expenditures, Boards must prioritize as follows:

- First Priority—unexpended balances of prior-year funds
- Second Priority—CCQ Mentor/Assessor Funding
- Third Priority—CCQ 2% Allocation

Boards Only: ~~New~~ 395 Infant/Toddler Quality Improvement

NLF: ~~Effective immediately,~~ Boards must use the following cost category:

- *395 Infant/Toddler Quality Improvement*

Boards Only: Supplemental Cost Categories

NLF: Boards must choose one of the following two categories, and use the same category each month, to provide supplemental information to TWC:

- *Cash Disbursements*
- *Unpaid Accruals*

Descriptions are provided in Attachment 2.

INQUIRIES:

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

ATTACHMENTS:

- Attachment 1: Cost Category Matrices
- Attachment 2: Cost Category Descriptions
- Attachment 3: Summary of Changes

RESCISSIONS:

WD Letter 04-15, Change 1

REFERENCES:

- 2 CFR Part 200
- ~~Office of Management and Budget Circular A-133, § 105 and § 210~~
- Social Security Act, Title IV, Part A, §404(b)
- Workforce Investment Act
- Workforce Innovation and Opportunity Act
- 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 Amendments 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”
- Training and Employment Guidance Letter No. 12-14, issued October 28, 2014, and entitled “Allowable Uses and Funding Limits of Workforce Investment Act (WIA) Program Year (PY) 2014 Funds for Workforce Innovation and Opportunity Act (WIOA) Transitional Activities”
- Training and Employment Guidance Letter No. 3-15, issued July 1, 2015, and entitled “Operating Guidance for the Workforce Innovation and Opportunity Act”

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 Rules: 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 12-13, Change 1, issued September 20, 2013, and entitled “Implementation of Amended
Chapter 809, Child Care Services Rules, Regarding Quality Improvement Activities—*Update*”

FLEXIBILITY RATINGS:

No Local Flexibility (NLF): This rating indicates that Boards and other 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 other 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.”