

TEXAS WORKFORCE COMMISSION LETTER

ID/No: WD 44-05

Date: August 9, 2005

Keyword: Financial Reporting

To: Local Workforce Development Board Executive Directors
Commission Executive Staff
Integrated Service Area Managers

Through: Luis M. Macias, Director, Workforce Development Division

From: Randy Townsend, Chief Financial Officer

Subject: **Texas Workforce Commission Online Contract Closeout Process**

PURPOSE:

To provide Local Workforce Development Boards (Boards) with instructions on submitting contract closeout packages through the contract closeout module of the online Cash Draw and Expenditure Reporting System (online system).

REFERENCE:

Texas Workforce Commission General Administration Rules: 40 TAC §800.52 and §800.72
WD Letter 41-04, issued September 16, 2004, and entitled “Fiscal Year 2005 Cash Draw and Expenditure Reporting System Changes and Instructions”

FLEXIBILITY RATINGS:

No Local Flexibility (NLF): This rating indicates that Boards 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. Federal and state laws, rules, policies, and required procedures with a “No Local Flexibility” rating are indicated by the acronym, **NLF**, in the margin to the right of the applicable paragraph. Additionally, all information with a “No Local Flexibility” rating is indicated by “must” or “shall.”

Failure to comply with the federal and state laws, rules, policies, and required procedures with a “No Local Flexibility” rating may result in corrective action, up to and including sanction and penalty.

Local Flexibility (LF): This rating indicates that Boards have local flexibility in determining whether and/or how to implement guidance or recommended practices set forth in this WD Letter. All guidance or recommended practices with a “Local Flexibility” rating are indicated by the acronym, **LF**, located in the margin to the right of the applicable paragraph. Additionally, guidance or recommended practices with a “Local Flexibility” rating are indicated by “may” or “recommend.”

Boards are not subject to corrective action for failure to comply with guidance or recommended practices with a “Local Flexibility” rating.

BACKGROUND:

As of July 5, 2005, the Texas Workforce Commission (Commission) implemented a contract closeout module in the online system. The contract closeout module enables Boards to submit financial contract closeout packages for contracts in the online system to the Commission electronically, and replaces the manual process that was previously used to submit hard copy contract closeout packages. (Note: Performance issues pertaining to a block grant contract continue to be handled through corrective action plans and/or sanctions and are not considered as part of the financial contract closeout.)

The online system automatically makes the contract closeout package for a particular contract available for completion when the final expenditure report for that contract is created. The components of the contract closeout package in the online system are similar to the forms used with the manual closeout process, and include the following:

- Schedule of unpaid liabilities and other claims outstanding
- Property inventory
- Certification of property use
- Review contract closeout package
- Contract release agreement

The final expenditure report continues to be a key component of the contract closeout package. The final/revised final expenditure report is completed and certified outside of the contract closeout module in the reporting module of the online system, and the due date of the contract closeout package is set to coincide with the due date for the final/revised final expenditure report.

The contract closeout package is considered “submitted to the Commission” after it has been certified by the Board. The “certification of property use” and “contract release agreement” components in the contract closeout module use a certification process similar to that described for expenditure reports in WD Letter 41-04. The contract closeout package is considered “certified” after the Board certifies the “contract release agreement.”

Creation of a revised final expenditure report after the contract closeout package has been certified will automatically change the contract closeout package from a “certified” status to a “ready to review, returned” status. The contract closeout package will continue to show a “ready to review, returned” status until the revised final expenditure report has been certified and the Board has again certified the contract release agreement.

This WD Letter supersedes and rescinds:

WD Letter 22-03, issued July 23, 2003, and entitled “Texas Workforce Commission Contract Closeout Process”

PROCEDURES:

Effective July 5, 2005, and consistent with the definition specified in Commission rule §800.52 (3), Boards must use the contract closeout module to electronically submit a contract closeout

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package to the Commission for a contract that is in the online system when one of the following conditions is met:

- The contract has expired
- All available funds for the contract period have been paid out to the Board
- All accrued expenditures chargeable to the specific contract have been incurred by the Board
- The period of available funds has expired or been terminated

*Note: If a Board contracts with another entity to serve as the fiscal agent for a contract that the Board receives from the Commission, and the Board changes fiscal agents, the Board must submit closeout packages for all contracts for which that entity served as grant recipient. When the grant agreement is terminated in this way, new contracts will be established with the Board's new fiscal agent that must be closed out when one of the conditions above is met.

Prior to working on the contract closeout packages in the online system, each Board's security administrator must establish security for appropriate users of the contract closeout module. Attachment 1 to this WD Letter provides general information and guidelines about the new security classes available for the module. Using these guidelines, Board's must ensure that appropriate controls are in place so that a proper separation of duties exists.

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Boards must ensure that the contract closeout package for a particular contract is certified no later than the due date of the final expenditure report for that contract.

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- If the final expenditure report is created after the contract period ends, the final expenditure report and contract closeout package are due by 11:59 p.m. on the 60th day following the end of the contract period.
- If a monthly expenditure report is changed to a final expenditure report, the final expenditure report and contract closeout package are due by 11:59 p.m. on the 20th calendar day of the month. (Note: The online system will treat the contract closeout package as late if not certified by the 20th calendar day; therefore, generating e-mail notifications and cash draw cut-off procedures as set forth in WD Letter 41-04.)
- If a revised final expenditure report is created:
 - after the contract closeout package is certified, the contract closeout package must be certified again after the revised final expenditure report is certified. The revised final expenditure report and contract closeout package are due by 11:59 p.m. on the same day the revised final expenditure report is created.
 - before the contract closeout package is certified, the revised final expenditure report and contract closeout package are due by 11:59 p.m. on same day the revised final expenditure report is created.

It is generally recommended that Boards use a "first in, first out" (FIFO) approach for charging expenditures. Attributing accrued expenditures to the earliest award/allocation period ensures prompt and orderly spending and closeout.

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Boards must ensure that all of their subcontractors submit closeouts to the Board in accordance with a local contract closeout process to ensure that the Board provides all expenditure information by the date the contract closeout package is due to the Commission.

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For purposes of the local contract closeout procedures used by Boards with their subcontractors, Boards may use the hard copy forms available at <http://www.twc.state.tx.us/twcinfo/contractcloseout.html> as a template when designing the contract closeout package its subcontractors must complete.

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If the contract closeout package is not certified by the date it is due, e-mail notifications and cash draw cut-off procedures will be administered, as set forth in WD Letter 41-04. The following activities must occur before the online system will activate the option to certify the contract closeout package:

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- Boards must certify the final/revised final expenditure report in the online system’s reporting module.
- Boards must answer all of the questions on the “review contract closeout package” component.
- If there are unpaid liabilities under the contract for which a Board has not submitted a cash draw request, the Board must submit a cash draw request for those liabilities and the Commission must release the funds, so that amounts due from the Commission are zero.
- If there are amounts due to the Commission, Boards must submit a refund using the online system so that amounts due to the Commission are zero.
- Boards must certify the “certification of property use” component of the contract closeout module.
- The Certification Page must be certified (contract release agreement).

Boards may submit an electronic file of the property listing, instead of keying each piece of property into the online system.

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Should a Board elect to submit an electronic file of the property listing, the file must be named by using the contract number plus “INV” at the end of the contract number, i.e., 0904WIA000INV. The file must be e-mailed to closeout.propertylist@twc.state.tx.us by the due date of the contract closeout package.

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Boards must follow the procedures for submitting a refund through the online system. The procedures are included in Attachment 2 to this WD Letter.

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If final reported expenditures or the contract closeout package need to be revised after the Commission accepts the contract closeout package, the Board must request that a revised expenditure report be created and/or that the contract closeout package be returned to the Board. Direct requests to Adolph Lesak, Contracts Payable Manager at (512) 463-8114 or adolph.lesak@twc.state.tx.us.

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- Refunds, questioned/disallowed costs, errors, omissions or other transactions that will change final reported expenditures after the Commission accepts the contract closeout

package require the creation of a revised final expenditure report, and will also result in the contract closeout package being uncertified and returned to the Board. The contract closeout package must be re-certified after the Board certifies the revised final expenditure report. The revised final expenditure report and contract closeout package are due on the same day that the revised final expenditure report is created.

- Errors or omissions that require a change to the contract closeout package, but that do not affect final reported expenditures do not require the creation of a revised final expenditure report, but do require that the contract closeout package be returned to the Board so that it can be corrected and re-certified. The revised contract closeout package is due to the Commission on the same day that it is returned to the Board.

If the revised contract closeout package is not certified by the date it is due, e-mail notifications and cash draw cut-off procedures will be administered as described in WD Letter 41-04.

After the Commission accepts the Board’s certified contract closeout package, the Board may print the Commission’s “acceptance” from the online system. However, the information will be retained online for a period of five years from the contract end date.

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ACTIONS REQUIRED:

Boards must ensure that appropriate staff is apprised of and complies with the requirements in this WD Letter.

INQUIRIES:

Direct system inquiries to the technical assistance team at pager number (512) 896-5966 or to cashdraw.ta@twc.state.tx.us. Direct other questions to Kimberly R. Emmerich, Director of Financial Operations, at (512) 936-3054 or Fiscal.TA@twc.state.tx.us.

ATTACHMENTS:

- Attachment 1: Vendor User Security Matrix
- Attachment 2: Procedures for Creating a Cash Draw Refund

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| Rescissions: WD Letter 22-03 | Expiration: Continuing |
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