# PART D, CHAPTER 2: BUDGETING AND PURCHASING

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| **Policy Number** | **Authority** | **Scope**  | **Effective Date** |
| Part D, Chapter 2 | [34 CFR §361.60-65](https://www.govinfo.gov/content/pkg/CFR-2022-title34-vol2/pdf/CFR-2022-title34-vol2-part361.pdf), [34 CFR §363.20-25](https://www.ecfr.gov/current/title-34/subtitle-B/chapter-III/part-363), Article VII of the GAA, GAA Article IX, General Provisions, [34 CFR §361.3](https://www.ecfr.gov/current/title-34/subtitle-B/chapter-III/part-361/subpart-A/section-361.3), [2 CFR §200.302](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/section-200.302), [2 CFR §200.400](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFR1f52baf5ea70fff/section-200.400), [EDGAR 34 CFR §76, §77, §79, §81, and §82](https://www.ecfr.gov/current/title-34/subtitle-A), [2 CFR Part 3485](https://www.ecfr.gov/current/title-2/subtitle-B/chapter-XXXIV/part-3485), [2 CFR Part 3474](https://www.ecfr.gov/current/title-2/subtitle-B/chapter-XXXIV/part-3474), [34 Texas Administrative Code, Part I, Chapter 20, Statewide Procurement and Support Services](https://texreg.sos.state.tx.us/public/readtac%24ext.ViewTAC?tac_view=4&ti=34&pt=1&ch=20), and [Texas Government Code, Chapter 2155](https://statutes.capitol.texas.gov/Docs/GV/htm/GV.2155.htm) | All TWC-VR staff | 9/3/2024 |

## PURPOSE

In accordance with the authority (Federal and State) listed above, this policy is issued by the Texas Workforce Commission Vocational Rehabilitation Division (TWC-VR). Adherence to these rules and regulations issued under the Rehabilitation Act of 1973, as amended by Title IV of the Workforce Innovation and Opportunity Act (WIOA), supports Texans with disabilities in gaining, maintaining, and advancing in competitive integrated employment (CIE).

Specifically, the purpose of this policy and these procedures is to ensure adherence to Federal and State budgeting and purchasing requirements, which begins with the overall authorization and purpose of Federal funds and continues throughout the authority to purchase goods and services necessary, in accordance with established budgets, to carry out the purpose of the State Vocational Rehabilitation (VR), State Supported Employment (SE), Independent Living Services for Older Individuals Who are Blind (OIB) Federal awards, and the provisions of pre-employment transition services (Pre-ETS). Processes include budget allocation and distribution, service authorization (SA) requirements, and monitoring budgets against obligations and expenditures.

## DEFINITIONS

Allocation: Amount or portion of Federal and State funds assigned to a particular program, budget, or purpose.

Expenditure: Payment made for goods and services.

Obligation/Encumbrance: Transactional order placed for goods and services, contracts and subawards made, and similar transactions that require eventual payment against the order.

Requisition Budget: Budget from which funds are allocated and spent. In ReHabWorks (RHW), funds move in and out of the requisition budget to an unallocated budget but may never be transferred directly between requisition budgets.

Unallocated Budget: Budget where funds are initially allocated and loaded and moved from level to level. Funds are not spent from this budget; funds may move from the unallocated budget to a requisition budget.

## POLICY

### General Overview

TWC-VR is responsible for administering Federal and State funds efficiently and effectively. TWC-VR responsibilities include budgeting, allocating, and overseeing administrative and case service budgets as well as Federal and State performance goals. The overall Supported Employment (SE), VR, Pre-ETS, and Older Individuals who are Blind (OIB) budgets in ReHabWorks (RHW) establishes the operational financial parameters for the programs and is a subset of the grant awarded to TWC-VR. Based on WIOA and Federal regulations, TWC-VR receives and administers an annual operating budget from TWC financial operations.

### Overview of Budgeting and Purchasing

Appropriate budgeting, allocation, and obligation is necessary for TWC-VR to ensure compliance with Federal and State requirements, (i.e., ensuring that accurate budgets and allocations meet Federal requirements such as obligation, non-Federal cost share, vendor agreements, third-party cooperative arrangements [TPCAs], establishment projects, maintenance of effort [MOE], and audit findings potentially resulting in special conditions). These requirements are established in State and agency allocation, determined budgets, and annual fiscal reports.

The General Appropriations Act (GAA), as signed by the Texas governor each biennium, gives TWC the authority to spend program funds. Based upon the appropriations determined during the biennium, the TWC budget office establishes the funds available based on Federal allocations and anticipated expenditure rates.

* Distribution of Funds:
	+ Funds are allocated by the TWC-VR State Office to each of the TWC-VR regional offices, based on the allocation plan. Budgeted funds are transferred from an unallocated budget to a requisition budget for obligation.
	+ Funds are obligated for payment through case and multi-customer service authorizations, which, when appropriate, are subsequently paid for by issuing a warrant, or through an interagency transfer voucher.
* TWC-VR Funding Considerations: TWC-VR requirements have limitations and considerations distinct from other Federal grant awards that must be accounted for when setting the TWC-VR budget.
	+ Prohibition against Subgrants/Subrecipients: Federal regulations preclude a State agency from creating subgrants for VR and SE programs, and any authorized activities under these Federal awards, such as Pre-ETS. Since subgrants for contractors are not allowable, TWC-VR goods and services are purchased by TWC-VR staff on behalf of TWC-VR customers.
	+ Pre-Employment Transition Services: States are required to reserve and spend not less than 15% of State allotment, under the State VR services grant, for the provision of Pre-ETS for allowable activities, not including administrative costs for such activities. To ensure compliance with the Pre-ETS reservation requirement, TWC-VR has established the net award amount of the VR allotment as the basis for calculating the required 15% reserve.

### Case Service Budget

A service authorization (SA) is the only valid means by which TWC-VR may authorize the purchase of goods and services on behalf of customers. The SA constitutes the legal obligation of funds.

### Additional Policy Considerations

* Comparable Services and Benefits: TWC-VR must not expend funds on goods and services unless the VR counselor and the customer have made maximum efforts to secure assistance from other sources to pay for the service.
* Customer Participation in the Cost of Services: A customer's eligibility for TWC-VR services does not depend on the customer's income or liquid assets; however, if the customer's net income or liquid assets exceed the Basic Living Requirements (BLR), the customer must participate in the cost of services unless an exception is granted.
* Recipients of Social Security Disability Benefits: Recipients of Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI), due to the customer's disability, are exempt from the requirement to participate in the cost of TWC-VR services regardless of income.
* Exceptions to Policy: When necessary to meet the VR needs of a customer, TWC-VR staff members may request exceptions to policies and procedures through their chain of management up to the Deputy Division Director of Field Services Delivery, or designee. However, exceptions to policies and procedures based on Federal and State laws, statutes, and rules or regulations are not allowable.

## PROCEDURES

### Budget Allocation

Annual budget allocations to the field are developed using the methodology approved by the Division Director of Vocational Rehabilitation Services in consultation with the TWC Financial Services, the Deputy Director of Workforce Solutions, and the TWC Executive Director. TWC-VR's Program Operations team develops the methodology by applying multiple factors to support the accuracy of the comprehensive allocation strategy.

The Budget Office transfers funds to the division's unallocated budget. Only unallocated funds may be moved or adjusted. Once funds are allocated, if a change is necessary between existing budgets, regions or programs, the funds must be transferred back to the unallocated budget prior to a budget adjustment. Therefore, the following requests require additional approvals and considerations:

* Budget Adjustment Requests; and
* Additional Funds Requests.

### Distribution of Allocation

* The budgets are uploaded into the Workforce Reporting Accounting and Procurement System (WRAPS) and then into RHW.
	+ Each unit receives from the TWC Budget Office initial amounts, or percentages, as well as distribution timing for funds. Funds must be available in a requisition budget to encumber (obligate) and voucher (pay). Upon distribution of budgets and allocation of funds to each program, individual transactions may be paid for using Federal funds or program income.
	+ Contingency funds remain unallocated for special circumstances. For case service budgets, this may include the following:
		- Complex cases;
		- Cases requiring more intensive or extensive services;
		- Planned expenditures that would deplete a budget; or
		- Other vocationally-related customer needs.
* RHW is used to manage, obligate, expense, and report on the funds with which services are provided to TWC-VR customers.
* Supported Employment funds are processed in association with appropriately identified transactions as those services are paid for. This methodology maximizes use of those funds as promptly as possible.

### Service Authorizations for Case Service Budgets

Only a VR Counselor and those in their chain of management may authorize the use of TWC-VR funds to purchase a good or service, in accordance with the respective VRSM service chapters. While other TWC-VR staff members who provide direct services to customers may recommend a purchase as a part of the TWC-VR team, the VR Counselor is ultimately responsible for ensuring the service is reasonable, appropriate, and necessary to achieve the employment goal described in the customer's IPE.

An SA cannot be generated until funds have been—

* Transferred to the appropriate budget level; and
* Moved from an unallocated budget to a requisition budget.

Only unallocated funds can be transferred between budget levels.

* Unallocated funds can be transferred up and down budget levels but never directly across budget levels.
* Only the budget office transfers unallocated funds at the division level.

### Internal Controls – Tracking

TWC-VR is required to ensure that the documentation of obligations and expenditures is clear and complete, including the documentation of contracts, good and service authorizations, invoices, and supporting documentation.

The Deputy Regional Director (DRD) oversees the regional budgets. The DRD's oversight may include determining unit allocations, monitoring encumbrance rates and paid-out rates for each budget line item, cleaning up records from previous fiscal years, and redistributing funds across or within regions.

The DRD may delegate authority to perform budget-related tasks. Based on the distribution plan, the DRD authorizes distribution of funds to the unallocated budget levels for the regions and management units.

* Monitoring Budgets: Multiple systems and applications are used for monitoring specific budgets, such as staff travel. Those systems include the following:
	+ WRAPS, RHW;
	+ Work Investment System for Evaluation (WISE); and
	+ Access applications.
* Quarterly Reviews: Each quarter, operations monitoring and performance reviews are conducted with each region either onsite or digitally. Records and budgets are reviewed, as well as Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income, and interest source documentation.

The review process enables TWC-VR to effectively and proactively monitor administrative and customer services budgets, purchasing, performance, inventory, and full-time equivalent positions (FTEs).

* + The process includes the identification of risks, tasks, tolerances, time frames, and the roles and responsibilities of TWC-VR staff at the State Office, regional offices, and field offices.
	+ Each VR Manager and regional management team develop a budget management strategy for the management units.
	+ The VR Manager is responsible for the management unit’s budget, ensuring timely and appropriate encumbrance of funds, and reviewing high-cost cases, to ensure that providing appropriate TWC-VR services remains the focus.
* Staff Budget and Expenditure Reviews: All TWC-VR staff, including caseload-carrying staff, are responsible for ensuring good stewardship of funds for the needs of individual customers. This includes compliance with purchasing processes and procedures, and use of best-value purchasing practices. TWC-VR staff are required to review their case service budgets against authorizations and expenditures.

TWC-VR staff utilize ad hoc queries, RHW, RHW Reports, WISE reports, and case reviews to monitor budgets and ensure that services and expenditures are vocationally relevant, comparable benefits are appropriately used, and fiscal responsibility remains a critical part of the TWC-VR process.

### Budget Adjustment Request (BAR)

The BAR form is required for budget adjustment requests when changing the original allocation amounts are necessary. BARs are submitted to TWC-VR's budget email box at vr.budget@twc.texas.gov.

## APPROVALS & CONSULTATIONS

TWC-VR staff must follow the following approvals and consultations:

* *VR Division Director and Program Operations Director approval is required when a budget adjustment request is necessary.*
* *VR Division Director and Program Operations Director approval is required when additional funds are warranted.*

**REVIEW**

The Policy Planning and Statewide Initiatives Team, or designee, is responsible for reviewing this policy and these procedures and will update the Document History log if necessary.

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| **Date** | **Type** | **Change Description** |
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