Alliance Enterprises Account Management Report

David Steele (RSA) Keynote Presentation

getAwareLive! 2017

Prepared by:
Alliance Enterprises, Inc.
September 2017
Overview

David Steele, the Fiscal Unit Chief from the US Department of Education, Rehabilitation Services Administration (RSA), provided an informative presentation at the getAwareLive! 2017 conference in July. David’s presentation titled “Getting There Together: New Recommendations for Accurate, Complete and Timely Financial Reporting” included direction for several topics that impact Aware. His presentation included three primary topics:

- Period of Performance
- Internal Controls: Financial and Performance Reporting
- Future of RSA-2 (Annual VR Program Cost Report)

The presentation placed special emphasis on when an authorization is considered an obligation. This is highlighted on Page 2 of this document.

This document summarizes Alliance’s presentation notes and provides a copy of David’s presentation. Excerpts from David’s presentation are included in italics, surround with quotes.

Period of Performance

Slides 3-15

“Period of performance is the time during which the non-Federal entity (grantee) may incur new obligations to carry out the work authorized under the Federal award (2 CFR 200.77)”.

This is of importance to the Aware adaptation and interfaces with accounting systems. We heard:

- Period of Performance is a primary focus of the Monitoring visits.
- Verifying authorizations, the first month of the new grant year are paid from the appropriate grant.
- Slides 6-10 outline the related CRFs and RSA’s discussion.
Alliance identified these critical statements on Slide 8:

"34 CFR 76.707(c) (EDGAR)
If the obligation is for: (c) Personal services by a contractor who is not an employee of the State. The obligation occurs on the date on which the State makes a binding written commitment to obtain the services".

Following the presentation, Alliance received clarification from RSA in a teleconference that the Authorization Issue Date reflects the date on which the State made the binding written commitment.

Alliance is pending guidance from RSA about the date to use for authorization amendments (since additional funds can be obligated through an amendment).

Slide 12 states the questions that RSA asks:

"3. Were the authorizations for consumer services paid authorized (obligated) after October 1?"
"5. Were all contract expenditures for contracts obligated after October 1?"

Slide 14 highlights RSA’s perspective on Aware considerations including the interface with the State payment/accounting system:

"Do the funding sources and budget structure permit the assignment, tracking, reporting, and liquidation of obligations to the appropriate grant award (both Federal and non-Federal funds)?
Does your Aware/payment interface transmit sufficient information for your accounting system to determine which FFY or grant award number the expense was obligated to ensure payment from the correct Federal award?
What are your processes for determining when obligations against one Federal award are closed and another opened?"
Internal Controls

Slides 16-24

Slides 16-18 outline the RSA perspective on Internal Controls.

"2 CFR 200.61 states that internal controls include the reliability of reporting for INTERNAL and EXTERNAL use (emphasis added)."

Slide 20 highlights what the RSA looking for in both case data and financial data controls.

"What processes have VR agencies developed to ensure that the RSA-911 data is valid and reliable?

Is there ongoing monitoring to ensure the service record information is consistent with what is reported in the case management system?

What specific steps does the agency take when inconsistencies are identified?"

David provided examples on Slides 21-22. Also, David stated that running agency data against an Edit Checker is not considered a review of the data. These examples are relevant as Aware provides personal security (help desk) overrides for many functions such as changing demographic, service and authorization data.

"How is the extent of the incorrect data assessed and how will the data be corrected?

How does the agency validate the data correction?

What steps is the agency taking to ensure the data issue doesn’t recur?"

"How are RSA-911 data files reviewed prior to submission to identify inconsistencies with reporting requirements?"
RSA identified these “Important Takeaways!” (Slide 23):

“Reporting accurate and reliable data is a requirement.
Track your agency data to the data elements required for submission. You need to understand where the data comes from and what it represents in order to ensure the data is reported correctly.
Use the data reports you have to identify anomalies that may impact upon data quality.
Establish internal control processes that continually evaluate data reliability and validity”.

Alliance appreciated RSA stating *Aware* Considerations relative to Internal Controls on Slide 24:

“Are you using the available reports to support your internal control processes?
Have you reviewed the tables that assign your case management and financial data to reporting categories?
*Aware* provides a great deal of flexibility in assigning data to various categories. Has your agency compared the source tables to ensure they align to new or revised reporting requirements?”

**Future of RSA-2**

Slides 25-24

As the third and final topic of the presentation, David provided a briefing of the RSA-2 and how it may be impacted with the RSA-911 expanded reporting requirements.

Slide 26 clarified that the RSA-2 (2017) version will have changes to better align with the WIOA:

“RSA-2 (2017) version issued for public comment earlier in year updated the RSA-2 to reflect WIOA regulation citations”.

Now that RSA-911 includes financial data and will be reported quarterly, RSA is looking for ways to streamline other financial reports as outlined in Slide 27:

“An RSA-2 (2018) version will be released shortly and will remove several of the reporting schedules which are no longer necessary. There will be some substantive changes designed to streamline RSA-2 and SF-425 reporting”.

Additional Comments

Alliance noted these additional remarks:

- Funds used by a State to purchase or change case management systems now require written pre-approval from RSA if the funds include federal participation.
- The recent OIG audit finding should be reviewed by States.

PowerPoint Presentation

PowerPoint slides and RSA notes are included starting on the next page.
David Steele Keynote Presentation

Getting There Together: New Recommendations for Accurate, Complete and Timely Financial Reporting

Slide 1

Getting There Together:

New Recommendations for Accurate, Complete and Timely Financial Reporting

Presenter: David Steele
Fiscal Unit Chief
Rehabilitation Services Administration
U.S. Department of Education

Slide 2

Agenda

› Period of Performance
  – What are the requirements?
  – How can you identify if this is an issue for your agency?
  – How can RSA and Aware help?
› Internal Controls: Financial and Performance Reporting
  – What are internal controls?
  – Why the emphasis on internal controls?
  – How do agencies ensure proper internal controls?
› Future of RSA-2 (Annual VR Program Cost Report)
**Slide 3**

**Period of Performance**

- “Period of performance” is the time during which the non-Federal entity (grantee) may incur new obligations to carry out the work authorized under the Federal award (2 CFR 200.77).
  - For most RSA Federal fiscal year (FFY) 2017 formula grant awards, the period of performance was from 10/1/2016 through 9/30/2017.
  - If grantees met the criteria required to carry over unobligated Federal funds, the period of performance was extended through 9/30/2018.

**Slide 4**

**Why is this Important?**

RSA uses the financial information reported by grantees to determine each grantee’s compliance with matching, maintenance of effort, and earmark requirements. If grantees are not assigning obligations and expenditures to the correct FFY, in accordance with the period of performance requirements, RSA is unable to determine the grantee’s compliance with Federal requirements.

Corrective action requires grantees to reconstruct financial records for current and prior years. Then, RSA reassess compliance with requirements.

**RSA Notes**

Ensuring grantees account for, assign and report Federal and non-Federal obligations and expenditures to the correct FFY is of critical importance. As noted above, if grantees are unable to assign obligations and expenditures to the correct FFY, RSA is unable to determine the grantee’s level of compliance with Federal requirements because the basis upon which the grantee is calculating the financial data submitted to RSA is incorrect. Therefore, this has
become a primary focus of RSA Fiscal Monitoring and was included in the FFY 2017 Monitoring and Technical Assistance Guide.

**Slide 5**

**What are obligations?**

- “obligations” mean orders placed for property and services, contracts and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period” (2 CFR 200.71).
  - The future period in which obligations may be paid is limited by Federal requirements and the terms and conditions applicable to the award.

**Slide 6**

34 CFR 76.707(b) (EDGAR)

<table>
<thead>
<tr>
<th>If the obligation is for:</th>
<th>The obligation occurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b) Personal services by an employee of the State.</td>
<td>When the services are performed.</td>
</tr>
</tbody>
</table>

Example: Staff salaries and benefits must be obligated to a Federal award with a period of performance that includes the dates worked by the employee.
The period of performance for the FFY 2018 grant awards begins on October 1, 2017. Staff salaries and fringe benefits for time worked in September 2017 are not allowable charges to the FFY 2018 grant award. The staff salaries and fringe benefits must be obligated to and liquidated from a grant award with a period of performance inclusive of the date the employees performed the work.

### Slide 8

**34 CFR 76.707(c) (EDGAR)**

<table>
<thead>
<tr>
<th>If the obligation is for:</th>
<th>The obligation occurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>(c) Personal services by a contractor who is not an employee of the State.</td>
<td>On the date on which the State makes a binding written commitment to obtain the services.</td>
</tr>
</tbody>
</table>

Example: Service authorizations are considered obligated on the date the service was authorized by the agency.
A VR agency permits VR Counselors to authorize VR services for a 6 month period or time. On May 1, 2017, a Counselor authorized monthly services through November 1, 2017. The provider submits an invoice for the services on January 1, 2018.

This invoice could not be paid from the FFY 2018 grant award that begins on October 1, 2017 because the service was obligated prior to the start of the award on May 1, 2017. The invoice could have been obligated against the FFY 2017 grant award or the FFY 2016 grant award carryover period, if applicable.

RSA Notes

These are only two examples of the impact of the EDGAR requirements regarding when obligations are incurred.

Other considerations:

Backdated authorizations – If permitted, how do agencies ensure that services authorized late are charged to the correct period of performance.

Liquidating authorizations – How does the agency ensure that all obligations charged to an award are liquidated within 90 days after the period of performance.
The financial management system of non-Federal entities must provide for:

(3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

RSA Notes
Includes both Federal and non-Federal authorizations, obligations, unobligated balances, assets, expenditures, etc.

How Do You Know if This is an Issue for YOUR Agency?

One way to test your system is to review the obligations and expenditures during the first month of a grant award (October 1 - October 30) to determine:

1. Are personnel costs charged only for personnel time worked after October 1?
2. Are administrative expenditures (e.g., rent, utilities, etc.) only for costs incurred after October 1?
3. Were the authorizations for consumer services paid authorized (obligated) after October 1?
4. Were payments for staff travel only for travel that occurred after October 1?
5. Were all contract expenditures for contracts obligated after October 1?

These are just a few of the questions that should be considered.

RSA Notes
Remind agencies of implications related to counting unliquidated non-Federal obligations as match.

Slide 13

Important Takeaways!
› Each grant award is like a new bank account to which only specific obligations and expenditures incurred during the period of performance can be charged.
› Grantees must assign all Federal and non-Federal obligations and associated expenditures on a FFY basis to the correct Federal award.
   – This is the only manner in which grantees can accurately report the amount of Federal and non-Federal obligations and liquidations, by FFY, on Federal Financial Reports (SF-425).
Slide 14

**Aware Considerations**

› Do the funding sources and budget structure permit the assignment, tracking, reporting, and liquidation of obligations to the appropriate grant award (both Federal and non-Federal funds)?

› Does your Aware/payment interface transmit sufficient information for your accounting system to determine which FFY or grant award number the expense was obligated to ensure payment from the correct Federal award?

› What are your processes for determining when obligations against one Federal award are closed and another opened?

Slide 15

**Technical Assistance**

› RSA is available to provide technical assistance to agencies in developing internal control processes to ensure the proper assignment and reporting of obligations and expenditures to the correct FFY.

› Alliance can provide support for Aware system modifications that may be required to implement the necessary internal control processes.

Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

(a) Transactions are properly recorded and accounted for, in order to:
   (1) Permit the preparation of reliable financial statements and Federal reports;
   (2) Maintain accountability over assets; and
   (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;

(b) Transactions are executed in compliance with:
   (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
   (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
   (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.
Slide 18

**Ongoing Monitoring**

In accordance with the Uniform Guidance at 2 CFR 200.303, internal control systems must evaluate and monitor the non-Federal entity’s compliance with statute, regulations, and the terms and conditions of the Federal award AND take prompt action when non-compliance is identified.

2 CFR 200.61 states that internal controls include the reliability of reporting for INTERNAL and EXTERNAL use (emphasis added).

Slide 19

**Monitoring and Correction**

The Uniform Guidance places a specific emphasis on internal controls and ensuring that grantees develop and implement internal control processes that identify and correct non-compliance on an ongoing basis.

When applied to financial and performance data, this means VR agencies have internal control processes to ensure data is accurate, valid and reliable.
1. What processes have VR agencies developed to ensure that the RSA-911 data is valid and reliable?
2. Is there ongoing monitoring to ensure the service record information is consistent with what is reported in the case management system?
3. What specific steps does the agency take when inconsistencies are identified?

For example:

- How is the extent of the incorrect data assessed and how will the data be corrected?
- How does the agency validate the data correction?
- What steps is the agency taking to ensure the data issue doesn’t recur?
Slide 22

• How are RSA-911 data files reviewed prior to submission to identify inconstancies with reporting requirements?

  RSA is looking for the same type of internal controls for financial reporting.

Slide 23

**Important Takeaways!**

› Reporting accurate and reliable data is a requirement.
› Track your agency data to the data elements required for submission. You need to understand where the data comes from and what it represents in order to ensure the data is reported correctly.
› Use the data reports you have to identify anomalies that may impact upon data quality.
› Establish internal control processes that continually evaluate data reliability and validity.

RSA Notes

Consider developing a crosswalk table.
Are you using the available reports to support your internal control processes?

Have you reviewed the tables that assign your case management and financial data to reporting categories?

Aware provides a great deal of flexibility in assigning data to various categories. Has your agency compared the source tables to ensure they align to new or revised reporting requirements?

The RSA-2 is a required component of WIOA reporting.

Agencies are required to report the average cost of career services and the average cost of training services per participant.

The cost for purchased career and training services will be derived from the RSA-911. These costs must be disaggregated by service type.
Slide 26

Future of RSA-2 (continued)

• The costs for career and training services provided by VR agency staff will be obtained from the RSA-2.
• RSA-2 (2017) version issued for public comment earlier in year updated the RSA-2 to reflect WIOA regulation citations.

Slide 27

Future of RSA-2 (continued)

• An RSA-2 (2018) version will be released shortly and will remove several of the reporting schedules which are no longer necessary. There will be some substantive changes designed to streamline RSA-2 and SF-425 reporting.
Slide 28

Conclusion

There is a lot to be done and we can only accomplish it by working collaboratively.

Where to focus:
• Period of Performance
• Internal Controls for Financial and Performance Reporting

Slide 29

Questions?