

TEXAS WORKFORCE COMMISSION
Adult Education and Literacy Letter

ID/No:	AEL 01-23
Date:	February 14, 2023
Keyword:	AEL; Financial Reporting
Effective:	Immediately

To: Adult Education and Literacy Grant Recipients
Adult Education and Literacy Special Project Grant Recipients
Local Workforce Development Board Executive Directors
Commission Executive Offices
Integrated Service Area Managers



From: Courtney Arbour, Director, Workforce Development Division

Subject: **Cash Draw and Expenditure Reporting System Instructions for Adult Education and Literacy Grant Awards**

PURPOSE:

The purpose of this AEL Letter is to provide Adult Education and Literacy (AEL) grant recipients¹ with information and guidance on the use of the Texas Workforce Commission's (TWC) Cash Draw and Expenditure Reporting (CDER) system.

RESCISSIONS:

AEL Letter 01-13

BACKGROUND:

The CDER system is an online system application that TWC uses to:

- collect expenditure reports;
- make payments; and
- perform the financial closeout of grant awards pursuant to:
 - Office of Management and Budget "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance) at Code of Federal Regulations, Title 2, Part 200 (2 CFR Part 200);
 - federal and state reporting instructions and requirements; and
 - TWC Chapter 800 General Administration rules §800.52 and §800.72.

¹ For the purposes of this AEL Letter, AEL grant recipients are entities that receive AEL funds through the Texas Workforce Commission (TWC).

The CDER system is available on the [Cash Draw & Monthly Expenditure Report System](#) page of TWC's website.

PROCEDURES:

No Local Flexibility (NLF): This rating indicates that AEL entities must comply with the federal and state laws, rules, policies, and required procedures set forth in this AEL Letter and have no local flexibility in determining whether and/or how to comply. All information with an NLF rating is indicated by "must."

Local Flexibility (LF): This rating indicates that AEL entities have local flexibility in determining whether and/or how to implement guidance or recommended practices set forth in this AEL Letter. All information with an LF rating is indicated by "may" or "recommend."

Cash Draw and Expenditure Reporting System

General System Requirements

NLF: AEL grant recipients must enter timely and accurate information into the CDER system.

NLF: AEL grant recipients must use the CDER system to perform the following actions for each TWC grant award received:

- Draw cash
- Submit monthly and final expenditure reports
- Submit a financial closeout package

NLF: AEL grant recipients must comply with the CDER system instructions in this AEL Letter, the training modules in the CDER system, and other applicable TWC issuances.

NLF: Before accessing the CDER system, AEL grant recipients must establish security access for appropriate users. TWC initiates contact for new AEL grant recipients. Otherwise, AEL grant recipients must request an account using the Request an Account link on the [Cash Draw & Monthly Expenditure Report System](#) page. TWC will coordinate with the account requestor and other appropriate AEL grant recipient personnel to establish access and security permissions for authorized individuals.

AEL Provider Awards with Overlapping Budget Periods

LF: AEL grant recipients that receive TWC-issued AEL local provider grant awards under Adult Education and Family Literacy Act (AEFLA) §231 receive funding in annual increments, with the availability of each year's funding lasting more than 12 months. AEL grant recipients draw down and report expenditures by funding year. When possible, AEL grant recipients should expend and disburse prior year funding before new year funding under these awards. An AEL grant recipient may voluntarily deobligate any funds that it does not anticipate expending, which enables TWC to redirect those funds to other AEL local providers or other authorized purposes.

Cash Draws

Requesting Payment

NLF: AEL grant recipients must submit cash draw requests in the Cash Draw module of the CDER system to request and receive payment under a grant award. A cash draw request is a payment request. An expenditure report is not a payment request.

NLF: Pursuant to 2 CFR §200.305, AEL grant recipients must, to the extent available, disburse funds available from program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.

Payment Methods and Excess Cash

NLF: AEL grant recipients must calculate cash draw requests under either the advance payment method or reimbursement payment method authorized by 2 CFR §200.305. Grant recipients must not use the capital advance method described in 2 CFR §200.305 without TWC approval.

NLF: AEL grant recipients that use the advance method to request payment from TWC must implement and maintain written procedures to minimize the time elapsing between receipt of funds from TWC and disbursement of those funds on allowable expenditures, so as to prevent the occurrence of excess cash.

NLF: AEL grant recipients must refund excess cash to TWC.

Fidelity Bonds

NLF: AEL grant recipients (including education service centers) must provide TWC with proof of a fidelity bond (or equivalent) before TWC will release payment, unless the entity is exempt from the fidelity bond requirement. Entities backed by a taxing authority are exempt from the TWC fidelity bond requirement. These entities include, but are not limited to, the following:

- Public colleges
- Public universities
- Consolidated school districts
- Independent school districts

NLF: AEL grant recipients that are required to provide TWC with proof of a fidelity bond must obtain a bond in an amount sufficient to cover:

- the largest cumulative amount of all cash requests submitted on a given day; or
- the cumulative amount of funds on hand at any given point.

TWC must be listed as a certificate holder of the bond. Refer to the General Terms and Conditions of the grant award and TWC's [Financial Manual for Grants and Contracts](#) for additional requirements and submission instructions for the fidelity bond.

System Limits

NLF: AEL grant recipients must comply with the following limits when submitting cash requests:

- The request must not exceed the available cash balance of the grant award.
- The request must not exceed 20 percent of the grant award budget.
- If the entity is subject to TWC fidelity bond requirements, the sum of draws for all TWC grant awards during any three consecutive business days must not exceed the amount of the fidelity bond.
- If the entity is exempt from TWC fidelity bond requirements, the sum of draws for all TWC grant awards during any three consecutive business days must not exceed 20 percent of all open grant awards.

Use of Funds

NLF: AEL grant recipients must use cash drawn through the CDER system only for allowable expenditures of the grant award from which the funds were drawn. AEL grant recipients must not draw cash under one grant award to pay for expenditures of another grant award or other activities.

Expenditures

Limitation on TWC Liability

NLF: AEL grant recipients must be aware that TWC is liable to the entity in an amount equal to, but not in excess of, the lesser of either the amount of the grant award or the actual allowable costs incurred by the entity in rendering the performance specified in the grant award, subject to the following provisions:

- The limitations established in the grant award budget.
- TWC is not liable for expenditures unless and until TWC receives a verified statement of obligations and accrued expenditures that is prepared in accordance with the requirements set forth by TWC in AEL Letters and other TWC issuances.
- TWC is not liable for expenditures made in violation of the legal authorities cited in the grant award or any other law or regulation applicable to a specific service performed under the grant award.
- TWC is not liable to the entity for costs incurred or performances rendered by the entity or its contractors or subrecipients before commencement of the grant award or after termination of the grant award, other than allowable administrative costs, unless approved in writing by an authorized representative of TWC.
- TWC is not liable for any costs incurred by the entity in the performance of the grant award which have not been billed to TWC within 60 days following termination or expiration of the grant award.

In the event that the grant award further limits TWC's liability beyond what is described in this AEL Letter, the limits set forth in the grant award prevail.

NLF: AEL grant recipients must be aware that notwithstanding any provisions of the grant award, TWC's obligations for costs incurred or performances rendered by the entity under the grant award are contingent upon receipt of adequate funds from federal and state sources to meet TWC's liabilities under the grant award. The grant award is subject to revision upon actual receipt of funds from federal or state sources. In the event that the grant award further limits TWC's obligations beyond what is described in this AEL Letter, the obligations set forth in the grant award prevail.

Reporting

- NLF**: AEL grant recipients must submit monthly expenditure reports and a final expenditure report in the Expenditure Reporting module of the CDER system. A CDER expenditure report is not a cash draw request and does not generate payment from TWC.
- NLF**: As required by TWC Chapter 800 General Administration rule §800.72, AEL grant recipients must prepare CDER system monthly expenditure reports and the final expenditure report on an accrual basis.
- NLF**: Each month, AEL grant recipients must complete and certify, by the due date specified in this AEL Letter, a monthly expenditure report showing accurate amounts of the prior month's obligations, accrued expenditures, and program income (if any). The report must also include any leverage or match required to be reported under the grant award (if any).
- NLF**: If a grant award has no activity during a reporting month, AEL grant recipients must enter and certify \$0.00 amounts.
- NLF**: If the current month's expenditures for a grant award are less than or equal to 5 percent of the respective grant award budget, AEL grant recipients must provide an explanation in the CDER system. The CDER system will not permit an AEL grant recipient to certify the report until the entity enters an explanation in the display field.
- NLF**: At the end of a grant award, AEL grant recipients must complete and certify, by the due date specified in this AEL Letter, an accurate final expenditure report for the grant award.
- NLF**: If the financial status of a grant award changes after certifying the final expenditure report, AEL grant recipients must email payables.cder@twc.texas.gov and request a revised final expenditure report. AEL grant recipients must complete and certify the revised final expenditure report by the due date specified in this AEL Letter (unless TWC agrees to another date).

Financial Obligations

- NLF**: AEL grant recipients must be aware that for purposes of reporting to TWC, unless such definition is superseded by federal requirements, "obligation" means a debt established by a legally binding contract, letter of agreement, subgrant, or purchase order that:
- has been executed prior to the end of a grant award period for goods and services provided by the end of the grant award period; and
 - will be liquidated 60 calendar days after the end of a grant award period.

Refer to TWC Chapter 800 General Administration rule §800.52 for this definition of "obligation." This meaning is generally more prescriptive than the definition of "financial obligation" established in 2 CFR §200.1.

Expenditures

- NLF**: All costs that AEL grant recipients charge to grant awards must be allowable pursuant to the provisions of the grant award.

NLF: Using nonfederal, nonstate sources, AEL grant recipients must repay to TWC any funds determined to be expended in violation of the terms and conditions of the grant award. Refer to the General Terms and Conditions of the grant award for additional requirements concerning repayment of such funds.

NLF: AEL grant recipients must be aware that for purposes of reporting to TWC, “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. (For this definition, refer to TWC Chapter 800 General Administration rule §800.52.) Accrued expenditures include expenses incurred but not paid. For reports prepared on an accrual basis, the definition of “expenditures” at 2 CFR §200.1 establishes that expenditures are the sum of:

- cash disbursements for direct charges for property and services;
- the amount of indirect expense incurred;
- the value of third-party in-kind contributions applied (if applicable); and
- the net increase or decrease in amounts owed by the entity for:
 - goods and other property received;
 - services performed by employees, contractors, subrecipients, and other payees; and
 - programs for which no current services or performance are required, such as annuities, insurance claims, or other benefit payments.

Indirect Costs

NLF: AEL grant recipients that charge indirect costs to AEFLA grant funds must comply with the restricted rate provisions in US Department of Education regulations at 34 CFR §§76.563–76.569.

Administrative Cost Limits

NLF: AEL grant recipients must be aware that when an administrative cost limit applies to the grant award, TWC will program the CDER system to apply a business rule to the related cost category (or cost categories) to prevent AEL grant recipients from reporting expenditures in excess of the award limit.

NLF: AEL grant recipients must use funds available under grant awards for administrative expenditures only to the extent allowed under applicable federal regulations, the grant award, and this AEL Letter.

LF: AEL grant recipients that receive an AEL provider grant award under AEFLA §231 may exercise the special rule in AEFLA §233(b) and negotiate with TWC to determine an adequate level of funds to be used for noninstructional purposes in cases where the 5 percent administrative cost limit established by AEFLA §233(a) is too restrictive to allow for the administrative activities described in AEFLA §233(a)(2).

Cost Categories

- NLF**: AEL grant recipients must report obligations and expenditures in the cost categories provided on the CDER system expenditure report. Frequently used cost categories are described in Attachment 1. TWC may establish additional cost categories as needed.
- NLF**: When an expenditure report for a grant award with multiple funding sources contains a separate set of cost categories for each funding source, AEL grant recipients must report obligations and expenditures by funding source. A prefix identifies the cost categories that correspond to a particular fund source.

Cost Category Budgets

- NLF**: AEL grant recipients must be aware that the expenditure reports for each grant award specify a budget for each cost category. TWC establishes the initial cost category budgets based on the grant award budget. Cost category budgets may subsequently change as a result of budget changes requested by AEL grant recipients.
- NLF**: AEL grant recipients must obtain prior written approval from TWC to make any change to a budget line item. The entity must request TWC approval by contacting the designated TWC grant manager for the grant award. If TWC approves the request, the TWC grant manager adjusts the cost category budget in the CDER system. (Depending on the dollar amount of the change, the grant manager may require a formal budget amendment to the corresponding budget line items in the grant award.)
- NLF**: AEL grant recipients must be aware that it is a violation of the grant award to exceed the cost category budgets in the CDER system. The CDER system will not accept amounts exceeding the cost category budgets.

Availability of Expenditure Reports

- NLF**: AEL grant recipients must be aware that a monthly expenditure report ordinarily becomes available in the CDER system on the first calendar day following the month in which the activities to be reported were incurred. For example, the monthly expenditure report for July becomes available for completion on August 1.
- NLF**: AEL grant recipients must be aware that a final expenditure report ordinarily becomes available in the CDER system on the first calendar day following the second month in which the grant award ends. For example, if the grant award period ends on June 30, the final expenditure report will ordinarily become available for completion on August 1.
- LF**: AEL grant recipients may submit the final expenditure report sooner than the report is normally available by converting a monthly expenditure report to a final expenditure report. For example, if an AEL grant recipient has a 12-month grant award period of July through June and fully expends the award in March, the AEL grant recipient may convert the monthly expenditure report for March activities to the final expenditure report.
- NLF**: AEL grant recipients must be aware that creation of a final expenditure report automatically makes the financial closeout package available for completion.

NLF: When TWC makes a revised final expenditure report available to an AEL grant recipient, the AEL grant recipient must complete and certify the revised final expenditure report and recertify the financial closeout package.

Expenditure Report Due Dates

NLF: AEL grant recipients must complete and certify expenditure reports by the following due dates, even if the due date falls on a holiday or weekend.

Report	Due By
Monthly Expenditure Report	11:59 p.m. on the 20th calendar day of the month following the month in which the costs were incurred
Final Expenditure Report	11:59 p.m. on the 60th calendar day following the end of the grant award*
Revised Final Expenditure Report	11:59 p.m. on the day the revised report is created, unless TWC agrees to a later date

* The due date for a final expenditure report is the same as the due date for a monthly expenditure report if the final expenditure report was created as a result of the AEL grant recipient converting the monthly expenditure report to a final expenditure report.

NLF: AEL grant recipients must be aware that TWC may populate expenditure amount lines on a monthly expenditure report with \$0.00 after the fifth day that a report is past due.

Errors and Omissions

NLF: If an AEL grant recipient identifies an error or omission in a monthly expenditure report after the report due date, the grant recipient must reflect the correction in the “current month expenditures” column of the next available monthly expenditure report.

NLF: If a refund, questioned/disallowed cost, error, omission, or other transaction change occurs in final reported expenditures after TWC accepts the final expenditure report, the AEL grant recipient must email payables.cder@twc.texas.gov and request to revise the final expenditure report.

Financial Closeout

General Financial Closeout Requirements

NLF: AEL grant recipients must submit a financial closeout package to TWC when any of the following occurs:

- The award has expired.
- TWC has paid to the entity all available funds for the grant award period.
- The AEL grant recipient has incurred all accrued expenditures chargeable to the grant award.
- The period of available funds has expired or been terminated.

NLF: If an AEL grant recipient establishes another entity, such as a fiscal agent, to receive grant funds and manage the financial aspects of the grant award on the AEL grant

recipient's behalf, that entity will be party to the grant award that TWC issues. If an AEL grant recipient adds, removes, or changes such an entity during the grant award, the AEL grant recipient must notify TWC, and TWC will close the existing grant award and issue new awards for each impacted grant award. In such cases, AEL grant recipients must submit separate financial closeout packages for:

- each of the awards closed as part of the changeover; and
- each of the new awards when the closeouts for those awards are due.

NLF: AEL grant recipients must ensure that subrecipients submit closeouts to the AEL grant recipient in accordance with a local award closeout process in order to ensure that the AEL grant recipient provides all expenditure information to TWC by the financial closeout package due date.

Certifying the Financial Closeout Package

NLF: AEL grant recipients must be aware that the CDER system financial closeout package consists of the following components:

- Property Inventory
- Certification of Property Use
- Schedule of Unpaid Liabilities and Other Claims Outstanding
- Review Contract Closeout Package page
- Contract Release Agreement page

LF: When completing the Property Inventory component, AEL grant recipients may submit an electronic file of the property list instead of keying each item into the CDER system.

NLF: If an AEL grant recipient elects to submit an electronic file of the property listing, the grant recipient must name the file using the TWC-issued grant award number followed by "INV" (for example, 0922ALA002INV) and email it to closeout.propertylist@twc.texas.gov by the financial closeout package due date.

NLF: AEL grant recipients must perform the following activities in order to activate the option to certify the financial closeout package in the CDER system:

- Ensure that amounts due to and due from TWC are \$0.00.

Note: If the AEL grant recipient listed unpaid liabilities on the Schedule of Unpaid Liabilities and Other Claims Outstanding for which the AEL grant recipient had not previously submitted a cash draw request, the AEL grant recipient must submit a cash draw request in the CDER system for those amounts. The amounts requested will reflect as being due from TWC until the cash draw request processes through the CDER system.

- Certify the final expenditure report (or revised final expenditure report, if applicable) in the CDER system reporting module.

Note: Generally, the CDER system will not permit certification of the final expenditure report until amounts due to and due from TWC are \$0.00.

- Certify the Certification of Property Use component of the financial closeout module.
- Answer all questions on the Review Contract Closeout Package component of the financial closeout package, including indicating the status of both the Property Inventory and the Schedule of Unpaid Liabilities and Other Claims Outstanding.

AEL grant recipients must be aware that the CDER system will not permit an AEL grant recipient to certify the financial closeout package until all these activities are complete.

NLF: AEL grant recipients must certify the financial closeout package by completing the certification section of the Contract Release Agreement.

Recertifying a Financial Closeout Package

NLF: AEL grant recipients that identify errors or omissions in the financial closeout package after TWC accepts it must email payables.cder@twc.texas.gov and request that TWC return the package to the grant recipient for revision and recertification.

Financial Closeout Due Dates

NLF: AEL grant recipients must certify the financial closeout package for a grant award no later than the due date of the final expenditure report for that award.

NLF: If an AEL grant recipient requests to submit a revised final expenditure report, the entity must certify the financial closeout package no later than the due date of the revised final expenditure report (that is, by 11:59 p.m. on the day the revised final expenditure report is created, unless TWC agrees to a later date).

NLF: If a revised final expenditure report is created after an AEL grant recipient has certified the financial closeout package, the financial closeout package is automatically decertified. TWC will return the financial closeout package, and the AEL grant recipient must recertify the financial closeout package no later than the due date of the revised final expenditure report.

NLF: If an AEL grant recipient requests that TWC return a financial closeout package to the grant recipient after TWC accepts the package (and there is no change to reported expenditures), the AEL grant recipient must recertify the financial closeout package on the same day that TWC returns it.

Record Retention

LF: After TWC accepts the AEL grant recipient's certified financial closeout package, the AEL grant recipient may print TWC's acceptance from the CDER system. The information will be retained online for a period of five years from the grant award end date.

Late Notifications and Cash Draw Cutoff

NLF: AEL grant recipients must be aware that TWC will administer email notifications and cash draw cutoff procedures as shown below for an AEL grant recipient that fails to certify a monthly, final, or revised final expenditure report or a financial closeout

package (including a revised financial closeout package) by the due dates specified in this AEL Letter.

Past Due	Late Notification to AEL Grant Recipients	Late Notification to TWC
1 day	Individuals designated by AEL grant recipient	Financial Systems & Reporting
2–4 days	Individuals designated by AEL grant recipient	Chief Financial Officer
5 days	Cash draw turned off for all of the AEL grant recipient’s TWC grant awards	

Note: The CDER system will send late notification emails to the individuals indicated for a particular day, as well as recipients of the previous day’s email.

NLF: AEL grant recipients must certify an expenditure report or financial closeout package by 11:59 p.m. on the fourth day that it is past due in order to prevent cash draw cutoff. If an AEL grant recipient does not certify the past due report or closeout package by that time, cash draw access for all TWC grant awards will cut off at 12:00 a.m. on the fifth day that the report or closeout package is past due.

NLF: AEL grant recipients must be aware that when cash draw access is turned off for an AEL grant recipient, the grant recipient will be unable to submit cash requests or receive payment for any TWC grant award until the entity completes and certifies the past due expenditure report or financial closeout package that triggered the cash draw cutoff. A cash draw lockout does not prevent AEL grant recipients from being able to submit expenditure reports.

NLF: AEL grant recipients must be aware that late notification emails do not identify which past due expenditure report or financial closeout package triggered the notice. AEL grant recipients must use the CDER system’s Expenditure Report Worklist page to identify the past due report or closeout package that triggered the notice.

LF: If an AEL grant recipient does not understand why it is locked out of cash draw access, the AEL grant recipient may email:

- Cash Draw Technical Assistance at cashdraw.ta@twc.texas.gov; or
- CDER Payables at payables.cder@twc.texas.gov.

NLF: AEL grant recipients must be aware that TWC provides no notification when the CDER system turns off or restores an entity’s cash draw access. AEL grant recipients that want to verify cash draw capabilities must email cashdraw.ta@twc.texas.gov.

NLF: AEL grant recipients must be aware that when an AEL grant recipient is locked out of cash draw access because of late reports, TWC will not restore the entity’s cash draw access until the recipient has submitted all past due reports that triggered the cash draw lockout.

NLF: After an AEL grant recipient submits the past due expenditure reports or financial closeout package that caused its cash draw lockout, the CDER system restores the recipient’s cash draw access on the following business day. If an AEL grant recipient is locked out of cash draw access and needs to request cash on the same day that it submits its past due reports, the AEL grant recipient must email cashdraw.ta@twc.texas.gov for assistance.

Assistance Listings Expenditure Detail

NLF: AEL grant recipients must be aware that federal Assistance Listings—formerly Catalog of Federal Domestic Assistance (CFDA)—information is available in the CDER system’s Contract Funding Summary Report, which provides cumulative-to-date TWC cash draw disbursements under a grant award by federal Assistance Listings Number. The report uses “00.000” to indicate TWC cash draw disbursements of state general revenue. AEL grant recipients may email TWC’s Accounting and Financial Reporting Services at cager@twc.texas.gov with questions about the report.

Continuing Requirements

NLF: Under the terms of each grant award, after award closeout AEL grant recipients must continue to comply with the following:

- The right of TWC and other oversight entities to disallow costs and recover funds on the basis of a later audit or other review
- The responsibility of the AEL grant recipient to return any funds due as a result of later refunds, corrections, or other transactions, including final indirect cost rate adjustments
- The audit requirements that apply under the grant award
- The property management and disposition requirements that apply under the grant award
- The record retention requirements that apply under the grant award

INQUIRIES:

Send inquiries regarding this AEL Letter to fiscal.ta@twc.texas.gov.

ATTACHMENTS:

Attachment 1: AEL Cost Category Descriptions

REFERENCES:

Adult Education and Family Literacy Act
Workforce Innovation and Opportunity Act §121—Establishment of One-Stop Delivery Systems
US Department of Education Regulations at 34 CFR §§76.560–76.580—Indirect Cost Rates
Adult Education and Family Literacy Act Regulations, 34 CFR Part 463
Temporary Assistance for Needy Families Regulations, 45 CFR §263.0(b) (definition of “administrative costs”)
Office of Management and Budget “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” (Uniform Guidance), 2 CFR Part 200

OCTAE Program Memorandum 17-2, issued August 23, 2017, and updated
September 15, 2022, and titled “Performance Accountability Guidance for Workforce
Innovation and Opportunity Act (WIOA) Core Programs”
OCTAE Program Memorandum 17-3, issued January 18, 2017, and titled “Infrastructure
Funding of the One-Stop Delivery System”
Texas Workforce Commission Chapter 800 General Administration Rule §800.52 and
§800.72
Texas Adult Education and Literacy Guide