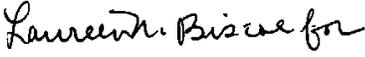


**TEXAS WORKFORCE COMMISSION  
ADULT EDUCATION AND LITERACY LETTER**

<b>ID/No:</b>	AEL 01-13
<b>Date:</b>	October 2, 2013
<b>Keywords:</b>	AEL; Financial Reporting
<b>Effective:</b>	Immediately

**To:** Adult Education and Literacy Fiscal Agents  
English Literacy and Civics Grantees  
T-CALL  
Project GREAT Centers  
Commission Executive Offices  
  
**From:** Reagan Miller, Director, Workforce Development Division  
**Subject:** **Cash Draw and Expenditure Reporting System Instructions**

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**PURPOSE:**

To provide Adult Education and Literacy (AEL) Fiscal Agents, English Literacy and Civics (ELC) Grantees, T-CALL, and Project GREAT Centers<sup>1</sup> with information and guidance on the use of the Texas Workforce Commission's (TWC) Cash Draw and Expenditure Reporting (CDER) system.

**BACKGROUND:**

The CDER system is an online system application that TWC uses to collect financial reports, make payments, and perform the financial contract closeout of grant award contracts (grant contracts) pursuant to:

- Office of Management and Budget Circulars A-102 and A-110;
- Education Department General Administrative Requirements at 34 CFR Parts 74 and 80; and
- TWC rules at 40 TAC §800.52 and §800.72.

The CDER system is available at <http://www.twc.state.tx.us/boards/cashdraw.html>.

**PROCEDURES:**

**Cash Draw and Expenditure Reporting System**

AEL entities must enter timely and accurate information into the CDER system.

**NLF**

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<sup>1</sup> For the purposes of this letter, the term "AEL entities" is used when referring to all of the following: Adult Education and Literacy Fiscal Agents, English Literacy and Civics Grantees, T-CALL, and Project GREAT Centers. Otherwise, each entity is referenced individually.

AEL entities must use the CDER system to perform the following:

NLF

- Draw cash
- Submit financial reports
- Submit financial contract closeout packages

AEL entities must comply with the CDER system instructions provided by this AEL Letter and the training modules in the CDER system.

NLF

Before accessing the CDER system, AEL entities must establish security access for appropriate users by requesting an account at <http://www.twc.state.tx.us/boards/cashdraw.html>.

NLF

### **Special Transition Instructions**

AEL Fiscal Agents and ELC Grantees must not charge expenditures to TWC grant contracts until the earlier of the following:

NLF

- September 15, 2013; or
- the corresponding 2012–2013 local provider agreement from the Texas Education Agency (TEA) has been fully expended.

AEL Fiscal Agents that fully expend the 2012–2013 local provider agreements before September 3, 2013, must use the state General Revenue portion of the TWC grant contract for expenditures incurred on September 1–2, 2013.

NLF

AEL entities must not charge TWC grant contracts for expenditures incurred prior to September 1, 2013.

NLF

### **Cash Draws**

AEL entities must be aware that TWC allows use of the advance payment method, authorized by 34 CFR Parts 74 and 80, when requesting payment from TWC.

NLF

AEL entities that use the advance method to request payment from TWC must have and implement written procedures to minimize the time elapsing between receipt of funds from TWC, and disbursement of those funds on allowable expenditures, so as not to result in excess cash.

NLF

AEL entities must refund excess cash to TWC.

NLF

AEL entities (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. The following types of AEL entities are exempt from TWC fidelity bond requirements:

NLF

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

AEL entities that are required to provide TWC with proof of a fidelity bond must obtain a bond that is 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. Such amount is determined based on cumulative amounts drawn during any consecutive three-day period for single or multiple funding sources. TWC must be listed as a certificate holder of the bond.

NLF

AEL entities must comply with the following limits when submitting cash requests:

NLF

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

AEL entities must use cash drawn through the CDER system only for expenditures that are allowable under the grant contract from which the funds were drawn.

NLF

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

NLF

- The limitations established in the grant contract budget.
- TWC receives financial reports of expenditures incurred under the grant contract, according to the instructions specified in this AEL Letter.
- TWC is not liable for expenditures made in violation of the legal authorities cited in the grant contract, or any other law or regulation applicable to a specific service performed under the grant contract.
- TWC is not liable for costs incurred or performances rendered by the entity or its subcontractors before commencement of the grant contract or after termination of the grant contract, 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 contract, which have not been billed to TWC within 60 days following termination or expiration of the grant contract.

AEL entities must be aware that notwithstanding any provisions of the grant contract, TWC's obligations for costs incurred or performances rendered by the entity under the grant contract are contingent upon receipt of adequate funds from federal and state sources to meet TWC's liabilities under the grant contract. The grant contract is subject to revision upon receipt of funds from federal or state sources.

NLF

### **Financial Reports**

Each month, AEL entities must complete and certify, by the due date specified in this AEL Letter, a *monthly financial report* showing accurate amounts of the prior month's obligations, accrued expenditures, and program income (if any).

NLF

At the end of a grant contract, AEL entities must complete and certify, by the due date specified in this AEL Letter, an accurate *final financial report* for the grant contract. **NLF**

If the financial status of a grant contract changes after certifying the final financial report, AEL entities must e-mail [payables.cder@twc.state.tx.us](mailto:payables.cder@twc.state.tx.us) and request a *revised final financial report*. AEL entities must complete and certify the revised final financial report by the due date specified in this AEL Letter (unless TWC agrees to another date). **NLF**

#### Obligations

AEL entities must be aware that for purposes of reporting to TWC, “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. **NLF**

#### Expenditures

All costs that AEL entities charged to grant contracts must be allowable pursuant to the provisions of the grant contract. **NLF**

AEL entities must repay to TWC from nonfederal, nonstate sources, any funds determined to be expended in violation of the terms and conditions of the grant contract. **NLF**

AEL entities 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. Accrued expenditures include expenses incurred, but not paid. **NLF**

AEL entities must provide an explanation in the CDER system if the “current month” expenditures for a grant contract are less than or equal to 5 percent of the respective contract budget. The CDER system will display a prompt and will not permit the AEL entity to certify the report until the entity enters an explanation in the display field. **NLF**

#### Cost Categories and Cost Limits

AEL entities must report obligations and expenditures in the cost categories described in Attachment 1 to this AEL Letter. The cost categories in each financial report correspond to the budget line items in the respective grant contract. **NLF**

When a financial report for a grant contract with multiple fund sources contains a separate set of cost categories for each fund source, AEL entities must report obligations and expenditures by fund source. A prefix identifies the cost categories that correspond to a particular fund source. **NLF**

For example, the Adult Education and Family Literacy Act (AEFLA) and Temporary Assistance for Needy Families (TANF) grant contracts for the 2013–2014 school year

contain three fund sources that use the following prefixes to identify the corresponding cost categories in the financial reports:

- TAN—TANF funds (including TANF Maintenance of Effort funds)
- AEL—AEFLA funds authorized under Title II of the Workforce Investment Act
- GR—state General Revenue funds that are provided as match for AEL funds.

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

**NLF**

AEL entities must use funds available under grant contracts for administrative expenditures only to the extent allowed under applicable federal regulations, the grant contract, and this AEL Letter.

**NLF**

#### Cost Category Budgets

AEL entities must be aware that the financial reports for each grant contract specify a budget for each cost category. TWC establishes the initial cost category budgets based on the corresponding budget line items in the grant contract. The cost category budgets can subsequently change as the result of budget adjustments that the AEL entity requests. The cost category budgets in the CDER system always reflect the current approved budget line items for the grant contract.

**NLF**

AEL entities 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 contract manager for the grant contract. If TWC approves the request, the TWC contract manager adjusts the cost category budget in the CDER system. (Depending on the dollar amount of the change, the contract manager can include with the CDER system budget adjustment a formal budget amendment to the corresponding budget line items in the grant contract.)

**NLF**

AEL entities must be aware that it is a violation of the grant contract to exceed the cost category budgets in the CDER system. CDER will not allow an amount exceeding the cost category budget to be entered in the system.

**NLF**

#### Availability of Financial Reports

AEL entities must be aware that a monthly financial report 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 financial report for September becomes available for completion on October 1.

**NLF**

AEL entities must be aware that a final financial report ordinarily becomes available in the CDER system on the first calendar day following the second month in which the grant contract ends. For example, if the grant contract ends on May 31, the final financial report will be available for completion on July 1.

**NLF**

AEL entities may submit the final financial report sooner than the report would normally be available by changing a monthly financial report to a final financial report. For example, if an AEL entity has a 12-month grant contract period of June through May,

**LF**

and the entity fully expends the contract in March, the AEL entity can convert the monthly financial report for March activities to the final financial report.

AEL entities must be aware that creation of a final financial report automatically makes the financial contract closeout package available for completion.

**NLF**

**Financial Report Due Dates**

AEL entities must complete and certify financial reports by the following due dates, even if the due date falls on a holiday or weekend.

**NLF**

<b>Report</b>	<b>Due By</b>
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 grant contract*
Revised Final Financial 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 financial report is the same as the due date for a monthly financial report if the final financial report was created as a result of the AEL entity converting the monthly financial report to a final expenditure report.

If a grant contract has no activity during a reporting month, AEL entities must enter and certify \$0.00 amounts.

**NLF**

AEL entities must be aware that 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.

**NLF**

**Errors and Omissions**

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

**NLF**

If a refund, questioned/disallowed cost, error, omission, or other transaction changes on final reported expenditures after TWC accepts the final financial report, the AEL entity must e-mail [payables.cder@twc.state.tx.us](mailto:payables.cder@twc.state.tx.us) and request a revised final financial report.

**NLF**

**Financial Contract Closeout Packages**

AEL entities must submit a financial contract closeout package to TWC when any one of the following conditions exists:

**NLF**

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

*Note:* If an AEL entity contracts with another entity to serve as the fiscal agent for a grant contract, and the AEL entity changes fiscal agents during the grant contract, the AEL entity must submit financial contract closeout packages for all grant contracts

**NLF**

for which that entity served as grant recipient. When the grant contract is closed in this way, new grant contracts will be established with the AEL entity's new fiscal agent that must be closed out when one of the conditions above is met.

AEL entities must ensure that all of their subcontracts submit closeouts to the AEL entity in accordance with a local contract closeout process to ensure that the AEL entity provides all expenditure information by the date that the financial contract closeout package is due to TWC.

NLF

#### Components of the Financial Contract Closeout Package

AEL entities must perform the following activities for the CDER system to activate the option to certify the contract closeout package:

NLF

- The AEL entity must certify the final, or revised final, financial report in the CDER system reporting module.
- The AEL entity must answer all of the questions on the “review contract closeout package” component.
- If there are unpaid liabilities under the grant contract for which the AEL entity has not submitted a cash draw request, the AEL entity must submit a cash draw request for those liabilities and TWC must release the funds so that amounts due from TWC are zero.
- AEL entities must certify the “certification of property use” component of the contract closeout module.

AEL entities must certify the Certification Page (contract release agreement) of the contract closeout package to certify the contract closeout package.

NLF

AEL entities may submit an electronic file of the property listing, instead of keying each piece of property into the CDER system.

LF

If an AEL entity elects 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, e.g., 0904WIA000INV. The file must be e-mailed to [closeout.propertylist@twc.state.tx.us](mailto:closeout.propertylist@twc.state.tx.us) by the due date of the contract closeout package.

NLF

#### Revised Financial Contract Closeout Package

An AEL entity that identifies errors or omissions in the financial contract closeout package after TWC accepts it must request that TWC returns the package to the entity by e-mailing [payables.cder@twc.state.tx.us](mailto:payables.cder@twc.state.tx.us).

NLF

#### Due Dates

AEL entities must certify the financial contract closeout package for a grant contract no later than the due date of the final financial report for that contract.

NLF

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

NLF

If a revised final financial report is created after the AEL entity certified the financial contract closeout package, TWC will return the financial contract closeout package to the entity, because creation of the revised final expenditure report will automatically uncertify the contract closeout package. The AEL entity must recertify the contract closeout package no later than the due date of the revised final financial report.

NLF

If an AEL entity requests that TWC return a financial contract closeout package to the entity after TWC accepts the package (and there is no change to reported expenditures), the AEL entity must certify the revised contract closeout package on the same day that TWC returns it.

NLF

Record Retention

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

LF

Late Notifications and Cash Draw Cutoff

AEL entities must be aware that TWC will administer e-mail notifications and cash draw cutoff procedures as shown below for an entity that fails to certify a monthly, final, or revised final financial report, or a financial contract closeout package (including a revised closeout package) by the due dates specified in this AEL Letter.

NLF

<b>Past Due</b>	<b>AEL Entities Late Notification Recipients*</b>	<b>TWC Late Notification Recipients*</b>
1 day	Individuals designated by AEL entities	Financial Systems & Reporting
2–4 days	Individuals designated by AEL entities	Chief Financial Officer
5 days	<b>Cash Draw Turned Off for All of the Entity’s TWC Grant Contracts</b>	

\* The CDER system will send late notification e-mails to the recipient indicated for a particular day, as well as recipients of the previous day’s e-mail.

AEL entities must certify a financial report or financial contract closeout package by 11:59 p.m. on the fourth day that it is past due to prevent cash draw cutoff. If the AEL entity does not certify the late report or closeout package by that time, cash draw access for all TWC grant contracts awarded to that entity will turn off at 12:00 a.m. on the fifth day that the report or closeout package is past due.

NLF

AEL entities must be aware that when cash draw access is turned off for an AEL entity, that entity will not have access to submit cash requests or receive payment for any TWC grant contract awarded to it until the entity completes and certifies the late report or closeout package that triggered the cash draw cutoff.

NLF

AEL entities must be aware that late notification e-mails do not identify the past due financial report or financial contract closeout package that triggered the notice. AEL entities must use the CDER system’s “Expenditure Report Worklist” page to identify the past due report or closeout package that triggered the notice.

NLF

AEL entities must be aware that TWC provides no notification when the CDER system turns off or restores an entity’s cash draw access. AEL entities that want to verify cash draw capabilities must e-mail [cashdraw.ta@twc.state.tx.us](mailto:cashdraw.ta@twc.state.tx.us).

**Other Reports and Information**

The Catalog of Federal Domestic Assistance information is available using the Contract Funding Summary Report in the CDER system.

**INQUIRIES:**

Direct inquiries regarding this AEL Letter to [aelpolicy.clarifications@twc.state.tx.us](mailto:aelpolicy.clarifications@twc.state.tx.us).

**ATTACHMENTS:**

Attachment 1: Cost Category Descriptions

**RESCISSIONS:**

None

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**REFERENCE:**

- OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments
- OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.
- 34 CFR Part 74, Administration of Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
- 34 CFR Part 80, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
- Texas Workforce Commission General Administration Rules: 40 TAC §800.52 and §800.72

**FLEXIBILITY RATINGS:**

**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” or “shall.”

**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.”