

APPENDIX 5

Appendix 5

Encumbrances and Expenditures

General Information

All encumbrances and expenditures of approved funds shall occur on or after the effective submission date of the application or amendment (date application or amendment was submitted to the Agency, or the first day grant funds are available for obligation, whichever is later). Encumbrance, accounts payable, expenditure, and other project accounting terms are defined in *Financial Accounting & Reporting (FAR): A Module of the Financial Accountability System Resource Guide*.

Encumbrances

The following table shows when a grantee makes obligations for various kinds of property and services:

If the obligation is for—	The obligation is made—
a) Acquisition of real or personal property.	On the date the grantee makes a binding written commitment to acquire the property.
b) Personal services by an employee of the grantee.	When the services are performed.
c) Personal services by a contractor who is not an employee of the grantee.	On the date on which the grantee makes a binding written commitment to obtain services.
d) Performance of work other than personal services.	On the date on which the grantee makes a binding written commitment to obtain the work.
e) Public utility services.	When the grantee receives the services.
f) Travel	When travel is taken.
g) Rental of real or personal property.	When the grantee uses the property.

Liquidation of Obligations

A grantee must liquidate (record as an expenditure under generally accepted accounting principles) all obligations (encumbrances) incurred under the grant by the time the final expenditure report (FER) is due, typically 30 days after the end of the project period. Therefore, local educational agencies (LEAs) must pay all of their bills or the expenditure must be in their “accounts payable” by the time the FER report is due to TEA. In order to pay a bill or to be in “accounts receivable”, the invoice may have been received and the goods and services must have been received within the grant period.

The term “Obligations” refers to orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period. Obligations representing orders placed are reflected in the accounting records as encumbrances.

Delivery of Goods and Services

All obligations and receipt of goods and services must occur within the grant period ending September 30th. LEAs no longer have a 30-day extension to receive goods and services.

In summary, this means:

1. Supplies, materials, and/or equipment which have been ordered (an obligation has been made) during the grant period must be received within and in time to benefit the grant period ending September 30th.
2. A service such as staff development which has been contracted for and an obligation has been made during the grant period must be received by September 30th. This may include travel expenses; travel is obligated when travel is taken.

[Authority reference: FAR, Section 1.8.1.2 Administrative Requirements, Period of Availability of Funds]

Examples of Encumbrances to 2010-2011 NOGA or 2011-2012 NOGA

With the 27-month period of availability for federal education programs of the No Child Left Behind (NCLB) Consolidated Federal Grant Application, an LEAs Notice of Grant Award (NOGA) for the 2010-2011 grant period may overlap with the NOGA for the 2011-2012 grant period. This would occur if the LEA received a July 1 stamp-in date to their 2011-2012 NOGA. LEAs are encouraged, but not required, to encumber to their 2010-2011 NOGA first before encumbering to their 2011-2012 NOGA for transactions and services that will benefit July, August, and September 2011 as approved in the NCLB Consolidated Federal Grant Application.

Examples of Encumbrances to 2010-2011 NOGA or 2011-2012 NOGA

Example 1: Question—Can Local Educational Agencies (LEAs) use 2010-2011 funds on trainings/supplies/materials during the summer?

Answer—Yes. The 2010-2011 grant period is through September 30,

(continued)

2011; therefore, the LEA is allowed to obligate (encumber) funds for summer trainings and/or the purchase of supplies/materials within the grant period as long as those items are approved and are budgeted for within their 2010-2011 NCLB Consolidated Federal Grant Application

Note: Stockpiling is not allowed. Ensure materials are used and benefit the grant period.

The LEA may choose to encumber to the 2011-2012 NOGA if they have a July 1, 2011 stamp in date for those summer activities commencing on or after July 1, 2011 approved within their 2011-2012 NCLB Consolidated Federal Grant Application.

Example 2: Question—Can 2010-2011 grant funds be used to purchase contracted services for the 2011-2012 school year?

Answer—Yes. However, keep in mind that the grantee may only obligate for contracted services allocable to July 2011, August, 2011, and/or September 2011. Contracted services attributable to service after September 2011 would need to be budgeted and obligated in the 2011-2012 NCLB Consolidated Federal Grant Application.

The LEA may also choose to encumber the entire contracted service to the 2011-2012 NOGA if the date of the binding written commitment to obtain services is within and benefits the 2011-2012 NOGA period.

Example 3: Question—For the 2011-2012 grant period, if an LEA places orders on June 30, 2012 that it has not yet received, may the LEA continue to place new orders after June 30, 2012?

Answer—Yes. However, all order of goods must be received by and benefit the grant period ending September 30, 2012.

Example 4: The LEA has a 2010-2011 NOGA (FY 11) and a 2011-2012 NOGA (FY 12) available for draw-down of expenditures and there is a conference July 20-25, 2011, and registration is due by May 15, 2011.

Question— Is it allowable to pay registration and travel expenses with FY 11 funds?

Answer—Yes. The grant period ends September 30, 2011 for the FY11 funds, and encumbrances that benefit the grant period and are received within the grant period ending September 30, 2011 may be paid from FY 11 funds. This includes the registration and the travel costs.

Example 5: Question—May LEAs use their 2010-2011 NOGA for July, August, and September 2011 salaries (payroll) for employees budgeted in the 2010-2011 application instead of accruing the salary?

Answer: Yes. Salary expense for July, August, and September 2011

Examples of
Encumbrances to
2010-2011 NOGA or
2011-2012 NOGA

(continued)

may be paid from 2010-2011 grant year funds. Accrual would not be necessary.

Example 6: Question—Does the LEA report 2011-2012 final expenditures or wait until all orders are received?

Answer—LEAs must have received all goods and services by September 30, 2012 to report them on the final expenditure report (FER) due October 31, 2012.

LEAs are provided one opportunity to report their FER. No revised FER is granted; therefore, LEAs FER must be 100% accurate. Any FER reported after October 31, 2012, will not be used for (1) cash disbursements or (2) determining carryover calculations.

If the LEA is unable to access the expenditure reporting (ER) system on October 31, 2012, the LEA must fax a letter to the Division of Formula Funding at (512) 463-7915 stating the LEA's final expenditures. The letter should be addressed to Formula Funding. Faxes received after October 31 will not be accepted.

Web-based Expenditure Reporting (ER)

LEAs will use the web-based ER system to draw down funds to meet the expenses they have incurred. LEAs may request funds as much as six days in advance of expenditure. This will allow TEA three days to process the request, and the LEA will have three days in which to liquidate. This is in keeping with Federal Regulation 34 CFR 80.41(c)(3) that stipulates that LEAs will have no more than three-days cash on hand.

LEAs may only begin to report expenditures for the 2011-2012 grant once they receive notification of their 2011-2012 NOGA.

Questions regarding expenditure reporting for the programs included in this application should be referred to the Division of Formula Funding at (512) 463-8525.

Availability of Funds

States will receive a percentage of their total allocations for the programs included in this Application for Federal Funding on July 1, 2011; however, the remaining balance of these allocations will not be available to the state until after October 1, 2011. If Congress appropriates funds as expected in October 2011, the amount of funds available July 1 should be sufficient to meet the needs of LEAs until the remainder of the grant is available. However, if the appropriation is delayed, the possibility exists that the availability of funds may be interrupted.

Availability of Funds (continued)

In the interest of fairness and in order to minimize the risk of such an interruption in the availability of funds for participating LEAs in Texas, the Division of Formula Funding will limit the amount of funds that LEAs may claim to 15% of their current-year grant until the

Refunds Due to TEA

appropriations bill is passed into law and the remaining balance of the funding is available.

If the LEA has expenditures totaling less than the funds disbursed, the LEA must submit a FER by the October 31, 2012 deadline and send a check for the unexpended balance to the following address:

Texas Education Agency-MS
P.O. Box 13717
Austin, Texas 78711-3717

Please attach the FER of transaction from ER system, which includes the NOGA ID associated with the refund amount.

If the October 31, 2012 deadline has passed, and the LEA owes a refund, the refund must still be sent.

If the report and the refund are not received by the October 31, 2012 deadline, there will be a suspension of cash disbursement for 2012-2013 .