

# FINANCIAL REPORTING

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# OVERVIEW

## Topics

- RSA-2: Changes to the Form (FFY 2017)
- Questions
- SF-425: Recent Changes and Common Reporting Errors
- Questions

# RSA-2 Form

The Annual Vocational Rehabilitation Program/Cost Report (RSA-2) for the State Vocational Rehabilitation (VR) and State Supported Employment programs captures:

- Administrative expenditures for the VR and Supported Employment programs;
- VR program service expenditures by category;
- Supported Employment program service expenditures;
- Expenditures for the VR program by number of individuals receiving purchased services;
- The costs by type of services provided; and
- A breakdown of staff employed by the VR agencies.

# Schedule I

☐ The administrative costs in Line 1 include expenditures related to:

- Personnel costs;
- Direct costs;
- Indirect costs; and
- Supported Employment program costs.

☐ Transition Consultation and Technical Assistance (3.D) is under Services to Groups Expenditures.

# Schedule II

- The basis for calculation of personnel effort uses labor hours.
- A separate data field is provided (line 5) to denote the number of hours considered full time in the State, due to State variation in the weekly threshold.

# Schedule III

- Twenty-eight discrete service categories that align with the RSA-911 form, combining both VR and Supported Employment program funds.
- Schedule III will include only the number of individuals and expenditures for purchased services.
- Services provided under Post-Employment should be recorded in the appropriate service category.

## Schedule III (cont.)

- ❑ For purposes of Schedule III – purchased VR Counseling and Guidance is distinct from the case management relationship between counselor and individual during the VR process.

## Schedule III (cont.)

☐ Training service sub-categories include discrete categories, including:

- Graduate College or University Training;
- Four-Year College or University Training;
- Junior or Community College Training;
- Occupational or Vocational Training;
- On-the-job Training;
- Apprenticeship Training;
- Basic Academic Remedial or Literacy Training;
- Job Readiness Training;
- Disability Related Skills Training; and
- Miscellaneous Training.



# Schedule III (cont.)

☐ Service categories to note include:

- Job Search Assistance;
- On-the-job Supports – Time limited;
- On-the-job Supports – Supported Employment;
- Reader;
- Interpreter;
- Technical Assistance;
- Benefits Counseling; and
- Customized Employment.

## Schedule III (cont.)

### Cross-checking data:

The dollar amounts on Schedule III, should reflect the total of the amounts included in Schedule I, Agency Expenditures, Section 2.B., lines 1 through 4.

# Frequently Asked Questions

Q. Where should pre-employment transition service costs be accounted for in the RSA-2?

A. Pre-employment transition services should be included in the “Other” category of services in Schedule III, line 28.

Note: The specific amount expended on pre-employment transition services is reported on Line 12a of the SF-425 Federal financial report



# RSA-2 Reporting Categories: Other

Q. What costs should be included in the “Other” cost category?

A. Costs should be included in “Other” only if there is no other service category that fits the expenditure. RSA anticipates very little, if any, use of “other” outside pre-employment transition service expenditures – should be included in “Other”.

Example: An agency placed all third party cooperative arrangement services under “Other.” Since third-party cooperative arrangements are only a vehicle through which VR services are provided, the actual cost of the VR service provided in the TPCA should be included in the appropriate category.

# Frequently Asked Questions (cont.)

Q. Where can we find the definitions for what should be included in the services to groups categories?

A. The definitions are included in the regulations. Listed below are the categories and the citations where the definitions can be found.

**3.A. Establishment, Development or Improvement of Community Rehabilitation Programs**

(34 C.F.R. § 361.5(c)(16); 34 C.F.R. § 361.5(c)(17); 34 C.F.R. § 361.49(a)(1))

**3.B. Telecommunication Systems**

(34 C.F.R. § 361.49(a)(2))

**3.C. Special Services to Provide Nonvisual Access to Information**

(34 C.F.R. § 361.49(a)(3))

# Frequently Asked Questions (cont.)

## 3.D. Technical Assistance to Businesses

(34 C.F.R. § 361.49(a)(4))

## 3.E. Business Enterprise Program

(34 C.F.R. § 361.49(a)(5))

## 3.F. Transition Consultation and Technical Assistance

(34 C.F.R. § 361.49(a)(6))

## 3.G. Transition Services to Youth and Students

(34 C.F.R. § 361.49(a)(7))

## 3.H. Construction of Facilities for Community Rehabilitation Programs

(34 C.F.R. § 361.5(c)(10); 34 C.F.R. § 361.60(a)(2); 34 C.F.R. § 361.49(a)(8))

## 3.I. Support for Advanced Training

(34 C.F.R. § 361.49(a)(9))



# RSA-2 Questions?

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# SF-425 Recent Changes: Supported Employment

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# Administrative Costs- Supported Employment (SE)

- Administrative expenditures for SE are limited to 2.5 percent of the total amount of the State's SE allotment (CFDA 84.187A + CFDA 84.187B) - Section 603(c) and 606(h) of the Rehabilitation Act and 34 C.F.R. § 363.51(b)
- Only SE (CFDA 84.187A) funds can be used for SE administrative costs.
- Report these costs on line 12b.

# Changes to the Remarks for 84.187A

- 12a. Expenditures for Youth with the Most Significant Disabilities: No longer applicable.
- It is not necessary to report this data element now that the grant award funds required to be reserved are allotted separately.
- 12b. Administrative Costs for Supported Employment Program (see the Administrative Costs slide above).

# Changes to the Remarks for 84.187A (cont.)

- 12c. Program Income Transferred from VR Program. Grantees are required to enter the amount of VR SSA payments transferred to the Supported Employment program (CFDA 84.187A) (34 C.F.R. § 361.63(c)(2)).
- If no VR SSA program income funds were transferred to the program, enter zero.

# 84.187B – Reserve and Matching

- For 84.187B, grantees are required to expend the funds only for the provision of Supported Employment services, including extended services, to eligible youth with the most significant disabilities.
- States must provide a 10 percent match for the provision of services to youth with the most significant disabilities (Section 606(b)(7)(I) of the Rehabilitation Act).

# Calculation of the Required Match for 84.187B

- Grantees may use the match calculator (<https://rsa.ed.gov/match-calculator.cfm>) on the RSA website to calculate the required match to fully expend, or carry over unobligated, Federal Supported Employment funds for services, including extended services, to youth with the most significant disabilities.

# Changes to the Remarks for 84.187B

- 12a. Recipient Share of Unliquidated Obligations.

Note: Previously, line 12a was reserved for reporting *Expenditures for Youth with the Most Significant Disabilities*. This is no longer necessary because 84.187A and 84.187B are awarded separately.

# Changes to the Remarks for 84.187B (cont.)

- 12b. Program Income Transferred from VR Program (see above).

Note: RSA removed the previous line 12b - *Administrative Costs for the Supported Employment Program* because administrative costs may not be charged to the Supported Employment (CFDA 84.187B) grant award (see explanations for administrative costs above).

# SF-425 Submission Frequency

- The revisions to RSA-PD-15-06 instructions for the Supported Employment program required submission of SF-425 reports on a semi-annual basis;
- Due to the issuance of two grants (84.187A and 84.187B), States will only submit SF-425s for the SE awards on an annual basis.



# SF-425 General Requirements (VR, SE, and OIB)

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# Reporting Period Requirements

Note: The end dates for each reporting period in a Federal fiscal year are 3/31 (VR only) and 9/30 (VR, Supported Employment, and OIB).

- Financial reports must be submitted no later than 30 days after the end of the reporting period.
- Final reports must be submitted no later than 90 days after the period of performance.

2 C.F.R. § 200.328(b)(1)



# Reporting Requirements

- Grantees are required to provide reasonable assurance that they are managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, and retain records necessary to document this activity (2 C.F.R. § 200.303, 200.333).
- This includes, but is not limited to, timely and accurate completion of required Federal forms (in this case the SF-425 and RSA-2) that document the meeting of these requirements. Information presented here is intended to assist in completion of these required forms.

# SF-425: Record Retention

- Agencies should maintain a hard copy of the signed SF-425 report for verification purposes (2 C.F.R. § 200.333).
- This can be especially helpful during monitoring visits in instances when an original SF-425 report was revised and resubmitted.
- Currently the MIS does not archive prior submissions.

# Period of Performance

- Period of performance means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award (2 C.F.R. § 200.77).
- Please visit RSA's FAQ on Period of Performance for more details:

(<https://www2.ed.gov/about/offices/list/osers/rsa/formula-period-of-performance-faqs.html>)



# Cash Receipts and Disbursements

- Cash Receipts (10a) are the net amount that the grantee has drawn down from G5 (2 C.F.R. § 200.34).
- Cash Disbursements (10b) are the sum of the actual cash expenditures made for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments made to contractors/vendors (2 C.F.R. § 200.34).

# Cash Receipts and Disbursements

## (cont.)

- Once the award is closed, lines 10(a) and 10(b) should be equal.
- Lines 10(a) and 10(b) should include the amount drawn down and the amount disbursed from the start of the award through the reporting period end date.

# Federal Share of Expenditures: Cash Basis

- For Annual Reports prepared on a cash basis, Federal fund expenditures are the sum of cash disbursements for direct charges for goods and services, the amount of indirect expenses charged, and the amount of payments made to contractors/vendors (2 C.F.R. § 200.34(b)).



# Federal Share of Expenditures: Accrual Basis

- For reports prepared on an accrual basis, grantees should report Federal fund expenditures as the sum of cash disbursements for direct charges for goods and services, the amount of indirect expenses incurred, the amount of payments made to contractors/vendors, and the increase or decrease in the amounts owed by the recipient for goods received and services performed by employees, contractors/vendors, and other payees (2 C.F.R. § 200.34(c) and OMB SF-425 Instructions).
- The final report should include the total sum of expenditures. Line 10e should be the same as Cash Receipts and Disbursements (10a and 10b).

# Program Income

- Program Income is considered earned in the fiscal year in which the funds were actually received by the grantee (2 C.F.R. § 200.80).
- Program Income is the gross income received by the grantee that is directly generated by an activity supported under the program (2 C.F.R. § 200.80 and 34 C.F.R. § 361.63(c)(1)(ii)).
- Program Income must be disbursed prior to requesting additional Federal cash draws (34 C.F.R. § 361.63(c)(1)(ii)).

# Program Income: Deduction Alternative

- Program Income Expended in Accordance with the Deduction Alternative (line 10m) – no longer available (34 C.F.R. § 361.63(c)(3)(i)).
- RSA is working with its technical team to remove grantee's ability to enter data in that line of the SF-425.

# Transferring Program Income

- Any Program Income earned is reported on line 10l (Total Federal Program Income Earned) of both the transferring and receiving programs' SF-425 reports (RSA PD-15-06).
- Additionally, when expended both the transferring and receiving programs report Program Income expended on line 10n (Program Income Expended in Accordance with the Addition Alternative).

# Reporting Transferred Program Income

- The VR program reports the amount transferred to the receiving program in the appropriate line in section 12. The VR program also reports that the funds were “expended” by reporting the transfer on line 10n – Program Income Expended in Accordance with the Addition Alternative (RSA PD-15-06).

# Reporting Transferred Program Income (cont.)

- The receiving program reports that transferred Program Income was received in section 12. Additionally, the receiving program reports the funds as program income earned or received on line 10l (RSA PD-15-06).

# Reporting Transferred Program Income (cont.)

- Reminder - The flexibility to transfer program income received from SSA in accordance with 34 C.F.R. § 361.63(c)(2) is *not* granted to the VR agency with regard to program income earned from other sources.

# Applicable Credits

- Applicable credits are those receipts or reduction-of-expenditure type transactions that offset or reduce expense items allocable to the Federal award as direct or indirect (i.e., facilities and administration (F&A)) costs (2 C.F.R. § 406(a)).
- Examples: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges.



# Applicable Credits (cont.)

- To the extent that such credits accruing to or received by the non-Federal entity relate to allowable costs, they must be credited to the Federal award either as a cost reduction or a cash refund (2 C.F.R. § 200.406(a)).
- The applicable credit must be applied to the FFY from which the initial cost expenditure was made.

# Applicable Credits (cont.)

- As a general rule, if the initial expense was paid with non-Federal funds, the applicable credit should be applied to the fund from which the initial expenditure was made (i.e., non-Federal funds).
- For expenses funded by both non-Federal and Federal funds, the credit should be applied to each funding source in proportion to the initial amounts paid.

2 C.F.R. § 200.406(a)

# Applicable Credits (cont.)

- Implications – You have a refund of 100 after the end of the grant period. 78.7 percent of the original expense was paid with Federal (\$78.70 is returned to the Federal government and \$21.30 to the State).
- As a result, the agency must reduce the amount of Federal and State expenditures in its SF-425s which may affect match and maintenance of effort. If the original expense was obligated or incurred by the end of the fourth quarter of the award, the fourth quarter amount reported as the non-Federal and Federal share of expenditures must be reduced.

# Applicable Credits (cont.)

- The actual funds must be returned to the Department.
- Such credits must be applied to the FFY in which the initial expenditure was incurred.

# Period of Performance

- Period of performance is a critical issue, ensuring the right costs are charge to the right award at the right time. For more details please review RSA's FAQ on Period of Performance located at: <https://www2.ed.gov/about/offices/list/osers/ras/formula-period-of-performance-faqs.html>
- It is important when compiling the SF-425 data for submission that only allowable costs during the period of performance for the award for which the SF-425 is being submitted are included.

# Reporting Non-Federal Expenditures

- Recipient Share of Expenditures (10j) is the line where all non-Federal expenditures are reported.
- Total recipient share required (10i) and Remaining recipient share to be provided (10k) are calculated by the system.
- A negative 10k indicates more non-Federal expenditures (Recipient Share of Expenditures) has been reported than is required for the reporting period.

# Reporting Non-Federal Expenditures (cont.)

- 10i calculates whether the agency met its match requirement based on the amount of Federal funds drawn (10a), not the total amount of funds authorized or even the formula amount.
- VR agencies must include all non-Federal expenditures for the VR program even if the amount reported exceeds the amount of non-Federal expenditures required to match the total Federal funds awarded. This information is necessary for RSA to assess whether the State has met its maintenance of effort requirement.

# Obligation

Q. What does RSA consider an obligation that can be included as non-Federal share on the SF-425?

A. When used in connection with a non-Federal entity's utilization of funds under a Federal award, obligations are orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period (2 C.F.R. § 200.71).



# Obligation (cont.)

- Subawards, as defined in 2 C.F.R. § 200.92, are not permissible with VR or Supported Employment funds.
- Additionally, the future period in which obligations may be liquidated is limited by Federal requirements and the terms and conditions applicable to the award.

# Obligation (cont.)

- Education Department General Administrative Regulations (EDGAR) at 34 C.F.R. § 76.707 provide additional guidance regarding when obligations are made.
- Example: Travel is considered obligated when the travel is taken, and personnel expenditures for State agency employees are considered obligated when the employee performs the services.

# Obligation (cont.)

- In determining when an obligation is made, agencies must also follow their State laws, regulations, and policies and procedures, as applicable.
- If the grantee has not met the requirements of Section 19 of the Rehabilitation Act to carry over Federal funds into the subsequent fiscal year, obligations must be incurred by the end of the FFY of appropriation (i.e., September 30) and liquidated within 90 days.

# Obligation (cont.)

- In this circumstance, the period of performance and the FFY of appropriation are the same.

# Obligation: Carryover

- If the grantee has met the carryover requirements by the end of the FFY of appropriation, the period of performance will be extended to include the carryover period (subsequent FFY). RSA will make this determination after relevant SF-425s are completed.
- This will enable the grantee to incur new obligations against *Federal* award funds during the carryover period, as indicated by the revised period of performance on the Grant Award Notification (GAN).

# Implications: Unliquidated Obligations

- Non-Federal share can only be counted as match when obligated or expended in the FFY of appropriation for an award (section 19 of the Rehabilitation Act).
- Failure to liquidate sufficient non-Federal obligations or make the necessary accounting adjustments could result in more Federal funds being carried over and expended than were authorized, which could result in RSA seeking recovery of those funds.

# Implications: Unliquidated Obligations (cont.)

- Agencies must track all unliquidated obligations reported on the SF-425, especially those made during the fourth quarter of the FFY (2 C.F.R. § 200.71 and 34 C.F.R. § 361.64).
- If fourth quarter SF-425 unliquidated obligations reported as match are not liquidated, agencies must adjust the amount reported as unliquidated obligations as of the fourth quarter to reduce the obligations that were not liquidated.

# Implications: Unliquidated Obligations (cont.)

- Unliquidated obligations reported in the fourth quarter that are cancelled during the carryover period, or otherwise not liquidated after obligation during the FFY of appropriation, may not be used toward satisfying the match requirement for the FFY of appropriation for that particular award.



# Implications: Unliquidated Obligations (cont.)

- Funds for obligations reported on the fourth quarter SF-425, cancelled during the carryover period, may not be reobligated or liquidated during the carryover period and counted as match for the award.

# Implications: Unliquidated Obligations (cont.)

- In such instances, State permitting, the grantee may adjust its accounting records to reassign Federal expenditures paid prior to the end of the FFY of appropriation to non-Federal funds to increase the amount of non-Federal share the State incurred by the end of the FFY of appropriation.
- This will result in a surplus of Federal cash on hand.

# Implications: Unliquidated Obligations (cont.)

- In this instance, the SF-425 submitted by the grantee for the fourth quarter of the FFY of appropriation must be revised to reflect an increased non-Federal share of expenditures and a decreased amount of Federal expenditures.

# Implications: Unliquidated Obligations (cont.)

- The grantee is responsible for ensuring that all SF-425 data submitted, including changes, is reflected in the State's accounting system and consistent with the State's accounting policies/procedures and Generally Accepted Accounting Principles (GAAP).
- All numbers submitted on a SF-425 must be supported by relevant documentation and must match records in the State accounting systems.

# What Does Report Submission Mean?

RSA's "acceptance" of a form in the RSA-Management Information System (RSA-MIS) only indicates that the form submitted passed the form's edit checks. RSA's "acceptance" of the form does not indicate that it has verified the accuracy and validity of the data reported.

As noted earlier, agencies must retain documentation necessary to assure all figures submitted on required forms are in compliance with law, regulation and terms and conditions of the award. If RSA has questions concerning the accuracy of the data reported, it may request that the VR agency submit supporting documentation (2 C.F.R. §§ 200.303 & 200.333).

# Uses and Benefits of SF-425 and RSA-2 Data

- RSA and VR agencies use SF-425 and RSA-2 data to verify compliance with matching and maintenance of effort requirements;
- Data from the SF-425 and RSA-2 reports aid VR agencies in their financial administration of and planning for the VR program.

# Internal Controls for SF-425 and RSA-2 Reporting

2 C.F.R. § 200.61 - *Internal controls* means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (a) Effectiveness and efficiency of operations;
  - (b) Reliability of reporting for internal and external use; and
  - (c) Compliance with applicable laws and regulations.
- Agency is responsible for assuring that internal controls are in place to assure that SF-425 and RSA-2 reports are submitted in a timely and accurate manner.

# Financial Planning Using the SF-425 and the RSA-2

To summarize, the SF-425 and RSA-2 provide extensive data on agency expenditures, both in terms of total expenses and the specific categories of expenditures.

This information can be used to track agency expenditures and inform agency program planning and fiscal forecasting processes.



# References

- Financial Reporting Requirements – 2 C.F.R. § 200.327
- Program Income – 34 C.F.R. § 361.63 and 2 C.F.R. § 200.305(5)
- Non Compliance Actions – 2 C.F.R. § 200.338
- VR Counseling and Guidance – 34 C.F.R. § 361.48(c)
- Services to Groups – 34 C.F.R. § 361.49

# Questions?

If you have additional questions about the presentation, please email them to [RSAfiscal@ed.gov](mailto:RSAfiscal@ed.gov).

