

Period of Performance

Fiscal Technology Checklist for Case Services

Introduction

Each Federal grant award has a defined “Period of Performance,” which establishes the total estimated TIME interval between the start of an initial Federal award and the PLANNED end date, to include one or more funded portions, or budget periods (2 C.F.R. § 200.1). Budget Periods represent the TIME interval during which recipients are authorized to expend the funds awarded, including any funds carried forward (2 C.F.R. § 200.1). The budget period is reflected in Box 6 of the Grant Award Notification (GAN) issued by RSA.

Period of performance, therefore, represents a range of time during which an agency may obligate and expend funds. While each Federal grant award has a dedicated period of performance, as reflected in Box 6 of the GAN, the same period of performance also applies to the non-Federal dollars used as match for the Federal award and program income earned under the Federal award. However, non-Federal funds used as VR match may only be obligated during the year of appropriation, meaning only the management of non-Federal obligations incurred in the year of appropriation is permitted after the year of appropriation (unless accounting adjustments are made).

Additionally, program income is earned when received, meaning it is only reported as earned during the year of appropriation. In accordance with 34 C.F.R. § 361.63(c)(3)(ii), to the extent that program income funds are available, a State must disburse those funds (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional funds from the Department.

A VR agency may charge allowable costs as new obligations during the period of performance, including the carryover period (2 C.F.R. § 200.309 and 34 C.F.R. § 76.709). Therefore, assuming a state satisfied the match requirement to carry over funds, a VR agency may incur new obligations, including by contract, in the carryover year.

Compliance with period of performance requires careful and thoughtful coordination and planning. Ensuring grantees account for, assign, and report Federal and non-Federal obligations and expenditures to the correct FFY grant award is critical. Since obligations must be assigned to a fund source, non-Federal obligations and Federal award obligations must have their own coding.

IMPORTANT: Department of Education (ED) provides very specific requirements for managing all obligations under period of performance in the Education Department General Administrative Regulations (EDGAR). The regulations under 34 C.F.R. § 76.707 MUST be followed when using technology systems to track, record and report obligations. Note that EDGAR requirements are unique to ED grant awards and the requirements may differ from other Federal Department requirements particularly when the designated State agency (DSA) is not Education. **EDGAR MUST BE FOLLOWED.**

There are two general types of technology systems used to ensure the VR period of performance requirements are met: (1) statewide accounting systems (SWAS); and (2) case management systems (CMS). As a result, policies, procedures, and internal controls should be maintained separately for period of performance according to system functionality.

Period of performance findings most often occur within the management of case service obligations. **Therefore, the following checklist focuses on technology that supports case services.** It may be used to evaluate the effectiveness and efficiency of managing period of performance within current CMS systems, or for implementation of a new CMS. While the focus of this tool is limited, agencies must look at all technology systems when determining proficiency and compliance with period of performance.

*DISCLAIMER: This checklist is not exhaustive, and users are responsible for applying all applicable Federal and state requirements. While some cost categories under EDGAR 34 C.F.R. § 76.707 are addressed, the CMS does not manage all of them, and the checklist below does not apply to all cost categories. **Users must also evaluate other technology systems and processes to ensure full compliance with period of performance.***

1. Does the agency have written policies, procedures, and internal controls for managing case service obligations in all technology systems used to manage period of performance? *For example, does the VR agency have sufficient internal controls to ensure no obligations or expenditures are charged to a Federal award before the start of the period of performance?*
2. Is a spending plan used to map the obligation and expenditure of funds throughout the Federal fiscal year? Does the plan map out the required match, maintenance of effort (MOE), and the reservation and expenditure of VR funds for the provision of pre-employment transition services (Pre-ETS)? Does the spending plan account for the timing of the availability of funds? *For example, in some states, state general revenue funds used for match are made available entirely at the beginning of a state fiscal year. In other States, the funds may be available in quarterly or monthly allotments.*
3. Does the agency use routine financial reports to evaluate the financial position of the agency, adjusting when necessary? Does management meet regularly to discuss the

financial position, always tracking the balances of all Federal and non-Federal funds? When the DSA conducts fiscal administration, does the DSA and DSU communicate regarding the financial status of Federal awards and non-Federal requirements? This communication has a direct impact on how case management obligations are managed within a CMS.

4. Does the agency follow fund accounting principles, aligning the chart of accounts/accounting codes with:
 - a. Federal Grant Awards – Federal Share, including Pre-ETS
 - b. Federal Grant Awards – Non-Federal Share
 - c. Program Income
 - d. EDGAR 34 C.F.R. § 76.707 Cost Categories
 - e. RSA-17 Financial Reporting Data Elements
5. Is the CMS set up on a state fiscal year or a Federal fiscal year? Does the agency know which basis the CMS is established and why? If on a state fiscal year, is that basis a state requirement? Federal regulations require tracking, recording, and reporting on a Federal fiscal year basis. Additionally, some financial data must also be reported on a Program Year. Can the agency meet these requirements?
6. Is the agency on a cash, accrual, or modified accrual accounting basis? This impacts how the CMS recognizes unliquidated (outstanding) obligations within the period of performance. For financial reports prepared on a cash basis, these are financial obligations incurred by the non-Federal entity that have not been paid (liquidated). For reports prepared on an accrual expenditure basis, these are financial obligations incurred by the non-Federal entity for which an expenditure has not been recorded. 2 C.F.R. § 200.1
7. Are fund sources/budgets (*terms used in the general sense*) established in the CMS for the agency's funds identified in the spending plan? This may include the Federal grant award, non-Federal funds used as match, and program income. Each fund source/budget should have unique accounting codes supported by the chart of accounts, established for tracking, recording, and reporting.
8. Are date parameters (beginning and end dates) established for the fund sources/budgets that align with the proper period of performance? Are controls in place to ensure obligations are not assigned outside of these dates? Every Federal grant award has a period of performance. Non-Federal dollars that match a Federal award

follow the same period of performance, as does any program income earned under the award.

9. Are controls in place to “expire” fund sources/budgets when a Federal award is closed?
10. What does the state consider a “binding written commitment” to meet the requirements under EDGAR 34 C.F.R. § 76.707 (e.g., authorization, purchase order, contract) and when is it considered made (e.g., upon approval of purchase order, issuance of authorization, signed contract)? In other words, how and when does the state commit funds for an obligation? What is the system of record that tracks, records, and reports the obligation? *For example, agencies must know what data field in the CMS determines the binding written commitment date for service authorizations and how that data is used to ensure authorizations are assigned to and paid from the appropriate Federal award based on period of performance?*
11. **Does the CMS assign obligations to a fund source/budget according to when the state makes a binding written commitment?** This process charges/commits funds at the time the obligation is made.
12. Who in the agency determines when obligations should be made from a particular fund source/budget as determined by the spending strategy? Is there an automated feature within the CMS that assists with this function or is it manual? If the process is manual, how does the agency ensure proper assignment of period of performance?
13. Are obligations approved/issued before purchasing goods or services?
14. Does the agency know the difference between obligation date and service dates and are they used properly within the CMS? *For example, to be an allowable expenditure assignable to the period of performance for an award, the obligation must have been made AND services begun during the award’s period of performance. How does the CMS ensure this?*

The obligation date is when the agency makes a binding written commitment to purchase the VR service. This is when the authorization, which commits the agency to the service, is approved. The obligation is required prior to the provision of goods and services.

Service dates must also be taken into consideration when determining the period of performance to which the obligation can be assigned. To be assignable to an award’s period of performance, the service(s) must have begun during the period of performance for the award. In the CMS system, each fund source should have date parameters representing the period of performance. The system should use these dates to prevent a service from beginning outside the assigned period of performance dates

and ensure liquidation is managed in accordance with the period of performance requirements.

Note: Regardless of whether the VR agency has developed its own CMS, purchased the CMS from a private company, or manually completes and tracks authorizations, the agency has to collect and track date of obligation and service begin dates to ensure period of performance is met.

15. While the date of the authorization determines the obligation date, some systems may allow a service start date that is later than the obligation date through system settings (e.g., designated number of days from the authorization date). How does the agency manage these dates within the system ensuring authorizations are liquidated during the 120-day liquidation period?

Pay particular attention to the obligation of higher education costs (tuition, room, and board, etc.) which typically occur in the fall. VR agencies are responsible for ensuring that only obligations that benefit the period of performance of the award and can be liquidated during the award's 120-day liquidation period are assigned to an award. For agencies that project and plan for use of a carryover year, they may obligate to the award in the year of appropriation in anticipation of a period of performance extension as part of their spending strategy.

16. Does the CMS provide a “draft” or “park” function that allows obligations to be initiated and later “issued”? If so, is the agency certain that funds are committed only when the obligation is issued or approved? The “draft” or “park” functions may check the availability of funds for the obligation, but this process should not obligate the funds. Does the CMS have controls in place to verify availability of funds when assigning period of performance to the obligation upon issue/approval?
17. Is there a formal process for amendments or modifications to the obligation that verifies compliance with period of performance according to the type of amendment or modification? *For example, if additional funds are added to the obligation, the CMS should verify there are available funds within the fund source/budget. If the amendment or modification is extending the dates of the obligation, the CMS should verify the dates follow the period of performance for the respective fund source/budget.*
18. What is the maximum lifespan of an obligation? In other words, once an obligation is made, how long before it must be liquidated through payment, or cancelled? How does the agency ensure this timeline does not prevent the timely liquidation of award funds during the 120-day liquidation period?

19. Does the CMS allow backdating of obligations? If so, does it follow agency-developed written policies? How many days will the system allow backdating? Are there exceptions by user security roles? When can exceptions be processed within the system? What controls are in place to ensure that services authorized late are charged to the correct period of performance?
20. Can obligations cross over a state fiscal year? Can obligations cross over a Federal fiscal year? Does the state have specific requirements that stipulate either? How are the requirements applied within the CMS and do they ensure obligations meet period of performance? *For example, if the CMS permits an authorization to be obligated on September 15 for a service begin date of October 5, how does the agency determine the appropriate period of performance to which an expenditure would be assigned?*
21. Does the state have specific requirements for obligations/purchasing at the end of the state and/or Federal fiscal year? Where is it documented in state rules, regulations, etc.? Does the state have any exceptions to such rules? *For example, it is common to have state specific special exceptions for client services. However, the VR agency is responsible for ensuring both the state and Federal requirements are met. In some instances, it may be necessary for a VR agency to track obligations in two different ways to ensure both the state and Federal requirements are met. It is critical that case management systems collect all the data elements required to be compliant with both state and Federal requirements.*
22. Is the agency required to follow a year-end process that requires obligations to be closed out and then subsequently created as new obligations at the beginning of a new time period (e.g., new quarter, state fiscal year, Federal fiscal year)? Does the agency know why this practice is in place? Is it required under state requirements? If so, how does the agency ensure that the new obligations are charged to the correct period of performance? Do the new obligations reference the original obligation record? Internal controls are critical around this process if the agency must exercise this practice. *For example, if an agency closes out all obligations on September 30 of each year and re-obligates on October 1, how does the agency know which services have been started/provided? If the agency's spending plan provides for all new obligations on October 1 to be assigned to the new FFY grant award, the new obligations assigned to this new fund source would be out of compliance if any of the services were provided prior to October 1.*
23. Does the agency use an automatic age off process for obligations? Similar to #22 above, concerns arise when any part of the services have begun, or services have been completed. When these obligations fall off, they are no longer tracked and reported, resulting in inaccurate Federal financial reporting. Additionally, when subsequent

invoices are received, there is no obligation in place to pay from, and potentially no remaining Federal unobligated funds to pay the invoice.

To ensure adequate controls over Federal funds, agencies should avoid automatic disencumbering of authorizations. Authorizations should only be cancelled when the agency has confirmed with the provider or consumer that the service will not be needed. The provider should be formally informed of the cancellation. Without such internal controls, the agency is unable to ensure adequate control of issued authorizations and the related obligations.

24. Are controls in place to ensure liquidation (payment) is made prior to the end of the liquidation period? All obligations must be liquidated no later than 120 calendar days after the end date of the period of performance (2 C.F.R. § 200.344(b)). It is important to ensure that in situations where a batch of payments or multiple payments are processed at one time, the CMS determines the proper accounting codes for “each” payment according to where the funds were obligated NOT where the agency chooses to pay from on a given day. While we don’t determine payment source according to service dates, the service dates must be considered when determining the allowable source of payment.
25. Does the CMS interface with another technology system for invoice batch processing, like with the SWAS, for example? How are accounting codes assigned to payments ensuring proper period of performance? *For example, how does the CMS evaluate each payment request against the original obligation to determine where it should be paid from? Is the coding assigned within the CMS or the SWAS? Are the codes hard coded into one of the systems, or manually assigned by staff?*
26. How does the CMS handle invoice processing when the invoice date exceeds the period of performance? Does the state have a statute of limitations on the time period vendors have to submit invoices for payment? Some states do not have a time limit, which creates challenges for managing period of performance. It is important to manage unliquidated authorizations timely on a regular basis. It is also important to have proper controls in place around payment processing under these circumstances. This may require States to pay invoices with non-Federal funds that cannot be used or reported as match for the VR program when invoices are submitted beyond the period of performance.
27. Are controls in place to limit adjustments made to accounting codes in the SWAS after invoices are batched and submitted through the interface? Keep in mind the accounting codes assigned through the interface must be directly related to the assignment of the

obligation under period of performance. Any changes to accounting codes in SWAS after the fact may result in a period of performance violation.

28. Is there a reconciliation process between the CMS and the SWAS if an interface exists for invoice batch processing? If the CMS assigns accounting codes and such codes are changed in the SWAS, how does the agency ensure period of performance is accurate, and how is the CMS reconciled to match expenditures in the SWAS? This is particularly important when managing balances of funds in the CMS. If no reconciliation takes place and adjustments are made in the SWAS, the CMS fund balances are not accurate.
29. Does the CMS allow for refund processing that identifies the period of performance under which the initial obligation and payment was liquidated to determine the appropriate source of funds to apply the credit?
30. Does the CMS maintain an audit history of every obligation to include all related activities performed in the system, including transaction detail by staff user?
31. How does the agency report unliquidated obligations for case services on the RSA-17 Federal financial reporting? If period of performance is not assigned and tracked individually for each obligation, there is no way to accurately report this required data element to RSA. If the agency has a state requirement to record unliquidated obligations as an encumbrance in the SWAS, how are period of performance requirements met within the encumbrance? Therefore, what is the system of record for the RSA-17 reporting of unliquidated obligations? What controls are in place to ensure accuracy?
32. Do the agency's internal controls provide for monitoring the CMS for compliance with period of performance? How often are authorizations and invoice payments reviewed to ensure they were obligated to and paid from an allowable period of performance? What actions are taken when issues are identified?
33. How does the CMS manage security roles for staff within the agency? Are staff trained on period of performance requirements? At what levels can exceptions or overrides be processed by staff that affect period of performance, like backdating, for example? Are staff trained to understand how exercising this privilege impacts period of performance? Are controls in place to prevent non-compliance?