



# OBLIGATIONS VS EXPENDITURES

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# KEY TERMINOLOGY

- ❑ Award
- ❑ Commitment
- ❑ Obligations
- ❑ Unobligated Balance
- ❑ Cash & Accrued Expenditures
- ❑ Unliquidated Obligations

# AWARD

Financial assistance that provides support or stimulation to accomplish a public purpose.

# COMMITMENT

- ❑ An identified need for a dollar
- ❑ An internal mechanism – a budget
- ❑ Not an obligation yet

# OBLIGATIONS

A formal contractual commitment for the amount of orders placed, contracts and sub-grants awarded, goods and services received, and similar transactions during a funding period that will require payment by the recipient or sub-recipient during the current or future reporting period.

# OBLIGATIONS—continued

All expenditures  
(Cash and Accrued)  
are obligations

# CONTRACT OBLIGATIONS – Must be

- ❑ Be legally binding
- ❑ Be in writing
- ❑ Be with a purpose authorized by law
- ❑ Be properly executed
- ❑ Contain specific description of goods or services to be acquired.

# UNOBLIGATED BALANCE

$$= \text{Award} - \text{Obligations}$$



# EXPENDITURES

- ❑ **Cash Expenditure** – An actual disbursement of funds for goods and services that have been received.
- ❑ **Accrued Expenditure** – The charges incurred and recorded, but not yet paid for, during a report period.

# UNLIQUIDATED OBLIGATIONS

= Obligations – Expenditures

# EXPENDITURES

- ❑ Charges incurred in a given period
- ❑ Goods or property received
- ❑ Services performed
  - Employees, contractors, sub-contractors, etc.
- ❑ Other amounts becoming owed
  - Indirect Costs, annuities, insurance claims, etc.
- ❑ Whether or not cash payment is made

# STAFF SERVICES

- Employee is hired
  - Commitment only
- Service is rendered/Salary earned
  - Recorded simultaneously as obligation & expenditure
  - Including related items
  - Fringe benefits
  - Retirement fund contributions

# ANNUAL LEAVE

- UNFUNDED SYSTEM
  - When leave is taken – Recorded simultaneously as obligation & expenditures
- FUNDED SYSTEM
  - When leave is earned – Recorded simultaneously as obligation & expenditure
  - Escrow accounts

# SUPPLIES or EQUIPMENT

- Issuance of purchase orders or other procurement document
  - Obligation
  - Blanket POs
- Item delivered and accepted
  - Accrued expenditure
- Invoice is submitted
  - Accrued expenditure
- Invoice is paid
  - Cash expenditure

# ADVANCE PAYMENT

- ❑ Generally prohibited
- ❑ Exceptions:
  - Tuition (when required by institution)
  - Subscriptions
  - Insurance
- ❑ Recorded simultaneously as obligations & expenditures

# TRAVEL

- ❑ Travel actually performed
- ❑ Ticket purchased
- ❑ Recorded simultaneously as obligation & expenditure
- ❑ Issuance of travel authorization not an obligation



# LEASES

- **Lease agreement is signed**
  - Amount = lease expenditure plus termination fees
  - Not entire lease amount
  - Lease should have “Escape Clause” that stated that continuity of the lease is contingent upon availability of grant funds
- **Accrued Expenditure**
  - As service is provided – Space is occupied

# UTILITIES

- ❑ **No contract required**
  - Rates fixed by regulatory bodies
- ❑ **When utility bill is received or when billing period ends / services received**
- ❑ **Recorded simultaneously as obligation & expenditures**

# TRAINING CLASS

- **Contract awarded to training institution**
  - Obligation
- **Training starts**
  - Obligation
- **Participant completes training**
  - Accrued expenditure
- **Invoice submitted by training institution**
  - Accrued expenditure
- **Invoice paid**
  - Cash expenditure

# INDIVIDUAL TRAINING ACCOUNT (ITA)

- ❑ **Obligation**
  - At time the participant is enrolled
  - At time payment is due and payable
- ❑ **Accrued Expenditure**
  - At time payment is due and payable
  - As participant attends class
- ❑ **Issuance of an ITA**
  - Authorization for training only
  - Not an obligation

# INDIVIDUAL TRAINING ACCOUNT (ITA)

- ❑ Enrolled in WIA program
- ❑ Meets with Case Manager
- ❑ Agrees to a training plan
- ❑ Provided with an ITA/Voucher
- ❑ Selects training provider
- ❑ Student enrolls/registers for class
- ❑ Student starts attending class
- ❑ Student completes class