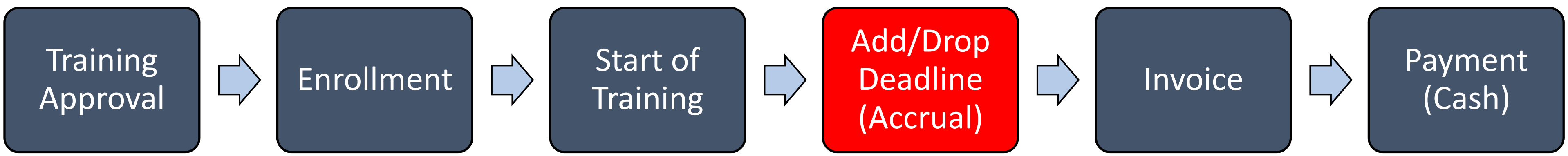
ATTACHMENT III – Accrual Accounting Explanation

There is often confusion about how to translate the definition of accrual accounting into the normal financial flow in our programs. The following explains how the accounting should occur based on typical TAA scenarios we see in SWAs, but it may differ depending on the specific financial and contractual processes implemented. The definition for accruals is contained at 2 CFR 200.34(c); the explanations below are based on parts ii and iii.

Training Reporting on Accruals

The most typical flow in the TAA Program for training begins with a training approval, then enrollment, the start of training, an "add/drop deadline" after which expenditures are still required if there is a withdrawal from training, an invoice, and a payment. See the diagram below.



There may be a substantial delay in the invoicing or payment for a training service received, but the date on which the amount accrues is the add/drop deadline. After this date, the amount is owed for the training irrelevantly of whether it was invoiced or paid. Reporting expenditures based on cash accounting or on invoice accounting is incorrect.

TRA and RTAA Expenditures

Expenditures for TRA and RTAA benefits generally follow a three-step process: (1) apply for benefit, (2) approval of benefit, (3) payment of benefit.

In most circumstances, the benefit process occurs within a few days because all processes are internal to the SWA and not reliant on other parties. Once a benefit is approved, the SWA has determined that the amount is owed and, thus, the accrual has occurred. Reporting expenditures based on application or payment is incorrect. Job Search and Relocation expenditures are typically similar in process to TRA and RTAA with the accrual occurring when expenditures are approved by the SWA.