

UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF SPECIAL EDUCATION AND  
REHABILITATIVE SERVICES  
REHABILITATION SERVICES ADMINISTRATION  
WASHINGTON, D.C. 20202

INFORMATION MEMORANDUM  
RSA-IM-01-08  
DATE: OCTOBER 26, 2000

ADDRESSEES: STATE VOCATIONAL REHABILITATION AGENCIES (GENERAL)  
STATE VOCATIONAL REHABILITATION AGENCIES (BLIND)  
CLIENT ASSISTANCE PROGRAMS  
PROTECTION AND ADVOCACY OF INDIVIDUAL RIGHTS  
PROGRAMS  
REGIONAL REHABILITATION CONTINUING EDUCATION  
PROGRAMS  
AMERICAN INDIAN VOCATIONAL REHABILITATION  
PROGRAMS  
RSA SENIOR MANAGEMENT TEAM

SUBJECT : ACCOUNTABILITY FOR UNLIQUIDATED OBLIGATIONS UNDER  
ALL RSA FORMULA GRANT PROGRAMS

CONTENT : This Information Memorandum supersedes RSA-IM-91-22, dated June 5,  
1991, entitled "Accountability For Unliquidated Obligations Under State  
Vocational Rehabilitation Programs" and is applicable to all of the  
following formula grant programs:

- State Vocational Rehabilitation (VR) Services Program - - Section 110;
- Client Assistance Program (CAP) - - Section 112;
- Protection and Advocacy of Individual Rights Program - - Section 509;
- Supported Employment (SE) Program - - Section 622;
- Independent Living (IL) Services Program, Part B - - Section 711;
- Independent Living (IL), Part C, Centers for Independent Living

(CIL) Program - - Section 721, if administered by a State agency pursuant to Section 723.<sup>1</sup>

- Independent Living, Chapter 2, Independent Living Services for Older Individuals Who are Blind - - Section 752.

State grantees are required to expend and account for grant funds in accordance with State laws and procedures for expending and accounting for their own funds. Fiscal control and accounting procedures of the State grantees, as well as their subgrantees and cost-type contractors, must be sufficient to:

- Permit preparation of reports required by 34 CFR 80.41 and the statutes authorizing the grants, and
- Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. (34 CFR 80.20(a))

All other grantees are required to provide accurate, current, and complete disclosure of the financial results of each Federally-assisted program. They are also required to maintain records that identify adequately the source and application of all funds (including matching funds) for Federally sponsored activities. These records must contain information pertaining to awards, authorizations, obligations, and unobligated balances, and other items. (34 CFR 74.21(b) and 80.20(b)).

All formula grantees must maintain adequate documentation in support of their unliquidated obligations (34 CFR 76.702 and 76.730). The uniform administrative requirements for Federal grants for all grantees are contained in the Education Department General Administrative Regulations (EDGAR). In general, State agencies follow Parts 76 and 80 and non-profit agencies administering CAP/PAIR grants follow Part 74 and Section 76.707 in Part 76. With respect to obligating Federal funds (allotted and reallotted), non-Federal funds and program income, the rules governing what constitutes an obligation and when it arises are detailed in

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<sup>1</sup>The Rehabilitation Act provides that if State funding for the general operations of CILs in the State for a preceding fiscal year equals or exceeds the Federal funds allotted under the Part C program, the State, if it so chooses, may administer the Part C program as a formula grant program in accordance with Section 723.

EDGAR (34 CFR 74.2 (Definition of Obligations), 76.707, and 80.3 (Definition of Obligations)).

### Unliquidated Obligations and Reallotment of Funds

The requirement of accurate, current, and complete disclosure of the financial results of each Federally-assisted program extends also to unliquidated obligations regardless of the funding source. This requirement is particularly critical with respect to formula grant recipients because all formula grant programs provide for the reallotment and carryover of Federal funds. The accurate and timely determination of unliquidated obligations from Federal funds and matching funds, when applicable, is needed to ensure that the Federal funds released by a grantee for reallotment purposes are not understated. Overstatements of unliquidated obligations adversely affect reallotment decisions to the extent that excess grant funds retained by the grantee could have been released during the reallotment process and used by other grantees able to expend the additional funds in support of program purposes.

As in the past, RSA will monitor the reallotment process and the grantees' reporting of unliquidated obligations. Because of limited resources and the time required to assess accountability, RSA will concentrate its monitoring efforts on high-risk grantees which are defined under 34 CFR 80.12(a) and 34 CFR 74.14(a) as grantees that:

- Have a history of unsatisfactory or poor performance;
- Are not financially stable;
- Have management systems which do not meet the standards in Part 74 or Part 80, as applicable;
- Have not conformed to the terms and conditions of a previous award; or
- Are not otherwise responsible.

A grantee with a history of overreporting unliquidated obligations would be considered a high risk grantee.

High risk grantees are known candidates for accountability improvements, as determined by RSA from potential information sources that include but are not limited to:

- Program and financial reports,
- Monitoring activities,
- Independent audits,
- Program evaluations, and
- Telephone calls, correspondence or site visits.

Information sources may indicate past, current, or potential problems. In addition, available audit or evaluation findings or data on the financial stability of a grantee may indicate that close scrutiny may be required. A grantee that experiences financial management problems may require RSA follow-up, as well.

For high-risk grantees, RSA may impose special conditions or restrictions on the grant award which may include requiring additional, more detailed financial reports and additional grantee monitoring. (34 CFR 74.14(b) and 80.12(b))

RSA may request additional information to ensure reliable and timely information for reallocations. RSA's request will be on a case-specific basis and may include requiring submittal of a list of unliquidated obligations. In addition, RSA will compare a grantee's year-end unobligated balance on the SF-269, Financial Status Report, with the amount reported on the final SF-269. Based on the outcome of that analysis, RSA may conduct an on-site review of the grantee's financial management system.

CITATIONS IN REGULATIONS: 34 CFR 74.2, 74.14, 74.21(b), 76.702, 76.707, 76.730, 80.03, 80.12, 80.20, and 80.41.

RELATED POLICY ISSUANCES: IM-01-06, PD-01-01, and PD-01-02

INQUIRIES TO: RSA Regional Commissioners

Fredric K. Schroeder, Ph.D.  
Commissioner

cc: Council of State Administrators of Vocational Rehabilitation  
National Association of Protection and Advocacy Systems  
National Council for Independent Living  
National Rehabilitation Facilities Coalition