U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210

May 19, 2021

Grant Officer Memorandum 02-21

FOR: JOBS FOR VETERANS STATE GRANT RECIPIENTS
ALL VETERANS' EMPLOYMENT AND TRAINING STAFF

FROM: KIA MASON
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SUBJECT: Jobs for Veterans State Grants Period of Performance Change and Accounting Basis for Reporting

The Consolidated Appropriation Act, 2021, was signed into law on December 27, 2020. Division H of this law extended the amount of time that Jobs for Veterans State Grants (JVSG) funds are available for states to expend for Fiscal Years (FY) 2020 and 2021. This memo serves as a notification to states of related changes to the terms and conditions of the current JVSG awards, effective as of each award's modification date.

OVERVIEW

The Consolidated Appropriation Act, 2020, stated that JVSG funds "shall be available for obligation by the States through December 31, 2020." All FY 2020 JVSG grants were accordingly set a period of performance (PoP) of October 1, 2019, through December 31, 2020.

The Consolidated Appropriation Act, 2021 (henceforth "the Act"), amended the 2020 Act by striking "*obligation* by the States through December 31, 2020" and inserting "*expenditure* by the States through September 30, 2022" (emphasis added). This same Act set forth that FY 2021 JVSG allocations "shall be available for expenditure by the States through September 30, 2023." This gives states up to three years to expend each award, representing a significant change from established processes.

The change from "obligation" to "expenditure" is important to note, as "obligations" may occur only within the PoP, while "expenditures" may occur *after* the PoP ends. During the final quarter of a PoP, a state may have unliquidated financial obligations1 against the grant. Because this term has

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1 "Unliquidated financial obligations" are defined by 2 CFR 200.1: "Unliquidated financial obligations means, for financial reports prepared on a cash basis, financial obligations incurred by the non-Federal entity that have not been different meaning depending on the state's accounting basis, and the basis used can impact states' compliance with the Act's three-year limit on the expenditure period, the Veterans' Employment and Training Service (VETS) must clarify that all states will report on an accrual basis of accounting.

ACCOUNTING BASIS CLARIFICATION

The Department of Labor's (DOL) supplements to 2 CFR part 200 are found at 2 CFR part 2900. This Part includes a requirement2 that awarding agencies specify whether grant recipients will report on a cash basis or an accrual expenditure basis.

To ensure grant expenditure remains within the expenditure period set by the Act, to comply with DOL requirements, and to align with other DOL grants awarded to states, the terms and conditions of JVSG awards now clarify that **recipients will report on an accrual basis**.

Effective September 30, 2022, VETS will no longer accept reports on a cash basis. In addition, VETS will commit no further resources to the development or support for cash basis reporting. The VETS-402 A, Quarterly Expenditure Detail Report (EDR) form, will be phased out accordingly.

JVSG PERIOD OF PERFORMANCE CHANGE

In early January, VETS extended all states' FY 2020 JVSG award PoP end dates to December 31, 2021. In March, all states' FY 2021 award PoP end dates were extended to December 31, 2022. These changes provide all states an additional year to expend funding. States that need even more time to exhaust FY funds may submit an interim modification request for a PoP extension. Such modification request must contain:

- A transmittal letter requesting the extension signed by the authorized representative of the grant, and
- A completed SF-424M.

This modification request requires no justification, cannot be disapproved, and will be submitted following the same process as all other modification requests (see Veterans' Program Letter (VPL) 04-18 or most recent guidance).

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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 Per 2 CFR 2900.14: "In addition to the guidance set forth in 2 CFR 200.327, for Federal awards from the Department of Labor, the DOL awarding agency will prescribe whether the report will be on a cash or an accrual basis. If the DOL awarding agency requires reporting on an accrual basis and the recipient's accounting system is not on the accrual basis, the recipient will not be required to convert its accounting system, but must develop and report such accrual information through best estimates based on an analysis of the documentation on hand."

Once the modification request has been awarded, the PoP end date will be extended to the following September 30. This provides an additional three quarters, for a total of three full years to expend funding, as allowed by the Act.

States will continue to submit a complete financial report, including an SF-425 Federal Financial Report (FFR) and an EDR, every quarter for each separate grant award until all available funding is exhausted or until the PoP end date has been reached, whichever occurs first. The FFR for that quarter will be marked as “final” in item 6 so that a closeout FFR can be generated. This remains true even if the state has not used any funding during the quarter as they deplete available prior-year funds. For example, for the quarter ending March 31, 2021, if a state’s JVSG program was fully supported by FY 2020 funds, a financial report is needed for both the FY 2020 and the FY 2021 award regardless of whether any FY 2021 funding was used.

Funding must be obligated and expended on a first-in, first-out (FIFO) basis. This means that a state with available FY 2020 funding must exhaust it prior to using any FY 2021 funding.

In accordance with VPL 04-19, all incentive award funding must be obligated by September 30 of the awarding fiscal year and liquidated during the following quarter. Any incentive funding that is not obligated within the first year of the grant must remain unexpended. Unspent incentive award funds will be deobligated by VETS during closeout. States will mark an FY grant quarter as “final” notwithstanding any unspent incentive award funds.

RELATED JVSG PROCESS CHANGES

VETS anticipates that the longer expenditure period will continue into future years, providing states both stability and flexibility in the operation of their JVSG programs. However, there will be some changes to grant reporting and operations, including, but not limited to, the following:

1. **Fifth Quarter Spending Plan.** VPL 07-19 requires states to submit a fifth quarter spending plan with the third quarter report. This is no longer required and has been removed from the special grant provisions included in the terms and conditions of the awards. States must expend JVSG funds in accordance with the cost principles outlined in 2 CFR part 200, the terms and conditions of the grant, and any other applicable law, regulation, and policy, regardless of when the expenditure occurs. All expenditures during a fiscal year will count toward that fiscal year’s Personal Services and Personnel Benefits to Total Outlays (PS+PB/Total) ratio, regardless of the funding source year.
2. **VETS-402 EDR.** The current Office of Management and Budget (OMB)-approved EDR form is designed to support only five quarters, plus a closeout period. VETS has developed a change to the EDR form so that it supports up to 12 quarters. Until OMB approves the changes to the form, states are requested to voluntarily use the 12-quarter version as an alternative to the approved form. States using the optional alternative are invited to route feedback on the form through their Grant Officer’s Technical Representative (GOTR).

Although some processes are changing, most aspects of JVSG reporting and management will continue as usual. Processes that remain unchanged include, but are not limited to, the following:

1. **Incentive Award Obligations.** Incentive award funds must be obligated by September 30 of the awarded FY and liquidated in the following quarter. Any incentive award funds not obligated within the same FY must remain unexpended and will be deobligated during closeout. States will mark a quarter as "final" notwithstanding any unspent incentive award funds.
2. **One EDR Per Award.** The VETS-402 has always supported one grant award, allowing a state to enter the award's expenditures on a quarterly or cumulative basis through the award's life cycle. Although the form itself must change to accommodate additional quarters, the essential function will remain the same. Only one grant year's allocation, grant number, base positions paid, and outlays/obligations will be tracked per EDR workbook.
3. **Grant Closeout.** Although the PoP end dates are changing, each grant award year will be closed out separately. Grant closeout of the FY 2020 awards will begin on December 31, 2021, unless the state has requested an extension; likewise, FY 2021 grant closeout will begin December 31, 2022.
4. **One VETS-403 Technical Performance Narrative (TPN) Per Quarter.** Regardless of the number of "active" grant years a state may have, only one TPN that describes grant activities should be submitted each quarter. The TPN is required only in the first through fourth quarters of each year. States may disregard the "3rd Quarter Report" flag that activates a narrative space for the fifth quarter spending plan, as this information is no longer needed.

The extended JVSG PoP will continue into future years if allowed by future annual appropriation acts. VETS acknowledges that extensive review and update of current guidance will be needed to fully incorporate the changes.

INQUIRIES

Questions regarding this guidance and its Attachments should be directed to the GOTR.

ATTACHMENTS

- JVSG Period of Performance & Related Program Changes Q&A
- JVSG Funding Stream Timeline
- FY21 JVSG Special Grant Provisions, revised March 2021

Attachment 1: JVSG Period of Performance & Related Program Changes Q&A

Since states will no longer have a “fifth quarter spending plan,” will they still be able to expend JVSG funding on laptops and conferences without specifying it in their annual funding modification request or a subsequent interim modification?

VETS does not require states to provide a budget narrative or other itemized budget request in the annual funding modification. We only request that states break down their planned budget by activity (DVOP, LVER, etc.) and by object class category (Salaries, Travel, etc.). States may continue to make purchases subject to the existing limitations set forth by the Special Grant Provisions, 2 CFR part 200, and other applicable laws, regulations, and policies. Specific purchases do not require prior approval from the Grant Officer unless otherwise stated in the terms and conditions of the grant (including its references).

Previously, states were able to request approval for “non-FIFO” expenditures through the fifth quarter spending plan that did not count toward the PS+PB/Total ratio. How will these non-FIFO expenditures be handled going forward?

States will spend all JVSG funding in accordance with the approved budget for the current fiscal year. All expenditures will count toward the PS+PB/Total ratio and cost per position calculation. This simplifies reporting for states and helps reduce risk that states will expend JVSG funding for unallowable activities, including spending on items that are not necessary for the performance of the grant in that fiscal year.

Does the change to the JVSG period of performance include incentive award expenditures?

At this time, VPL 04-19’s requirement that states obligate all incentive awards by September 30 of the same fiscal year is still in effect. VETS needs additional time to analyze what impacts a change to the incentive award program may bring to bear on its effectiveness and to safeguard against misuse. We will consider updating the policy in future years.

Will JVSG now be funded on a program year (PY) basis instead of fiscal year (FY)?

JVSG will continue to be funded on an FY basis, while continuing to report performance and submit JVSG state plans on a PY basis.

What will the period of performance (PoP) be for FY 2022?

The expenditure period is set by each appropriations act. JVSG authorizing statutes do not specify how long JVSG funds remain available. VETS will request this three-year expenditure period to continue in future years’ appropriations.

How is the closeout period affected by these changes?

The only effect these changes have on the closeout period is that the FY20 and FY21 grant awards will now start closeout one year later than originally planned. Each annual grant will still need to be closed out individually, and closeout starts on the PoP end date specified in the award.

Both FY20 and FY21 grants were awarded prior to November 12, 2020, so they will both have a 90-day closeout period. The FY20 award's closeout period will be from January through March of 2022. For FY21, the closeout period will be from January through March of 2023.

Future grant years (starting with FY22) will have a 120-day closeout period. This is because of changes to the Uniform Administrative Requirements in 2 CFR part 200, which were effective only to awards made after November 12, 2020.

The closeout period is not affected by the "final Federal Financial Report (FFR)" quarter. When the state has exhausted all available funding for a grant award, that quarter must be marked as "final" in item 6. This sends a signal to the system to generate no further quarterly FFRs, and to generate a closeout FFR. The closeout FFR may be submitted at any point but is due by the end of the closeout period.

The closeout document package should not be submitted until the closeout period. Closeout specialists in the DOL Employment and Training Administration (ETA) Office of Grants Management will contact each state with the closeout documentation to be completed and advise the state of the appropriate due dates for the grant.

How do states request a no-cost extension to the PoP?

States may request a no-cost PoP extension by submitting a modification in the current modification system. At the time of this writing, the system is known as the Grantee Reporting System (GRS) on the states' side, and internally as E-Grants. Starting in FY 2023, we expect this will be GrantSolutions (GS) instead.

Regardless of the system, the modification will be similar to any other administrative modification. It should include:

- A transmittal letter from the state, that:
  - Is signed by the authorized representative of the grant;
  - Specifies the grant award (preferably by using the complete grant number); and
  - Makes the request (for example, "We would like to request a no-cost period of performance extension for this grant").
- A completed SF-424M following all normal requirements for an interim modification request, including:
  - For block 1.a Type of Submission, check "Other" and enter "Interim mod"

- For block 1.b Frequency, check “Other” and enter “Interim”
- For block 1.d Version, check “Revision”
- For block 14 Funding Period, uses October 1 of the original FY for the Start Date, and September 30 of the third year for the End Date.
  For example, to request a no-cost extension for the FY20 award, the start date should be 10/1/2019, and the end date should be 9/30/2022.
- For block 15 Estimated Funding, this must exactly match the amount on the last approved modification. No changes to the award amount can be requested after September 30 of the first year.
- The SF-424M must be signed by the authorized representative of the grant.

Please note that a transmittal letter for an administrative interim modification request like this one does not require any justification or the annual assurances. Also note that no adjustments to the VETS-401 or VETS-501 are needed.

A no-cost PoP extension will be granted for three additional quarters, to September 30 of the third year after the award. VETS will **not** extend a PoP for just one or two additional quarters. This helps DOL to best manage the closeout workload and processes.

How do states who are currently reporting on a cash basis of accounting start to change to the accrual basis?

DOL ETA requires its grant recipients to report on an accrual basis of accounting. They have developed a number of excellent resources to explain and help states transition. Many of their training resources were developed with state partners. These resources may be found on WorkforceGPS at www.workforcegps.org. VETS is also developing a “one-pager” to help states identify the best, most helpful resources on WorkforceGPS.

In addition, JVSG and ETA grants are often managed by the same personnel or office within the State Workforce Agency. Each state with a cash basis accounting system will likely already have experience and tools to adapt to reporting on an accrual basis.

Why is the deadline to transition to the accrual basis September 30, 2022?

The Consolidated Appropriations Act, 2021, amended the previous year’s appropriations to set September 30, 2022, as states’ deadline to expend FY20 JVSG funds. If a state were to report on the cash basis for that quarter, there is a potential for the state to charge unliquidated obligations during that quarter. Those unliquidated obligations would then be liquidated, or expended, during the closeout period, which would fall after the deadline.

Reporting on the accrual basis of accounting results in much lower unliquidated obligations reported during a quarter. Instead, the state simply liquidates accrued expenditures during the closeout period, which ensures that states are expending within the boundaries set by the Act.

It should not take states more than two quarters to transition to reporting on an accrual basis, but VETS is setting the deadline for this transition as far out as possible to support states in their efforts.

My state currently uses the VETS-402A to report on a cash basis of accounting. How and when do I change to the 402B version?

This answer will be broken out into sections to help clarify how VETS is assisting states with this transition for each grant award year.

FY20 Grants

If all FY20 funds were exhausted by December 31, 2020 (Q5), no change is needed.

For FY20 grants that needed a few additional quarters to expend the funds, VETS has transferred the state's data from the OMB-approved "legacy EDR" onto the alternate EDR that supports up to 12 quarters. States that used the 402A were transferred onto the alternate EDR's "A" version and can continue to report on the alternate EDR-A through the quarter ending June 30, 2022.

For any state that needs the twelfth quarter to exhaust JVSG funds, VETS staff will assist the state to migrate from the alternate EDR-A to the alternate EDR-B, if needed, so that the final quarter can be reported on the accrual basis. VETS anticipates that very few states will need this twelfth quarter.

FY21 Grants

Once the 12-quarter alternate EDR receives OMB approval (estimated by October 2021), VETS will assist states that are using the legacy EDR (with five quarterly tabs) to transition to the newly approved 12-quarter EDR if they need more than five quarters to expend FY21 funding. The transfer will occur on whichever version of the EDR the state has been using. Cash-basis accounting states may continue to use the cash-basis EDR-A through the quarter ending June 30, 2022.

For any state that has not exhausted available FY21 funds by June 30, 2022, VETS staff will assist the state to migrate from the EDR-A to the EDR-B so that future quarters can be reported on the accrual basis.

FY22 and Future Grants

For the FY22 grants, which will begin October 1, 2021, all states must report on the new 12-quarter, accrual-basis EDR for all quarters. This mitigates the need for transferring any FY22 reports onto different EDR versions.

Are any changes needed to the way my state uses the SF-425 FFR?

Item 7 of the FFR prompts the user to select the basis of accounting, with “cash” or “accrual” as the available selections. In accordance with the timelines described above, states will begin selecting “accrual” for this item.

However, this selection is not the only way that the basis of accounting affects the FFR. Item 10.f, Federal share of unliquidated obligations, will reflect only the unliquidated obligations that are defined by 2 CFR 200.1 for the accrual basis of accounting. Only goods and services that have already been received, but for which the expenditure (liquidation) has not been recorded as of the end of the quarter, should be reflected in item 10.f.

Attachment 2: JVSG Funding Stream Timeline

This table demonstrates the available expenditure periods for JVSG grant years.

- "Exp" (dark blue) indicates the time when states will automatically be able to expend, ending December 31 of the third FY.
- "Req" (slashed blue) indicates the additional three quarters that states may request, ending September 30 of the third FY.
- Empty cells (gray) are not within the period of performance.

Per the Consolidated Appropriations Act, 2021, funds are available to states to expend until September 30 of the third FY after award.

Award Year	Oct-Dec 2020	Jan-Mar 2021	Apr-Jun 2021	Jul-Sep 2021	Oct-Dec 2021	Jan-Mar 2022	Apr-Jun 2022	Jul-Sep 2022	Oct-Dec 2022	Jan-Mar 2023	Apr-Jun 2023	Jul-Sep 2023	Oct-Dec 2023	Jan-Mar 2024	Apr-Jun 2024	Jul-Sep 2024	Oct-Dec 2024
FY 2020	**cont'd**	**Exp**	**Exp**	**Exp**	**Exp**	**Req**	**Req**	**Req**									
FY 2021	**Exp**	**Exp**	**Exp**	**Exp**	**Exp**	**Exp**	**Exp**	**Exp**	**Exp**	**Req**	**Req**	**Req**					
FY 2022					**Exp**	**Exp**	**Exp**	**Exp**	**Exp**	**Exp**	**Exp**	**Exp**	**Exp**	**Req**	**Req**	**Req**	
FY 2023									**Exp**	**Exp**	**Exp**	**Exp**	**Exp**	**Exp**	**Exp**	**Exp**	**cont'd**
FY 2024													**Exp**	**Exp**	**Exp**	**Exp**	**cont'd**

Fiscal Year Clarifications:

- FY 2020 began on October 1, 2019.
- FY 2023's expenditure period ends December 31, 2024, and states can request an extension through September 2025.
- FY 2024's expenditure period ends December 31, 2025, and states can request an extension through September 2026.