

Office of the State Controller

Alert # 185



TO: Controllers and Chief Fiscal Officers of State Departments
And Higher Education Institutions and Boards

FROM: David J. McDermott, State Controller *David J. McDermott*

DATE: July 10, 2009

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ARRA Funds – SEFA Reporting Requirements

Guidance from the President's Office of Management and Budget (OMB) states that expenditures for federal awards under the American Reinvestment and Recovery Act (ARRA) must be reported separately in the Schedule of Expenditures of Federal Awards (SEFA). Therefore, when preparing your Exhibit K for FY08-09 and subsequent years, ARRA expenditures must be reported on a separate line from non-ARRA monies and the Federal Program Name (Footnote Reference F on the Exhibit K) must begin with the prefix "ARRA-". This will allow the Office of the State Controller (OSC) to properly report these funds on the statewide SEFA report. For purposes of the Exhibit K (SEFA), only the expenditures (including internal pass through expenditures) of the primary state recipient are reported. Please note that this is consistent with OSC's historical SEFA reporting, but differs from the ARRA reporting requirements outlined below.

When passing ARRA money through to external subrecipients, agencies are required to notify external subrecipients of the requirement to specifically identify ARRA funding in their SEFA in the manner described above.

Please contact Hollie Turtle (303-866-3894 or hollie.turtle@state.co.us) or Karoline Clark (303-866-3811 or karoline.clark@state.co.us) if you have any questions.

New ARRA Grant Tracking Requirements

The most recent ARRA guidance issued by the OMB requires the state to ensure that it prevents duplication in reporting of ARRA expenditures. To meet this requirement, state

agencies entering grant information on the COFRS Grants Module shall create separate Grant Master records (each with a unique Internal Grant Number) for the following two categories of grant activity:

- Category 1 is ARRA funds received directly from the federal government, from another state agency, or from an external pass through source **that are passed through to another state agency**. This condition is known as an internal subrecipient pass through. For purposes of this classification, any payment to another state agency shall be considered a subrecipient pass through and included in this category unless the other state agency operates in an Internal Service Fund type. Examples of the Internal Service Fund exception include printing purchased from Division of Central Services and computing services purchased from the Governor's Office of Information Technology.
- Category 2 is all other ARRA grant activity, which includes amounts passed through to external subrecipients, paid to external vendors, or expended on internal costs such as payroll. The purchase of goods or services where the other state agency is an Internal Service Fund type acting in a vendor capacity should also be included in this category.

This requirement is effective immediately for any ARRA grant added to COFRS. In addition, for ARRA grant activity recorded prior to the date of this alert that includes a mix of Category 1 and Category 2 payments, state agencies must split the grant into two Grant Masters and record a JV transaction to reclassify any internal subrecipient (Category 1) activity to the new grant by the close of Period 1 in Fiscal Year 2009-10. This requirement applies for each Federal Award Number and CFDA number combination.

COFRS will provide a single character field in the AGN2 table for agencies to mark whether the Grant Master is related to Category 1 or Category 2. The field will be titled "Passed to an Internal Subrecipient" (or similar) and will default to "N". If the moneys are being passed to another state agency (including Higher Education or CDOT) the field value should be changed to "Y". For federal ARRA reporting purposes, the state will only report those Internal Grant Numbers where the "Passed to Internal Subrecipient" field is "N". Note that this treatment of internal subrecipients and internal vendors as subrecipients is specific to ARRA reporting and is not consistent with the Exhibit K (SEFA) reporting outlined above. The "Passed to an Internal Subrecipient" field may not be available in COFRS at the date of this Alert; however, that does not affect the requirement to establish two Grant Masters for each activity if an internal subrecipient pass through is involved. Agencies must ensure that the "Passed to an Internal Subrecipient" field is set to the appropriate value when the field is added to the AGN2 table.

As a result of the above requirements, agencies that spend a portion of the ARRA monies they receive and pass a portion through to another agency are required to have two separate Grant Master records to account for their ARRA activity. As previously required, any agency (except Internal Service Fund types) receiving ARRA grant monies from any source (direct from the federal government, from an external nonfederal party, or from another state agency) must use the Grants Module if they record their normal accounting transactions directly on COFRS.

ARRA Oversight Costs: Recent Guidance from Health and Human Services Division of Cost Allocation (DCA)

A bill is under consideration in Congress to require 0.5 percent of ARRA funds received by a state to be made available to fund the oversight costs, which are defined as reporting and auditing activities related to the prevention and detection of fraud, waste, and abuse of ARRA funds. A final determination has not been made but it is likely that the state will participate in the 0.5 percent recovery of ARRA oversight costs; information is being gathered to make that determination. However, for planning purposes be aware that the DCA has recently issued an

FAQ on implementation of the 0.5 percent recovery. That FAQ requires state agencies to prepare a supplemental ARRA Indirect Cost Rate Proposal (ICRP) or supplemental ARRA SWCAP Public Assistance Cost Allocation Plan (PACAP) if they receive an allocation of statewide ARRA oversight costs or incur their own ARRA oversight costs (not administrative costs). It should also be noted that the ARRA oversight costs can only be recovered through this process and must be excluded from the state's regular Statewide Cost Allocation Plan and from state agencies' regular ICRP's or PACAP's. In light of the state's likely participation in the 0.5 percent recovery process, state agencies should begin holding 0.5 percent of the ARRA moneys received in order to support recovery of the ARRA oversight costs. Please contact Bhavna Punatar (303-866-4344 or bhavna.punatar@state.co.us) if you have any questions.

Revised Fiscal Rule 5-1: Travel Effective July 1, 2009

New travel fiscal rule changes went into effect on July 1, 2009. The rules are available on the OSC website at http://www.colorado.gov/dpa/dfp/sco/FiscalRules/fiscalrulesfiling_5-1.htm. Please review the revisions as there were several changes in this update. Please note that with the implementation of the new rule, per diem and mileage reimbursement rates are tied to the federal rate tables. We will continue to publish rates on the OSC website because the State's mileage rates are equal to a percentage of the federal rates. Please contact your FAST representative if you have any questions.

EFT Travel Reimbursement COFRS Programming Changed on July 6, 2009

As of July 6, 2009, the revised fiscal rule for travel requires that reimbursement of employee expenses occur as an Electronic Funds Transfer (EFT), rather than as a warrant. Changes to COFRS to derive bank information from CPPS for the reimbursements went into production on July 6, 2009. For your convenience additional information and Frequently Asked Questions are attached. Please contact Joyce Miller (303-866-38136 or joyce.miller@state.co.us) or Valerie Smith (303-866-3348 or valerie.smith@state.co.us) if you have questions on the change to EFT for reimbursements.

Lease-Purchase Threshold Increased with Passage of HB09-1218

House Bill 09-1218 changes existing statewide lease-purchase statutes. The bill harmonized various lease purchase statutes and aligned lease purchase terminology with GAAP definitions. Additionally, the bill increased the previous \$50,000 threshold to \$500,000 for real property purchases requiring specific legislative approval in the form of a bill other than the Long Bill or Supplemental Bill. Please contact Bob Jaros (303-866-3765 or bob.jaros@state.co.us) if you have any questions.

OSC Staffing Changes

- *The OSC Welcomes its New Internal Auditor*

The OSC is pleased to announce that Jennifer Henry has joined the OSC as its new internal auditor. Jennifer comes from the Office of the State Auditor where she spent eleven years and was involved in both financial and performance auditing. Initially, she will be focused on internal controls and ARRA contracting processes. Welcome Jennifer!

- *Gigi Johnson in CAOS Departs the OSC*

After accepting another position, Gigi Johnson left the Central Accounting and Operations Section within the OSC. Please direct any question that you previously asked of Gigi to Valerie Smith (303-866-3348 or valerie.smith@state.co.us) or Christy Stein (303-866-2126 or christy.stein@state.co.us) in CAOS. Best wishes to Gigi in her new endeavors.

- *Lynn Gabenski's Upcoming Retirement – Mark Your Calendar*

Lynn Gabenski from the FAST team is retiring on July 31, 2009. Mark your calendars for the afternoon of August 7, 2009 to stop by and wish her well. More details will follow as the date draws closer. Congratulations Lynn!

- *FAST Agency Assignments as of August 1, 2009*

With Lynn's retirement, revised FAST agency assignments are attached and become effective on August 1, 2009.

EFT in COFRS for Travel and Miscellaneous Reimbursements

Q&A for Controllers

As of 7/10/09

When will employees begin to be reimbursed via EFT?

Beginning July 6, 2009, the State will reimburse employees for travel and other reimbursable expenses incurred on behalf of the State by using electronic funds transfer, which is commonly referred to as EFT. The State will no longer reimburse employees by warrants for expenses incurred on behalf of the State.

How will this be communicated?

See suggested e-mail from agency controllers to employees.

How does the process work?

Nightly, CPPS will send COFRS a file of all primary bank account information for direct deposits (EFT) listed in CPPS by Payroll ORG (AAA for DPA, PAA for DNR...) and Employee ID. CPPS will only send information on employees who are active. If an employee is on unpaid leave (LWOP, STD...), transferred, or terminated, their information will not be included in the file. The file is sent after the CPPS nightly process is completed, usually around 8:00 pm. When no EFT bank account record is sent from CPPS to COFRS, the COFRS payment will default to a warrant.

Each night COFRS will load the CPPS EFT file into a separate table from the EFTT table (tentatively named EFT2). All payment vouchers with an EID vendor code will be paid using the employee primary bank account loaded to EFT2. Agency staff will no longer need to input the "Y" in the EFT field or enter an application type in the APPL TYPE field on payment vouchers (PV's). The EFT field will default to "Y" and the APPL TYPE field will default to "99 - Employee Reimbursement" if the vendor code is on the EFT2 table. If the vendor code is not on the EFT2 table, the EFT field will be "N" and the APPL TYPE field should be blank. When the vendor code cannot be found on the EFT2 table, the users will receive two warning messages: "ACFPW - Vendor invalid on EFTT" and "S042W - Waiting line verification". Users should enter the word "verify" in the function field and press enter. They should then quick edit the document to change the status to PEND3.

How do we know when the money will be deposited into the employee's account?

PV's that are approved and accepted in COFRS prior to the system coming down for nightly processing with a blank scheduled pay date will have an EFT deposited in 3 business days.

Example: If a PV is accepted Monday during the day, the deposit date will be the following Thursday.

If a PV is scheduled and accepted during the COFRS nightly cycle with a blank scheduled pay date, the payment will have an EFT deposited in 4 business days.

Example: A PV is approved and scheduled for processing on Monday and is accepted Monday night, the deposit date will be the following Friday. Additionally, there is a daily

report on Document Direct, EAP30R – *Agency EFT Listing by Payment Voucher* that reports the deposit date.

Additional COFRS EFT reports available for review are the EAP11R – *EFT Scheduled Payments* and the EAP12R - *EFT Scheduled Payments not Processed* report showing EFT payments not processed due to future scheduled dates, or vendor and appropriation holds.

What if the payment is returned?

If the payment is returned for any reason, the same process will be followed that is used for current vendors. Treasury will receive the money and Central Accounting in OSC will contact the agency.

What is used for employee bank information?

The banking information for employee reimbursement payments made on or after July 6, 2009, will be based on the employee's primary banking information as identified in CPPS. For employees currently reimbursed via EFT (based on COFRS vendor file banking information) this could mean that the reimbursements on or after July 6, 2009, could go to a different bank account than the current reimbursements that are based on COFRS vendor file banking information.

What about using miscellaneous vendor codes?

For agencies that currently reimburse employees with miscellaneous vendor codes, vendor records will need to be established under the employees' ID numbers on or before July 6, 2009, in order to process the reimbursement as an EFT. Agencies should no longer use miscellaneous vendor codes to reimburse employees, except in cases where the employee is being reimbursed to replenish petty cash.

What if an employee's payment is in prenote status?

If the employee is in prenote status in CPPS, Central Payroll will not send the record to COFRS. In this case, the payment will default to a warrant and be mailed to the address on the employee VEND record.

What if an employee is not in EFT for Payroll?

The payment will default to a warrant.

If an agency puts in a Check Category and no EFT, what happens?

The PV processor will automatically default the EFT flag to 'Y' and the Application type field to '99' if an EID (997xxxxxx) is used as a vendor code and the vendor code is found on the EFT2 table. If the vendor codes is not found on EFT2 and a check category is used then a warrant will be issued.

Suggested E-mail from Agency Controller to Agency Employees

Employee Reimbursements via EFT

Beginning July 6, 2009, the State will reimburse employees for travel and other expenses incurred on behalf of the State by using electronic funds transfer, commonly referred to as EFT. The State will no longer reimburse employees by warrants for expenses incurred on behalf of the State.

The State is making this change to reduce paper costs, to improve efficiency, and to support the Governor's greening initiative. Fiscal Rule 5-1 has been revised to require EFT for reimbursement of expenses.

Employees who are paid by the Central Personnel and Payroll System (CPPS) will receive reimbursement of expenses in the same bank account as employees receive their pay. The process will be automatic. Employees do not have to provide the Accounting Office with their bank and account information. Colorado Financial Reporting System (COFRS) will use the same bank and account information for reimbursement of expenses that is used for employees' pay in CPPS.

Please contact me if you have any questions.

Thank you,

Agency Controller

Field Accounting Services Team (FAST) Agency Assignments
Effective 8/1/2009

TOM GAMACHE		
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303-866-3890		[Backup]
PUBLIC HEALTH & ENV	FAA-FMA	Tammy
FT LEWIS COLLEGE	GSA	Tammy
WESTERN STATE COLLEGE	GWA	Susan
ADAMS STATE COLLEGE	GYA	Susan
MESA STATE COLLEGE	GZA	Susan
JUDICIAL	JXX	Trinka
LABOR & EMPLOYMENT	KAA	Susan
MILITARY AFFAIRS	OAA-OCA	Susan
REGULATORY AGENCIES	SXX	Tammy
REVENUE	TAA-TGA	Trinka

TAMMY NELSON		
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HISTORICAL SOCIETY	GCA	Tom
CU SYSTEM	GFA-GFE	Trinka
UNC	GKA	Tom
AHEC	GMA	Susan
METRO STATE COLLEGE	GTA	Susan
HUMAN SERVICES	IHA-ILF	Trinka
HEALTH CARE POLICY & FIN	UHA	Trinka
SECRETARY OF STATE	VAA	Tom
TREASURY	WAA-WCA	Trinka
CONTROLLER	999	

SUSAN MEADE		
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PERSONNEL	AAA-ARA	Tammy
EDUCATION/CSI/CSDB	DAA-DAC,DBA	Trinka
GOVERNOR'S OFFICE	EAA-ESA	Tammy
COLLEGE ASSIST	GDA	Tom
CSU SYSTEM	GGA-GGJ	Trinka
COLLEGE INVEST	GRA	Tom
TRANSPORTATION	HAA	Trinka
LEGISLATIVE BRANCH	MAA-MEA	Tom
LOCAL AFFAIRS	NAA	Trinka

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303-866-4162		[Backup]
AGRICULTURE	BAA	Tom
CORRECTIONS	CAA-CIA	Tammy
DHE/PRIV OCC ED	GAA/GPA	Susan
COMM. COLLEGES	GJA-GJT	Tom
MINES	GLA	Tammy
LAW	LAA	Tammy
NATURAL RESOURCES	PXX	Susan
PUBLIC SAFETY	RAA	Tammy

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