

STATE OF COLORADO FISCAL RULES

CHAPTER 1: ACCOUNTING

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Rule 1-1 ACCOUNTING PRINCIPLES AND STANDARDS

AUTHORITY:

24-17-102(1), C.R.S. (Internal Controls)
24-17-103, C.R.S. (Annual Internal Control Report)

RULE:

The accounting principles of the state shall be based on generally accepted accounting principles (GAAP) as adopted by the Governmental Accounting Standards Board (GASB). In addition, all applicable statutory provisions shall be met.

When a conflict between statutory provisions and generally accepted accounting principles exists, generally accepted accounting principles take precedence in financial reporting.

When it is necessary to report compliance of financial transactions with statutory requirements, supplemental schedules may be used. Preparation of separate statutory based reports may also be necessary.

The chief executive officer and chief fiscal officer of each state agency or institution of higher education shall annually certify to the State Controller as to the adequacy of its systems of internal accounting and administrative controls. The certification form, content and due date shall be determined by the State Controller.

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Rule 1-2 USE OF THE STATE FINANCIAL SYSTEM

AUTHORITY:

24-30-202 (12), C.R.S.

RULE:

All state agencies and institutions of higher education are required to use the state financial system to record their financial transactions and financial information, develop their financial reports and prepare their financial statements.

The state financial system is composed of various systems and sub-systems in the Colorado Financial Reporting System and the state payroll system.

EXCEPTIONS TO RULE:

An exemption is granted by the State Controller to the governing boards and institutions of higher education to transmit summary financial information to the state financial system. This exemption is granted only to those governing boards and institutions of higher education that have an internal accounting system and an electronic interface that have been approved by the State Controller. The electronic interface shall provide timely updates to the state financial system as directed by the State Controller. The governing boards and institutions of higher education are also exempt from the requirement to use the state payroll system.

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Rule 1-3 ACCESS TO THE STATE FINANCIAL SYSTEM

AUTHORITY:

2-3-107, C.R.S. (State Auditor)
2-3-203(1), C.R.S. (Joint Budget Committee)
24-30-202(11), C.R.S. (State Controller Authority)

RULE:

The State Controller is the official custodian of the financial portion of the database included within the state's financial system. The official custodian prescribes the rules and regulations with reference to query, use, or inspection of the financial records.

The State Controller, as official custodian of the financial portion of the state financial system database, shall approve access and resolve all disputes regarding access to financial information contained in the database.

Each state agency or institution of higher education is delegated custodial authority for its portion of the financial database on the state financial system.

Electronic Read Only (Query) Access to the State Financial System Data Base

State financial system records contain both public and confidential information; therefore access to financial data contained on the state financial system shall not be granted to anyone for general perusal of a state agency or institution of higher education's financial records.

Specific request for query access to the financial database of the state financial system shall state what information is requested and when the information is desired. The state agency or institution of higher custodian shall have the discretion of requiring that the request for financial information be in writing.

.01 Query access by a citizen or private entity:

Information requested by a citizen or entity other than a state agency or institution of higher education shall be furnished in a timely manner, as provided by statute. The information shall be provided in the form of a copy or printout, or a computer tape or disc. Actual costs, not to exceed the statutory maximum, may be charged by the state agency or institution of higher education for providing the information requested.

.02 Query access to a state agency or institution of higher education's own financial database:

Each state agency or institution of higher education shall be given query access to its portion of the financial database on the state financial system. Each state agency or institution of higher education shall be given query access to the centrally controlled tables maintained on the state financial system.

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.03 Query access to another state agency or institution of higher education's financial database:

When a state agency or institution of higher education desires information from another state agency or institution of higher education, the state agency or institution of higher education making the request shall obtain approval from the chief executive officer of the state agency or institution of higher education possessing the information. Once approval has been granted, the information shall be furnished in a timely manner, as provided by statute. No charge shall be made for the information provided. Disputes shall be referred to the State Controller.

.04 Query access to multiple state agencies and institutions of higher education's financial databases:

All requests for financial information concerning multiple state agencies and/or institutions of higher education shall be referred to the State Controller. The State Controller shall have query access to all state agencies and institutions of higher education's financial databases and shall respond to all requests for information requiring multiple accesses.

The State Controller shall notify each state agency or institution of higher education of the request for information and furnish each state agency or institution of higher education a copy of the information provided, as necessary.

.05 Query access by the Office of the State Auditor:

The Office of the State Auditor shall have query access to the financial databases of all state agencies and institutions of higher education on the state financial system.

.06 Query access by the Office of State Planning and Budgeting:

Unless otherwise provided by agreement, the Office of State Planning and Budgeting shall have query access to the financial databases of all state agencies and institutions of higher education on the state financial system only for the purpose of carrying out its statutory responsibilities.

.07 Query access by the legislative Joint Budget Committee:

Unless otherwise provided by agreement, the legislative Joint Budget Committee shall have query access to the financial databases of all state agencies and institutions of higher education on the state financial system only for the purpose of carrying out its statutory responsibilities.

.08 Query access by the state Department of Treasury:

Unless otherwise provided by agreement, the Department of Treasury shall have query access to the state financial system for the purpose of carrying out its statutory responsibilities.

.09 Query access by the Colorado Commission on Higher Education:

The Colorado Commission on Higher Education shall have query access to all financial data contained on the state financial system for all institutions, agencies, and boards within the Department of Higher Education.

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Rule 1-4 AUTOMATED INTERFACES WITH THE STATE FINANCIAL SYSTEM

AUTHORITY:

24-30-202 (12), C.R.S.

RULE:

Only electronic interfaces approved by the State Controller shall be allowed to feed data into the state financial system.

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Rule 1-5 STATE FINANCIAL SYSTEM SECURITY

AUTHORITY:

24-30-201 (1)(f), C.R.S.

RULE:

The State Controller is responsible for the overall security of the state financial system. The State Controller may delegate security responsibility to state agencies and institutions of higher education for their portion of the financial database on the state financial system.

If it is determined that a state agency or institution of higher education is not complying with the responsibilities delegated to its state financial system security administrator, the State Controller may withdraw the delegation and assume responsibility of the state financial system security administration for that state agency or institution of higher education.

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Rule 1-6 STATE AGENCY OR INSTITUTION OF HIGHER EDUCATION ACCOUNTING SYSTEMS

AUTHORITY:

24-30-202 (12), C.R.S.

DEFINITIONS:

Financial System - All data processing software systems applied to general ledgers and subsidiary ledgers, debt collection, accounts payable, accounts receivable, cost distribution, fixed assets, inventory, payroll, purchasing, and time collection.

RULE:

All financial systems that are used to record state financial information and transactions, or develop financial reports and prepare financial statements for the state shall be approved by the State Controller.

State agencies and institutions of higher education shall strive to improve their efficiency in the collection, maintenance, and reporting of financial information throughout state government. To achieve this goal, state agencies and institutions of higher education shall use the state financial system, unless exempted by the State Controller. Redundancies between state agency or institution of higher education financial systems and the state financial system should be eliminated in order to prevent duplication in the development of financial systems, to improve the compatibility of financial systems, to facilitate inter-system communications and to timely access information, and to improve the efficiency of the collection, maintenance, and reporting of financial information throughout state government.

To accomplish the desired objectives, the State Controller:

- .01 Shall approve the development or acquisition of new or replacement financial systems based upon:
 - a. The compatibility of the proposed financial system with the state financial system or with other approved state agency or institution of higher education financial systems.
 - b. The uniformity of accounting procedures, account structures, object, revenue, and other classifying code definitions.
 - c. The potential benefit and use by other state agencies and institutions of higher education with similar needs.

- .02 May require a state agency or institution of higher education to exclusively use the state financial system.

If the state financial system cannot meet the needs of a state agency or institution of higher education, the chief fiscal officer of the state agency or institution of higher education shall notify the State Controller.

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Rule 1-7 DELEGATED SIGNATURE AUTHORITY OF THE STATE CONTROLLER

AUTHORITY:

24-30-202 (1), (2), (3), and (4) C.R.S.

RULE:

State agencies and institutions of higher education shall, upon request of the State Controller, identify and submit a listing of persons authorized to sign or approve specific documents for the State Controller. Such listing shall contain the name, and manual signature of those persons delegated signature authority and be approved by the chief executive officer of the state agency or institution of higher education. Any change to the approved listing must be submitted to the State Controller.

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Rule 1-8 PREAUDIT RESPONSIBILITY FOR ACCOUNTING DOCUMENTS AND FINANCIAL TRANSACTIONS

AUTHORITY:

24-30-201 (1)(h), C.R.S.

DEFINITIONS:

Preaudit - A review for compliance with applicable statutes, fiscal rules, and other regulations, and an adherence to accepted business practices.

RULE:

All accounting documents and financial transactions shall be subjected to a preaudit prior to recording the documents on the state financial system or on an approved state agency or institution of higher education accounting system, and prior to making payment. State agencies and institutions of higher education shall implement internal accounting and administrative controls that reasonably ensure that financial transactions are accurate, reliable, and conform to state fiscal rules. The factors of risk, cost, and business requirements shall be considered when establishing these internal controls.

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Rule 1-9 FRAUD, THEFT AND EMBEZZLEMENT

AUTHORITY:

18-4-401, C.R.S. (Theft)
18-5-102, C.R.S. (Forgery)
18-8-407, C.R.S. (Embezzlement of Public Property)
24-17-101, C.R.S. (State Department Financial Responsibility and Accountability Act)

DEFINITIONS:

Fraud includes misstatements arising from fraudulent financial reporting, misstatements arising from intentional misappropriation of assets, and theft or embezzlement of public property.

Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements with the intent to deceive financial statement users.

Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the basic financial statements not to be presented in conformity with accounting principles generally accepted in the United States of America.

RULE:

Departments, agencies, and institutions of higher education have the responsibility for the design and implementation of programs and controls to prevent, deter and detect fraud.

Any suspected fraudulent misstatements of the financial statements should be reported to the State Controller.

Any suspected theft or embezzlement of state funds or assets should be immediately reported to the chief executive officer, or delegate, and the chief financial officer of the state agency or institution of higher education and appropriate action taken. A suspected theft or embezzlement of state funds or assets totaling \$5,000 or more, or such amount as designated by the State Controller for a given agency, per incident shall be reported in writing to the State Controller. Also, the results of any investigation or follow-up including corrective measures implemented to prevent or reduce the likelihood of future occurrences must be reported in writing to the State Controller in a timely manner.

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Rule 1-10 ACCOUNTABILITY AND CAPITALIZATION OF EQUIPMENT

AUTHORITY:

24-30-201 (1)(k), C.R.S.

DEFINITIONS:

Equipment - Tangible personal property that has a useful life of more than one year and an acquisition cost of more than \$5,000, which is not a permanent part of a building and does not lose its identity through incorporation into a more complex unit.

RULE:

Each state agency or institution of higher education is responsible for ensuring that all equipment acquired by the state is properly accounted for when acquired, inventoried and safeguarded throughout its useful life, and properly accounted for at the time of disposal.

Tangible personal property purchased by the state shall be either capitalized or expensed in the fiscal year in which it was acquired. Equipment purchased by the state shall be capitalized. For control purposes a state agency or institution of higher education may select a minimum acquisition cost or useful life that is less than the stated criteria for capitalization.