ALERT! ALERT! ALERT!

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ALERT #95

TO: Department Controllers, Fiscal Officers and Other Interested Parties

FROM: Clifford W. Hall
State Controller

DATE: November 7, 1996

SUBJECT: *Department of Human Services Receives Quality Close Award*
Fiscal Rule Changes Effective December 1, 1996
Period Six (FY97) Close Date Extended
Field Control Section Customer Survey
Draft Contract Management Guide Ready for Review
Treatment of State Auditor's Office Cost in Indirect Cost Rate Proposals

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Department of Human Services Receives Quality Close Award

The State Controller's Office selected the Department of Human Services (DHS) to receive an award for outstanding performance during the last fiscal year and year end close. The award to DHS was presented at the CFMA luncheon on November 7. Cliff Hall, State Controller stated "In spite of many administrative changes over the past three years and reductions of administrative staff DHS accounting staff adopted an aggressive can-do attitude to make significant improvements to achieve a quality close. We were particularly impressed with their quarterly closes and their action plan to monitor staff progress to meet the year end closing schedule." Congratulations to Pat Horton, Tom Wristen and their very capable staff.

Fiscal Rule Changes Effective December 1, 1996

The following changes to the Fiscal Rules were discussed and approved at a hearing on October 21, 1996 and will become effective December 1, 1996:

- Temporary rule on meal maximums for travel in the continental United States became permanent.

- Definitions of source documents required to support disbursements were improved. (Rule 2-2)

- Purchase orders must be written when a contract is not required and the order amount is $3,000 or more (with some exceptions). (Rule 2-2)

- Encumbrances are required if contract or purchase orders are written except when the agreement is with another state office. (Rule 2-10)

- Requirements for rollforward of appropriation were better defined. (Rule 7-3)

The new Fiscal Rules will be available through Juniper Valley (commodity no. 615-82-50-1005) in late November or you may find the changes at our Internet web site (www.state.co.us/gov_dir/gss/acc/accpubs.html) starting December 2, 1996. If you would like the new Fiscal Rules on disk, please send a blank formatted disk to Jody Pyott at the State Controller's Office or E-mail is also an option.

Period Six (FY97) Close Date Extended

At the request of the Controller's Forum, the period six closing date has been moved to Friday January 17, 1997. This later closing date will allow controllers more time to complete this very important quarterly close. Holidays during period six and the close period put additional strains on limited resources. Closing dates through period 11 can be found on the COFRS General Message Screen (GMSS) and in Alert #89 Dated (3-15-96). Closing dates for periods 12 and 13 will be selected by the Open/Close committee and published with the instructions. Questions about this change may be directed to Dennis Wolfard at 866-3895.

Field Control Section Customer Survey

The SCO mailed FCS survey forms on November 5, 1996. Your comments are important. Please complete the survey and return it to Jody Pyott in the State Controller's Office by Friday, November 22, 1996.

Draft Contract Management Guide Ready for Review

The Contract Management Task Force (CMTF), is ahead of schedule in producing a draft of a contract management guide. Creation of a "user friendly" guide has been a major goal of the group since it was formed in May.

The guide will help state agencies manage contracts more efficiently and obtain better service from contractors. It will serve both as a stand-alone guide and be incorporated into a statewide contracting manual being developed by the Colorado Contract Improvement Team.

Potential users of the manual are invited to read and comment on this draft. Content is the feature to be studied at this time; editing for consistency of language will follow. A copy of the draft has been distributed to the CMTF member of your department. Comments or questions should be directed to John Ivy at 866-3765.

Treatment of State Auditors Office Costs in Indirect Cost Proposals

The revised OMB Circular A-87, effective September 1, 1995, provides additional direction on recovering A-128 audit costs. Also, more emphasis is being placed on maintaining consistency in handling these costs. Direct charging federal grants and contracts for part of the SAO's A-128 billings and including the remainder of the billing for all other uncharged general financial audit costs in the indirect cost pool would be inconsistent treatment and result in a violation of the consistency standard (OMB Standard 9904.402).

To avoid a violation of the consistency standard, your agency should choose one of the following treatments of audit costs for federal purposes based upon your assessment of which alternative will result in the highest recovery of costs from federal contracts and grants:

Alternative #1:

Treat the cost of the A-128 audit billings as a direct charge to federal contracts and grants. Do not charge the remainder of the memo billing in excess of the A-128 audit billing as a direct charge to federal contracts and grants nor include this residual amount in any indirect cost pool that is allocated to federal contracts and grants through a federally approved indirect cost rate or federally approved indirect cost plan.

Alternative #2:

Do not treat the cost of the A-128 audit billings as a direct charge to federal contracts and grants. Do not charge the remainder of the memo billing in excess of the A-128 audit billing as a direct charge to federal contracts and grants. Include the total memo billing, including the billed A-128 portion of the memo billing, in indirect cost pools that are allocated to federal contracts and grants through a federally approved indirect cost rate or federally approved indirect cost plan.

If an agency treats audits costs in any manner different from either of the two alternatives, the agency should have prior concurrence for the treatment from its cognizant federal agency or the grantor of the federal contract or grant.

If you have any questions, relating to the treatment of audit costs for federal contract purposes, please contact Dennis Palamet at 866-3240.