

FY 2016 Closing & FY 2017 Opening Training

Presented by:
Office of the State Controller
May 12, 2016



Presenters

State Controller

Bob Jaros (303) 866-3765

Consulting & Analysis Unit

Brent Voge (303) 866-2733

Jennifer Henry (303) 866-3809

Susan Thomson (303) 866-4161

Daniel Saint (303) 866-3891

Financial Support Services

Karoline Clark (303) 866-3811

Agenda

- Opening Comments
- Internal Controls
- General Information
- Calendar Highlights
- Budget Process
- Capital Construction
- Opening & Closing Procedures
- Reports
- Fixed Assets
- GASB Standards
- Closing and Questions

Opening Comments

Excellence in Financial Reporting



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Jeffrey R. Egan
Executive Director/CEO

- Important because it demonstrates excellence in financial reporting through the Comprehensive Annual Financial Report (CAFR).
- Starts with your everyday work in doing requisitions, purchase orders, payments, adjusting entries, accruals, variance analysis, exhibits, management reporting, etc.
- The OSC uses these system inputs to:
 - Prepare Financial Statements
 - Notes to the financial statements, this is where the information from the Exhibits gets used.
 - Required Supplementary Information
 - Supplementary Information
 - Management Discussion and Analysis
- These results are then audited, and an opinion is expressed.
- The CAFR is then present to GFOA for review.

Housekeeping

- CFMA has provided the refreshments today, please thank the board members
- Please initial by your name on the registration forms at the registration table
- CPE will be offered for today's training, turn in form before you leave at the registration table
- We will take a break about halfway through the session
- Ask questions as they come up
- Restrooms and cafeteria are behind the elevators

Internal Controls

Requirements

- Colorado State Department Financial Responsibility and Accountability Act (FRAC)
- OMB Uniform Guidance

FRAC

- CRS 24-17-102
- Requires:
 - A plan that specifies segregation of duties
 - Restricting access to state assets
 - Authorization and record-keeping procedures
 - Personnel of quality and integrity
 - An effective process of internal review and adjustment

OMB Uniform Guidance

- Title 2 of the Code of Federal Regulations, Subtitle A, Chapter II, Part 200
 - New consolidated guidance referred to as the “Supercircular” or “Uniform Guidance”
 - Addresses:
 - Administrative Requirements
 - Cost Principles
 - Audit Requirements
 - Supersedes eight previously issued OMB circulars
- Requires:
 - Establishing internal controls in compliance with guidance in “Standards for Internal Control in the Federal Government” (**Green Book**) or the “Internal Control Integrated Framework” issued by COSO

Green Book

- OSC has adopted the Green Book for internal controls
- Adapted from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 revision of *Internal Control: Integrated Framework*

Definition of Internal Control

Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

From Committee of Sponsoring Organizations of the Treadway Commission

Components of Internal Control

- The Green Book includes five interrelated components:
 - Control environment
 - Risk Assessment
 - Control Activities
 - Information and Communication
 - Monitoring

Tales from the Dark Side

- Why are internal controls important?
- Recent frauds
 - Vendor impostor fraud
 - Executive impostor fraud
 - Data Breach

Impostor Fraud – Spear Phishing

- Characteristics
 - Very targeted
 - Extremely sophisticated
 - Multiple attacks
- Method used by fraudster
 - Poses as a person or entity you know and trust
 - Contacts you by e-mail, phone, fax, or mail
 - Requests a payment, submits an invoice, or asks to change vendor payment instructions

Vendor Impostor Fraud

- Fraudster's actions
 - Poses as a vendor
 - Contacts you by e-mail
 - Asks to change their bank account information
 - Sends request that seems legitimate
- Fraudster hopes to take advantage of:
 - Vendors change bank account information
 - Prior to this fraud, State did not verify changes with the vendor

Ways to Prevent Vendor Impostor Fraud

- Follow OSC procedures on EFT setup/change process
- Link to document:
- <https://www.colorado.gov/pacific/sites/default/files/EFT%20setup%20change%20Process.pdf>
- Verification process includes (among other steps):
 - Contact vendor using information independent of what is on the EFT form
 - Verify with the vendor that they did request the changes
 - Ask vendor additional questions if you found any discrepancies in the documents

Executive Imposter Fraud

- Fraudster's actions
 - Poses as your executive director or other executive
 - Emails you
 - Asks you to send payments, usually by wire transfer
- Fraudster hopes to take advantage of:
 - Executive requests will not be questioned
 - Executives are often unavailable to verify requests

Executive Impostor Fraud Example

From: june.taylor@statte.co

Bob,

I need a Wire of \$39,750 to the Account Details attached Post-Haste. Code it to G&A and notify me once completed.

I'll forward Full Support Momentarily.

Thanks,

June

Ways to Prevent Executive Impostor Fraud

- Look at the display name in the e-mail
 - All email address in our Google domain end with “[@state.co.us](mailto:state.co.us)”.
 - If you are not certain whether the message is real, before you open it, you can hover your cursor over the sender’s name to see the full email address. If it does not end with “[@state.co.us](mailto:state.co.us)”, delete it.
- Contact your Executive Director and speak with him/her in person. ED’s should not be sending e-mail requests for payment.

Data Breach

- Security incident in which sensitive data is used by an individual unauthorized to do so
- Certain employees have access to databases that include sensitive data for employees and vendors, including social security numbers, accounts, and other information provided to the State

Data Breach Example

- Former CDOT probationary employee had access to a database for several hundred disadvantaged and emerging small businesses
- Former employee may be using and selling this data externally
- Colorado Bureau of Investigation is investigating this matter

Ways to Prevent Data Breach

- External – hackers and foreign governments
 - Firewalls
 - Security policies
- Internal – current and former employees
 - Access controls
 - Background checks

Summary

- State is vulnerable
 - Fraudsters are patient and invest time learning about the State
 - Who we pay, how much we pay, when we pay is on the TOPS website
 - Fraudsters can find information about State employees – Executive Director, Department Controller, Accounts Payable Staff
- For impostor fraud, fraudsters don't steal banking credentials. They rely on your authorized users to make and authorize payments.

Summary (Continued)

- If something doesn't seem right, it probably isn't
- Staff should question payments that are authorized from executives outside the normal channels
- Follow OSC procedures for EFT & Warrant Account Management
- Alert and educate your executives, Accounts Payable staff, and vendors
- Follow State security policies, especially access controls
- Background checks for employees with access to sensitive data

Resources

- Go to <https://www.colorado.gov/pacific/osc/omb-guidance>
 - OMB 2 CFR Part 200 Uniform Guidance
 - FAQs
 - Subrecipient vs Contractor Determination Tool
 - OSC Controller Guidance on the Uniform Guidance
 - State Controller Policy on Internal Control System
 - Green Book
 - Additional Guidance and Resource Links
- Still to come:
 - Conflicts of Interest Policy
 - Practical Internal Control Guidance

Questions?

General Information

Financial Analysis & Reporting Section

**Consulting &
Analysis**

Brent Voge

Reporting

Trevor
Borgonah

Internal Audit

Frank Ferraro

Cost Plans

Bhavna Punatar

**Support
Services**

Karoline Clark

Financial Analysis & Reporting Section



Central Mailbox

Financial Analysis & Reporting

DPA_FARmailbox@state.co.us

Fiscal Procedures Manual

✓ Items of Note

- Calendar, Checklist, and Planning Guidelines
- Ongoing Updates
 - Changes communicated via Controllers distribution list and included in Appendix 1
- Audit Risk Letter

Fundamental Operations in CORE

- ✓ CORE Open until Audit Opinion
- ✓ Performance Budget Integration with CORE
- ✓ Recording Directly In and Reporting Directly From CORE

Calendar Highlights

Period Close Dates

Period	Purpose	Close Date
12	Payment / Cash Cut Off	7/22/2016
13	Department Close	8/22/2016
14	OSC Close	8/26/2016
15	Basic Financial Statements	10/14/2016
16	CAFR / Audit Opinion	12/15/2016

Calendar Highlights

June 30

- Cash cutoff
- Goods must be received or services performed by this date
- Long bill, special bills and supplemental budgets interfaced from PB by this date

July 15

- Last day Departments can bill Higher Education Institutions (via invoice or IET for central billing agencies)

July 22 – Period 12 Close

- Last day to approve payments and cash receipts
- Encumbrance roll at close of business
- Clear balances in default and clearing accounts

Calendar Highlights

August 22 – Period 13 Close – Department Close

- Last day for regular department document entry and approval
- Last day to approve fixed assets before depreciation runs
- Deadline for submitting transfer and overexpenditure requests

August 24 – TABOR

- Exhibit A1 & A2 due, as applicable
- TABOR Variance Analysis due
- Exhibit I due

August 26 – Period 14 Close – OSC Close

- All FY2016 documents route to the OSC for approval
- Final day to confirm internal receivable and payable balances

Calendar Highlights

September 9

- Exhibits Due, except A1, A2, I, J, K1, and K2
- Cash reserves turn around report due to OSC

September 30

- Exhibit J due

October 7

- Exhibit K1 and K2 due

October 14 - Period 15 Close – Basic Financial Statements

- Planned publication date of the basic financial statements
- Entries after this date are considered audit adjustments

Calendar Highlights

December 15 – Period 16 Close

- Audit completion

Budget Process

FY2017 Budget

- FY2017 \$0 Budgets are now available in CORE
 - Created on March 28th
 - Based on active FY2016 budget lines
 - If budget line exists that is not needed in FY2017, work with your FSS member to get the budget line deleted.
 - If a budget line does not exist that should be available in FY2017, work with your FSS member to get the budget line activated.
 - Email: dpa_FARmailbox@state.co.us

FY2017 Budget

- HB 16-1405 signed by Governor on May 3rd
- Budget data contained in Performance Budget (PB); to be interfaced to CORE
- New/changed coding in PB/CORE
 - FSS now analyzing the current Long Bill, and have contacted most departments about new coding, if needed.
 - Tentative Dates for completion of interface sent in a separate email to the Controllers (newsletter from OSPB).
- If the activity is Federal Info Only, the OSC will process a corresponding controller restriction (SAI 21) to reduce the budget. This should occur shortly after the long bill is booked. Federal spending authority should then be booked with a federal award, using BG03, SAI 4.

FY2017 Budget

- Special Bills (with Appropriations) will also be processed through PB
- Anticipated completion date is June 30
- If a new appropriation unit is needed, please email the dpa_FARmailbox@state.co.us now with the request (including last 4 digits). The FSS staff will prepare the rollups and create the coding as needed.
- If you have access to create Appr Units, please let us know that you are only requesting the rollups.
- New Appr Units will need to be included in PB

General Budget

- Financial Support Services will again process the carry-forward of Federal Non-Appropriated lines, and Unobligated Capital for FY16 into FY17
- Planned to be completed by September 2 (before budget controls are on)
- Federal Carryforward – determined by Appr Cat (nonappropriated) and GCF (Federal)
- Capital: determined by Appr Cat (Capital). Intend to carryforward only continuing projects.

General Budget Information

- Appr Units:
 - Appropriation Units may only be created by certain individuals in each cabinet, who have attended training.
 - Limiting access due to issues with changing rollups, including inconsistent use of rollup codes and changing rollups mid-year or at the end of the year. Also issues with AD Chain.
 - If rollup changes are needed, a new appropriation unit will need to be created.

General Budget Information

- Budget Controls (Spending Controls)
 - FY2017
 - BQ90LV3/BQ91LV3, level 3
 - Overrides are available in these situations:
 - For payments, only if there is an approved overexpenditure;
 - For temporary timing issues;
 - For payroll;
 - If not a legal overexpenditure (legal at the FSC level)
- For FY17, turn on full appropriation control on 9/15/16 (after federal and capital carryforwards have been processed).

General Budget Information

- Restrictions:
 - Departmental (SAI 12-16)
 - Controller (SAI 17-21)
 - Governor (SAI 22-26)
 - Overexpenditure (SAI 27-31)
- Record as a DECREASE in Spending Authority when restricting.

General Budget Information

- Activity-Based Budget Lines
- Budget is not based on an award document;
- Use prior year expense amount as justification (with documented changes for current year, if any) and include attachments;
- Be sure to add “Activity-Based” in line descriptions;
- At the end of the year, reduce/increase budget to actual (with “True-Up” in the line description).

Capital Construction

6 Month Rule

- Appropriation ends at 6 months from the date the Long Bill is signed
 - HB 16-1405 was signed on May 3rd
 - 6-month due date is November 2nd
- 6-Month Certification Form must be submitted by due date to OSC
 - Submit to dpa_farmailbox@state.co.us
- If FY2016 6-Month Certification hasn't been turned in yet, please send to email address noted above
- For additional information see Chapter 4, Section 1.4 of the Fiscal Procedures Manual

New Capital Projects (HB16-1405)

- Plan to interface Capital activity from PB
- FSS is currently preparing coding and appropriation units for new capital projects, controlled maintenance, and information technology projects
- Plan to use CDC project number as the last 4 characters of the new Appr Unit
- OSC will process a controller restriction shortly after the Capital Construction is booked to reduce the budget until an SC4.1 or OIT Letter of Intent is provided.
- To release the restriction, prepare a BGA90/91 doc INCREASING the budget line using BG03 and the same SAI that was initially used to restrict the line. Attach the SC4.1 or OIT Letter to the header.

Continuing Capital Construction Projects

- Carryforward in FY2017 by project
 - Applies to continuing projects within 3-year life
 - Unexpended budget rolls automatically
 - Based on P14 closing balance
 - Roll of budgets will occur in CORE on or before 9/2
 - Reversion and Carryforward infoAdvantage report available. See OSC-019.
 - Expiration dates subject to change based on the signed Long Bill date and timing of updates in CORE.

Expiring Capital Construction Projects

- See OSC-019 - Capital Construction-Reversions and Carryforwards Report in IA.
- Expiring projects with uncommitted spending authority:
 - Process a capital construction reversion, unless valid encumbrance is available.
 - Decrease to budget line, using BG03 (Amend), SAI 6 (Capital Reversion).
 - Provide attachments of the OSC-019 report, and screen prints of BQ90/91LV3 screens.
 - Documents must be received by OSC by 8/22/16.
 - Expiration dates subject to change based on the signed Long Bill date and timing of updates in CORE.

Expiring Capital Construction Projects

- See OSC-019 - Capital Construction-Reversions and Carryforwards Report in IA.
- If expiring project has a valid encumbrance as of June 30, 2016:
 - Create a BGA90/91 to carry forward the budget, to the extent of the valid encumbrance.
 - BG04 (Carryforward), SAI 8 (Capital Carryforward)
 - For documentation, please provide documentation supporting the encumbrance, and a copy of OSC-019.
 - Documents must be received by OSC by 8/22/16.

Questions and Break

Please return in 15 minutes

Opening & Closing Procedures

Document Availability

- Inventory transactions through June 30
- Cash receipt documents through July 22
- Payment documents through July 22
- Internal transactions with cash offsets cash offsets through July 22
 - Except with Higher Ed, which are due by July 15 (by policy)
- “1” interfaced documents not available after P13

Payment Processing

- Document Dating Reminders
 - Manually-Entered Payment Docs (e.g., GAXs, PRCs, and MD)
 - As of 7/1/2016 (FY2017), CORE will auto-populate document headers with:
 - BFY 2017
 - FY 2017
 - APD 1
 - Therefore, to post payments related to FY2016 from 7/1 to 7/22 you must leave the record date blank and manually enter the following on the document header:
 - BFY 2016
 - FY 2016
 - APD 12

Payment Processing

- Document Dating Reminders
 - Automatically Generated Payment Docs (e.g., PRM)
 - The BFY, FY, and APD on the accounting line is inferred from the award document
 - Therefore, to post payments related to FY2016 from 7/1 to 7/22:
 - The IN document must reference a FY2016 award, and
 - Users must enter a service date on the IN commodity line of 6/30/2016 or prior

Accounts Payable Accruals

- Same process as prior year
- **New for FY16 close**, all payable accounts (2xxx) are available
 - Important takeaways:
 - **ACC:** If OBSA is left blank on the ACC document it will default to 2120. If a different OBSA is desired, this must be manually entered.
 - **ACL:** The OBSA that automatically populates on the ACL must be manually deleted/cleared in all cases, regardless of what appears in the OBSA field on the ACL. This allows the OBSA from the ACC to clear and allows the default posting lines on the ACL to post to OBSA 3900.
 - An updated Job Aid will be available on the CORE website

Accounts Payable Accruals

- Reminders:
 - The ACC and ACL documents are not available until Period 13
 - All accruals and reversals should be completed by Period 13 close
 - Document Dating:
 - ACC: Manually enter BFY 2016, FY 2016, and APD 13
 - ACL: Dates will auto-populate as BFY 2016, FY 2017, and APD 1
Do not change

Open Encumbrance Roll

- Similar process as last year
 - Default to roll
 - Use preselection tables to mark encumbrances to lapse
 - RLPSS and RLPD
 - CORE Operations will distribute report
 - Correct rejected documents by period 13 close
- Pre-selection tables will be populated July 1
- Roll/lapse execution will occur at period 12 close
- CORE Operations testing chart of account crosswalk
 - More information to come from CORE Operations

Multi-Year Contract Maintenance

- Multi-year contract maintenance will occur at period 12 close
- Contracts with future budget fiscal years, event type PR08, and reserved funding set to “Yes”
- Changes 2017 budget fiscal year line to PR05 and reserved funding to “No”

Transfers and Overexpenditures

- Two provisions to provide flexibility in the case of an Overexpenditure
 - Transfer from eligible budgetary line
 - Refer to CRS 24-75-108 – Like purpose appropriations
 - OSC Consultant or OSPB Analyst
 - State limit - \$5 million – doesn't apply to Medicaid
 - Submit transfer request form to consultant, OSPB approves
 - Deadline August 22
 - Overexpenditure
 - State Limit - \$3 million – doesn't apply to Medicaid
 - Submit overexpenditure request form to consultant, OSPB approves
 - Deadline August 22
 - To release held payments statutory spending authority will temporarily be granted for approved overexpenditures

Transfers and Overexpenditures

- Deficit Fund Balance
 - Deficit Fund Balance is considered an Overexpenditure
 - Complete Overexpenditure request form
 - Forms are sent to Consultant
 - Not approvable by OSPB or State Controller
 - Reported in the Governor's Overexpenditure Letter
 - Deadline August 22
 - GASB 68 pension standard and unrealized gains and losses are not factored into deficit fund balance
- All Overexpenditures require that a like amount is restricted in the subsequent fiscal year.

Rollforwards

- Complete rollforward request with proper and complete documentation, must be received by the OSC by August 15, 2016
- Complete a BGA Document in current year (2016) to reduce the current year appropriation by the amount of Rollforward request, using the current year coding.
- Use BG04 and SAI 5 when recording the reduction in the current year
 - If the amount of the rollforward changes after the reduction is processed, the budget line must be adjusted before the end of the fiscal year.

Rollforwards

- Attach the rollforward request form and documentation to the BGA document
- Send an email to dpa_FARmailbox@state.co.us requesting approval of a rollforward, include document number in request
- The approval of the BGA document serves as the approval of the request.
- OSC will notify departments when approved and provide FY 2017 coding
- Complete BGA Document in FY 2017 for the actual rollforward amount using OSC provided coding

Compensated Absences

- Compensated absences accrual PERA percentage applicable to annual leave
 - Not yet available from PERA's actuary
- Event type XG14

Estimates

- Do **not** change methodology after period 14 close
- Do **not** submit a period 15 or 16 entry just to revise an estimate
 - Based on the best information available as of fiscal year close
- **Do** submit a period 15 or 16 entry for calculation errors
- **Do** submit revised estimated for contingencies reports on Exhibit L, if applicable



Sweep Entries

- Entries are posted by OSC
- Purpose of entry is to ensure that department year-end fund balances in funds 1000 and 4610 are equal to zero
- Cash will be moved based on net activity within the General Fund and the Capital Construction Fund
- Entries will be posted by the OSC in period 14 using period 13 close balances

Unrealized Gain/Loss

- Treasury Pooled Cash unrealized gains/losses will be posted by the OSC in CORE “OSC Use Only” department codes in Period 15
 - Based on 1100 Account Balance as of Period 14 close
- Department-Held Investments posted **by departments** in Period 15
 - Difference between book and market value as reported on the Exhibit N1

Unrealized Gain/Loss

- Specific Account Codes to Use for Department-Held Investments:
 - Unrealized Investment Gain
 - DR posting code A016, BSA 1605
 - CR posting code XR02, RSRC 6050
 - Unrealized Investment Loss
 - DR posting code XR02, RSRC 6050
 - CR posting code A016, BSA 1605
- Specific Account Codes for T-Pool Gains/Losses
 - BSA 1105 – Cumulative Unrealized Gain/Loss on Treasury Pooled Cash
 - BSA 1605 – Cumulative Unrealized Gain/Loss on Investments
 - RSRC 6050 – Unrealized Gain/Loss

Transfer Codes

- **New in FY 2017**, transfer codes will expand to inter and intra fund
- Existing object 700x and revenue 900x will represent interfund transfers
- New object 7A0x and revenue 9A0x will represent intrafund transfers

Transfer Codes

- Interfund or intrafund determination is made generally at the fund category level (see rollups on FUND table), for example
 - Fund 1070 (FCAT RZ00) to/from fund 1000 (FCAT G100) is interfund, use codes 700x and 900x
 - Fund 1070 (FCAT RZ00) to/from fund 1090 (FCAT RZ00) is intrafund, use codes 7A0x and 9A0x

Questions?

Reports

TABOR

- TABOR **nonexempt** Enterprises for FY2016
 - Western State Colorado University expected to disqualify
 - Fort Lewis expected to disqualify
 - State Fair expected to disqualify
 - Adams State expected to re-qualify in FY2016
 - Reminder: AHEC is only partially designated
- Exhibits A1, A2, I, and TABOR variance analysis responses due to OSC on August 24, 2016

Exhibit J Report

- New Exhibit J report is in development and testing
 - Available throughout the year
 - Includes beginning balances, even if balances have not rolled in CORE
- Will be a department report, not a statewide

Exhibit K1/K2 – Schedule of Federal Assistance

- For FY16, please prepare the same way as FY15 (Excel spreadsheets for Exhibit K1 and Word document for Exhibit K2)
- CORE report in progress, but beginning balance issues and other programming difficulties affect this report
- **Due date for Exhibit K1 and K2 for FY16 is 10/7/16**

Single Audit Findings (Federal Reporting)

- Supercircular (OMB Uniform Guidance), 200.511 and .512:
 - The reporting package for the Data Collection Form now requires separate schedules for prior year audit findings and corrective action plans.
 - Details on how this information will be collected is forthcoming.

Cash Funds Uncommitted Reserves Report (C.R.S. 24-75-402)

- Legislative changes during FY2015:
 - Uncommitted Reserve increased from \$50k to \$200k for inclusion on the final report
 - Language changes
 - Waiver process change
 - Repeal dates added to certain excluded funds (generally, repeal effective July 1, 2017)
 - New report field: Capital Reserve
 - State entity may request to have average uncommitted reserves calculated over a multi-year revenue-collection cycle
 - Penalty for a fund with Excess Uncommitted Reserves for three consecutive years
 - Legislative intent: the 3 year analysis began with FY15. Earliest date of restriction: FY2018

Cash Funds Uncommitted Reserves Report (C.R.S. 24-75-402)

infoAdvantage Report

OSC-023 – Cash Funds Report – All Funds

- Not able to limit report to funds with Uncommitted Reserves greater than \$200,000 at this time
- FY16 adjustments needed for including or excluding newer funds applicable to the Report
- Tab included to provide detail for Fee Revenues
 - To *exclude* Fees Set in Statute, record revenues in CORE with subrevenue code STAT

Employee Travel Report

- infoAdvantage Report:
 - **GA-008 – Employee Travel Report by Cabinet, Department, Appropriation**
- New:
 - Sub object 4WHD (Four Wheel Drive Vehicle Mileage) if applicable
 - Sub object 2WHD (Two Wheel Drive Vehicle Mileage) no longer required. If no sub object is included, OSC will assume it is 2 wheel drive

Quarterly Reporting

- ...all departments, institutions, and agencies in the state government shall submit a quarterly report of financial information to the controller no later than thirty days after the last day of each fiscal year quarter. Such report shall include such financial information as deemed reasonable and necessary by the controller... 24-30-204 (2), C.R.S.
- Fiscal Procedures Manual Chapter 5, Section 4

Quarterly Reporting

1. OSC Diagnostic Reports
 - a. Responses required
2. Budget to Actual Report (BA-003/004)
3. Trial Balance (GA-001, GA-010, and/or GA-017)
4. Variance Analysis
 - a. Known to department or identified by OSC reporting

Questions?

Fixed Assets

Fixed Assets – Policy & Procedures

- **Policy Statement – Departments** shall use the Asset Management Module in CORE to record and **manage fixed assets throughout the asset’s useful life**, unless the Office of the State Controller approves an exception.
 - Institutions of Higher Education
 - Department of Transportation
- **Departments** shall maintain a detailed record of all fixed assets.

Fixed Assets – Mass Depreciation

- Depreciation is calculated automatically in CORE
 - Centrally run by CORE as an ME Document.
 - Is not seen in the Document Catalog.
 - Record date of ME is last day of Month.
 - infoAdvantage – Statewide reports FA-001 (temp).
 - Depreciation report has been requested.
 - Tool that allows departments to run depreciation on an individual asset basis.
 - Based on information Departments included in their FA document.
 - All matters relating to fixed assets are the responsibility of the department.

Fixed Assets – FA-001

User Prompt Input

 Advanced |  Run

Enter FA Run From: (optional)

M/d/yyyy h:mm:ss a

Enter FA Run To: (optional)

M/d/yyyy h:mm:ss a

Enter FA Record From: (optional)

3/31/2016 12:00:00 AM

M/d/yyyy h:mm:ss a

Enter FA Record To: (optional)

3/31/2016 12:00:00 AM

M/d/yyyy h:mm:ss a

Enter Fund: (optional)

4710

Enter Department: (optional)

PAAA

Fixed Assets – FA-001

Department	PAAA
Unit	ED01
Fixed Asset Type	B - Buildings

FA No	Useful Life	In Service Date	Comp No.	Document Identifier	Doc FY	Act Date	Record Run Date	Fund	BSA	Posting Code	Posting Code Name	Dep Exp	Acum Dep
PAAA_CONV000066	28	04/05/2013	0001	ME,999A,MDPR0505160000000533	2016	03/31/2016	05/05/2016	4710	1821	F040	Depreciation		(18,537.32)
PAAA_CONV000066	28	04/05/2013	0001	ME,999A,MDPR0505160000000533	2016	03/31/2016	05/05/2016	4710		F020	Depreciation Expense	18,537.32	
PAAA_CONV000067	28	06/30/2013	0001	ME,999A,MDPR0505160000000533	2016	03/31/2016	05/05/2016	4710	1821	F040	Depreciation		(755.58)
PAAA_CONV000067	28	06/30/2013	0001	ME,999A,MDPR0505160000000533	2016	03/31/2016	05/05/2016	4710		F020	Depreciation Expense	755.58	
PAAA_CONV000068	28	07/01/2007	0001	ME,999A,MDPR0505160000000533	2016	03/31/2016	05/05/2016	4710	1821	F040	Depreciation		(2,054.06)
PAAA_CONV000068	28	07/01/2007	0001	ME,999A,MDPR0505160000000533	2016	03/31/2016	05/05/2016	4710		F020	Depreciation Expense	2,054.06	
PAAA_CONV000069	28	07/01/2007	0001	ME,999A,MDPR0505160000000533	2016	03/31/2016	05/05/2016	4710	1821	F040	Depreciation		(299.82)
PAAA_CONV000069	28	07/01/2007	0001	ME,999A,MDPR0505160000000533	2016	03/31/2016	05/05/2016	4710		F020	Depreciation Expense	299.82	
PAAA_CONV000070	28	07/01/2008	0001	ME,999A,MDPR0505160000000533	2016	03/31/2016	05/05/2016	4710	1821	F040	Depreciation		(13,873.74)
PAAA_CONV000070	28	07/01/2008	0001	ME,999A,MDPR0505160000000533	2016	03/31/2016	05/05/2016	4710		F020	Depreciation Expense	13,873.74	
PAAA_CONV000071	28	07/01/2008	0001	ME,999A,MDPR0505160000000533	2016	03/31/2016	05/05/2016	4710	1821	F040	Depreciation		(15,210.20)
PAAA_CONV000071	28	07/01/2008	0001	ME,999A,MDPR0505160000000533	2016	03/31/2016	05/05/2016	4710		F020	Depreciation Expense	15,210.20	
PAAA_CONV000072	28	07/01/2009	0001	ME,999A,MDPR0505160000000533	2016	03/31/2016	05/05/2016	4710	1821	F040	Depreciation		(11,582.64)
PAAA_CONV000072	28	07/01/2009	0001	ME,999A,MDPR0505160000000533	2016	03/31/2016	05/05/2016	4710		F020	Depreciation Expense	11,582.64	
Total for Fixed Asset Type: B - Buildings												62,313.36	(62,313.36)

Formula for Depreciation

- Incremental Depreciation Expense = Annual Depreciation Expense * In Service Years, Where:
 - Annual Depreciation expense = $\text{Asset Depreciable Base} / \text{Residual Useful Life (in years)}$
 - Asset Depreciable Base = $\text{Asset Historical Cost} - \text{Salvage Value} - \text{Accumulated Depreciation}$
 - Residual Useful Life = $\text{Useful Life (months)} - ((\text{Last Depreciation Date} - \text{In Service Date}) / (\text{Number of days in calendar year}))$

Formula for Depreciation - Continued

- In Service Years = (Depreciation End Date – Last Depreciation Date) / (Number of days in calendar year)
- If Residual Useful life < 0 then set it to zero. If Residual useful life = 0 then annual depreciation = 0
- Current period depreciation may never exceed the Asset's Depreciable Base. In the event that the calculated depreciation is greater than the Asset Depreciable Base, current period depreciation is set equal to the Asset Depreciable Base.
- “The depreciation calculation distinguishes the retrospective effect (triggers recalculation for all prior periods of depreciation) versus prospective effect (affects the current period and all future periods only) of certain changes

Asset Example

- Asset Depreciation Base - \$42,468.82
 - Historical Cost is \$128,148, Salvage \$0, Depreciation to 2/29/2016 is \$85,679.18
 - $\$128,148 - \$0 - \$85,679.18 = \$42,468.82$
- Residual Useful Life – 3.26
 - Useful life in days is 3,652.5, last Depr Date 2/29/2016, In Service Date was 6/2/2009, 365.25 days in year
 - $3,652.5 - 2,462.0 = 1,190.5$ divided by 365.25 days = 3.26

Asset Example - Continued

- Annual Depreciation Expense- \$13,029.60
 - Asset Depreciation Base \$42,468.82 / 3.26
- Daily Depreciation - \$35.67
 - $\$13,029.60 / 365.25 = \35.67
- March Depreciation = \$1,105.87
 - $35.67 * 31 \text{ days} = \$1,105.87$
- System calculated \$1,105.94 – \$0.07
- =VDB formula in excel * 31 days = \$1,087.64
 - =VDB(128148,0,10*365.25,0,1,False) * 31 = \$1,087.64
 - \$(18.30)

Fixed Assets and Cost Accounting

- Cost Accounting reports contains depreciation expense.
- Cause - SHEL document into a Fixed Asset
- The Responsibility Center Overlays the Accounting elements.
- If CA elements are included in the Accounting elements they come through into the Responsibility Center.
- Easy Fix going forward. OSC will send directions to all Fixed Asset Staff and add to Step Action Table.
- Resolution pending for depreciation that is showing up in grants.

Fixed Assets/Cost Accounting - continued

[List View](#)

General Information | References | Fixed Asset Intent Reference | Fund Accounting | **Detail Accounting**

Location:	<input type="text"/>	Reporting:	<input type="text"/>	Major Program:	CAVN
Sub Location:	<input type="text"/>	Sub Reporting:	<input type="text"/>	Program:	CAVNMMA
Activity:	<input type="text"/>	Task:	<input type="text"/>	Phase:	<input type="text"/>
Sub Activity:	<input type="text"/>	Sub Task:	<input type="text"/>	Program Period:	CAVN
Function:	<input type="text"/>	Task Order:	MMA		
Sub Function:	<input type="text"/>				

General Information | Extended Doc Description | **Responsibility Center** | Composite Asset Information | Infrastructure Maintenance | Fixed Asset Intent Reference | Document Information

Custodian:	POE MNGR	Revenue:	<input type="text"/>	Task:	<input type="text"/>
Accounting Template:	<input type="text"/>	Sub Revenue:	<input type="text"/>	Sub Task:	<input type="text"/>
Fund:	4710	Dept Object:	<input type="text"/>	Task Order:	<input type="text"/>
Sub Fund:	<input type="text"/>	Dept Revenue:	<input type="text"/>	Major Program:	
Department:	RCAA	Activity:	<input type="text"/>	Program:	BLNK
Unit:	<input type="text"/>	Sub Activity:	<input type="text"/>	Phase:	<input type="text"/>
Sub Unit:	<input type="text"/>	Function:	<input type="text"/>	Program Period:	BLNK
Appr Unit:	RC4714710	Sub Function:	<input type="text"/>	Location:	<input type="text"/>
Object:	6222	Reporting:	<input type="text"/>	Sub Location:	<input type="text"/>
Sub Object:	<input type="text"/>	Sub Reporting:	<input type="text"/>		

Questions?

GASB Pronouncements

GASB 68 - Pensions

- Entries are posted by OSC in period 15, no action is needed by the departments
- Once entries are posted, calculation workbooks will be distributed along with how to locate the entries in CORE
- All pension entries are posted to “OSC Use Only” department codes

GASB Statement No. 72 – Fair Value Measurement and Application

- Change how fair value is measured. Investments have been reported at fair value in the past, statement expands the use of fair value to nearly all investments including private equity funds or hedge funds.
- Defines Fair Value as the price that would be received if selling an asset or the price paid to transfer a liability. Statement requires a value measurement at exit price.
- Investment definition revised to say that investment assets are held primarily for the purpose of income or profit.
- Based solely on their ability to generate cash or to be sold to generate cash.

GASB Statement No. 72 – Fair Value Measurement and Application - Continued

- Donated capital assets, donated works of art or historical treasures, and capital assets received in a service concession arrangement.
 - Entry price is more appropriate than exit-price
 - These assets will continue to be measured in the same manner.
 - Will be described as acquisition value rather than fair value.

Questions?

Reminder

- Please initial by your name on the forms at the registration table
- Turn in evaluation form at the registration table before you leave today
- Turn in CPE form at the registration table before you leave today

Contact List

Phone: (303) 866-xxxx

Email: firstname.lastname@state.co.us or DPA_FARmailbox@state.co.us

Consulting

Brent Voge – 2733

Susan Thomson – 4161

Jennifer Henry – 3809

Daniel Saint – 3891

Reporting

Trevor Borgonah – 3468

Marc Burkepile – 3346

Bruno Silva – 3894

John McIntosh – 6327

Support Services

Karoline Clark – 3811

Kelsey Jones – 4041

Fifonsi Dossou – 4160

Mohamed Mashkooke – 4162

Internal Audit

Frank Ferraro - 4662

Cost Plans

Bhavna Punatar – 4344