CHAPTER 1: ACCOUNTING AND INTERNAL CONTROLS

RULE 1-1: ACCOUNTING PRINCIPLES AND STANDARDS
RULE 1-2: INTERNAL CONTROLS
RULE 1-3: STATE FINANCIAL SYSTEM
RULE 1-4: DELEGATED AUTHORITY
RULE 1-1: ACCOUNTING PRINCIPLES AND STANDARDS

1. AUTHORITY:
   §24-30-202(12), C.R.S. (Accrual System of Accounting)

2. DEFINITIONS:
   2.1. GAAP - Generally accepted accounting principles, as adopted by the Governmental
        Accountings Standards Board.

3. RULE:
   The accounting principles of the State shall be based on GAAP. In addition, all applicable statutory
   provisions shall be met.
   When a conflict between statutory provisions and GAAP exists, GAAP 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.
RULE 1-2: INTERNAL CONTROLS

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

2. DEFINITIONS:
   2.1. Fraud – Misstatements Arising from Fraudulent Financial Reporting, Misstatements Arising from Intentional Misappropriation of Assets, and theft or embezzlement of public property.
   2.2. Misstatements Arising from Fraudulent Financial Reporting – Intentional misstatements, or omissions of amounts or disclosures in financial statements, with the intent to deceive financial statement users.
   2.3. Misstatements Arising from Intentional Misappropriation of Assets – 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 GAAP.
   2.4. Pre-audit – A review for compliance with applicable statutes, Fiscal Rules, and other regulations, and adherence to accepted business practices.

3. RULE:
   3.1. State Agencies and Institutions of Higher Education have the responsibility for the design and implementation of programs and controls to prevent, deter, and detect Fraud.
   3.2. Any suspected Misstatements Arising from Fraudulent Financial Reporting shall be reported in writing to the State Controller as soon as it is suspected.
   3.3. Any suspected theft or embezzlement of State funds or assets or sensitive State financial information shall immediately be reported to the Chief Executive Officer, or delegate, and the Chief Fiscal Officer of the State Agency or Institution of Higher Education where the theft or embezzlement may have occurred and appropriate action shall be taken by the State Agency or Institution of Higher Education. A suspected theft or embezzlement of State funds or assets totaling $5,000 or more per incident shall be reported in writing to the State Controller. All suspected theft of sensitive State financial information 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 by the Chief Fiscal Officer to the State Controller in a timely manner.
   3.4. When complying with §24-17-101, C.R.S., the certification form, content, and due date shall be determined by the State Controller.
   3.5. All accounting documents and financial transactions shall be subjected to a Pre-audit by the State Agency or Institution of Higher Education 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, conform to the Fiscal Rules, and reflect the underlying realities of the accounting transaction (substance rather than form). The factors of risk, cost, and business requirements shall be considered when establishing these internal controls.
RULE 1-3: STATE FINANCIAL SYSTEM

1. AUTHORITY:
   §24-30-202(12), C.R.S. (Accrual System of Accounting)
   §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)
   §24-30-201(1)(f), C.R.S (Accounts and Control)

2. DEFINITIONS:
   2.1. Electronic Interface – A standard specifying a set of functional characteristics, common
   physical interconnection characteristics, and signal characteristics for the exchange of data.

3. RULE:
   The State Controller is the official custodian of the database included within the State Financial System.
   The State Controller, as official custodian of the State Financial System, shall approve access and
   resolve all disputes regarding access to the State Financial System and information contained in that
   system in compliance with CORA.

3.1. Use of the State Financial System
   3.1.1. All State Agencies and Institutions of Higher Education shall use the State Financial System to record their financial transactions and financial information, develop their financial reports, and prepare their financial statements.

3.1.2. The State Controller hereby grants an exemption to the requirement to use the State Financial System to the governing boards of Institutions of Higher Education that have an internal accounting system and either an Electronic Interface or other process that enables the data to be included in the State Financial System, that has been approved by the State Controller. The State Controller may also grant an exemption to State Agencies to use an internal accounting system and an Electronic Interface that is approved by the State Controller. Redundancies between State Agency or Institution of Higher Education financial systems and the State Financial System should be eliminated 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.

3.1.3. Internal Revenue Filing Requirements
   3.1.3.1. State Agencies and Institutions of Higher Education exempt from using the State Financial System shall be responsible for Internal Revenue Service (IRS) filing requirements in accordance with the Internal Revenue Code, including obtaining a separate Taxpayer Identification Number (TIN) from the IRS.

3.1.3.2. For State Agencies that utilize the State Financial System, IRS filing
requirements are coordinated by the Office of the State Controller on behalf of State Agencies. State Agencies shall record contractor and payment transactions properly to ensure proper Federal reporting.

3.2. Electronic Interfaces

3.2.1. An Electronic Interface with the State Financial System shall not be made without the approval of the State Controller. Requests for interface to the State Financial System shall be made prior to the solicitation, acquisition, development, or implementation of a new or replacement internal financial system by a State Agency or Institution of Higher Education. Only approved and tested interfaces shall be allowed to feed data into the State Financial System.

3.2.2. The Electronic Interface of any internal accounting system of any Institution of Higher Education or State Agency that has been granted an exemption from the use of the State Financial System shall provide timely updates to the State Financial System as directed by the State Controller.

3.3. Access to State Network

3.3.1. Access to the State network shall only be granted in accordance with the policies issued by the Office of Information Security in the Governor’s Office of Information Technology.

3.4. Access to the State Financial System

3.4.1. State Financial System records contain both public and confidential information. Therefore, an employee who has access to the State Financial System shall only access information that is needed to do the employee’s job and shall not browse or otherwise access information contained in the State Financial System that exceeds the minimum necessary to do the employee’s job. Individuals with the authority to grant access to the State Financial System shall only grant access to create, modify or approve documents within the State Financial System to users as required by the user’s job duties.

3.4.1.1. Individuals with the authority to grant access to the State Financial System shall only grant access to non-State employees if such access is necessary to the work that the non-State employee is performing for the State or to comply with audit requirements. If access is granted to a non-State employee, then the individual granting such authority shall ensure that the access granted is read-only, and limited to the specific purpose for which access was granted and only for the duration of the work that will be performed by the non-State employee.

3.4.2. If the State Controller receives a request from a State Agency or Institution of Higher Education for information belonging to another State Agency or Institution of Higher Education, the State Controller shall notify each State Agency or Institution of Higher Education whose information has been requested of the request for information and furnish such State Agency or Institution of Higher Education a copy of the information provided.

3.4.3. If the State Controller receives a request from a citizen or entity other than a State Agency or Institution of Higher Education under CORA, the State Controller shall furnish the information in a timely manner, as provided by statute, if the State Controller is the custodian of record for that information. The State Controller shall only respond to requests under CORA if the State Controller is the custodian of
record for the information contained in that request; for all requests for which the State Controller is not the custodian of record, the State Controller shall refer the request to the State Agency or Institution of Higher Education who is the custodian of record for that information, if known.

3.5. State Financial System Security

3.5.1. The State Controller and the Governor’s Office of Information Technology are 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 access to the State Financial Systems.
RULE 1-4: DELEGATED AUTHORITY

1. AUTHORITY:

§24-30-201, C.R.S. (Powers and Duties of the State Controller)
§24-30-202(1), (2), (3), (4), and (5) C.R.S. (Authority for Delegation of Authority)

2. RULE:

Any individual who has the direct authority to sign or approve Commitment Vouchers on behalf of a State Agency or Institution of Higher Education, may delegate that authority as described in this Fiscal Rule. The State Controller may delegate the authority granted in §24-30-202, C.R.S. to approve and sign Commitment Vouchers as described in this Fiscal Rule.

2.1. Executive Signature Authority Delegation

2.1.1. The Chief Executive Officer of a State Agency who has authority to sign State Contracts, as defined in Fiscal Rule 3-3, and Grants, as defined in Fiscal Rule 3-4, for the State Agency over which the individual has authority on behalf of the Governor or another Elective Officer may delegate that signature authority as described in the State Controller Contract, Grant, and Purchase Order Policies.

2.1.2. The Chief Executive Officer of an Institution of Higher Education who has authority to sign State Contracts, as defined in Fiscal Rule 3-3, and Grants, as defined in Fiscal Rule 3-4, for the Institution of Higher Education over which the individual has authority on behalf of the Governor may delegate that signature authority as described in the State Controller Contract, Grant, and Purchase Order Policies.

2.2. State Controller Signature Authority

2.2.1. The State Controller may delegate the authority to approve and sign Commitment Vouchers as the final State signatory, as required under §24-30-202, C.R.S., and as described in the State Controller Contract, Grant, and Purchase Order Policies.

2.3. Delegation of Other State Controller Authority

2.3.1. The State Controller may delegate other State Controller authority as permitted under §§24-30-201 and 24-30-202, C.R.S., and these Fiscal Rules, by entering into a delegation agreement with the individual to whom the State Controller is delegating that authority. This may include, without limitation, the authority for Pre-audit responsibilities under §24-30-201(1)(h), C.R.S., and internal controls and system security administration under §24-30-201(1)(f), C.R.S.

2.4. Chief Information Officer Signature Authority

2.4.1. The Chief Information Officer may delegate the authority to approve and sign Commitment Vouchers for Major Information Technology Projects, as required under §24-30-202, C.R.S., and as described in the State Controller Contract, Grant, and Purchase Order Policies.