

**SCEIS USER GROUP MEETING – OCTOBER 30, 2019**

**COMPTROLLER GENERAL'S OFFICE**

**KATHY JOHNSON**



# SCEIS User Group Meeting – Comptroller General’s Office

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## Agenda

- I. Capital Lease Accounting: GASB 87 Implementation Update
- II. Petty Cash Accounts – Establishing, Modifying & Closing
- III. Prior Period Grant Adjustments
- IV. Recovery Audits
- V. NIGP Code Mapping
- VI. General Ledger Monitoring and Clearing
- VII. Unemployment Compensation Premiums
- VIII. Questions



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## I. Capital Lease Accounting: GASB 87 Implementation Update



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## Capital Lease Accounting: GASB 87 Implementation Update

The big news is.....there is no news! For now....

The CG’s Office is still in the inventory gathering phase of the GASB 87 implementation. This entails compiling all current *operating leases* as well as identifying where leases may exist in the future under GASB 87 (FY2021!). This can include *contracts* that are not specifically identified as a “lease”, but meet the definition of a lease.

Under the new Statement, a lessee government is required to recognize (1) a lease liability and (2) an **intangible asset** representing the lessee’s **right to use** the leased asset.

*A contract (e.g., an agreement between two or more parties that creates enforceable rights and obligations) that conveys control of the **right to use** another entity’s nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.*

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## Capital Lease Accounting: GASB 87 Implementation Update

Because of the “right to use” aspect to both leases under GASB 87 and certain contracts, there may be cases where a lease is *embedded* in an existing contract that would not have been previously identified as a lease. Because many contracts will not use the terms “lease” or “rent” that would allow for easier identification, further evaluation will be required to determine whether a ***right to control the use of an asset*** is created by the contract i.e. the customer has the right to direct ‘*how and for what purpose*’ the asset is used.

Where are *embedded leases* often found? Service agreements or arrangements that involve an ‘asset’ as part of the service.

Possible examples: fees to use a modem/router/server as part of an internet or cloud service provider agreement; a fixed charge for the use of desktop phones included within a phone service contract.

*The CG’s Office will be working on making these distinctions and identifying examples of imbedded leases that may be common for state agencies.*

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## Capital Lease Accounting: GASB 87 Implementation Update

Another consideration for the implementation is determining the *lease term* because if a *short-term lease* exists, there is no recognition of a lease liability or lease asset and the payments are expensed as incurred – like they are now for operating leases.

A **short-term lease** is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

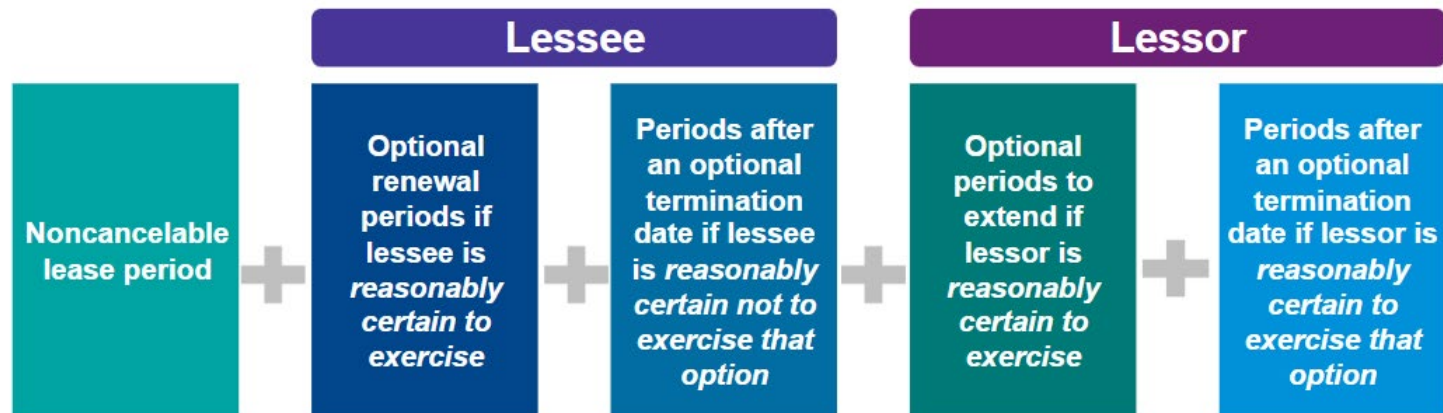
Of course, as with just about everything else related to GASB 87, this is not as straight forward as one might assume as illustrated by the following chart.....



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## Capital Lease Accounting: GASB 87 Implementation Update

### Lease term



The lease term excludes periods in which both the lessee and lessor have options to terminate regardless of probability.

Fiscal funding/cancelation clauses ignored unless reasonably certain of being exercised



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## Capital Lease Accounting: GASB 87 Implementation Update

### Next steps:

- Watch for training opportunities to be announced and guidance issued in early calendar year 2020.
- Also, you can keep your fingers crossed that GASB delays the implementation! While this is technically *possible*, unfortunately it is not probable....





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## II. Petty Cash Accounts – Establishing, Modifying & Closing



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## Petty Cash Accounts – Establishing, Modifying & Closing

The process to establish, modify or close a petty cash account is pretty straight forward but because it generally happens so infrequently and combining that with agency turnover, I do receive a fair number of questions about what adjustments are needed in SCEIS.

Keep in mind that to establish or increase a petty cash account **prior** approval from the State Auditor’s Office is **required**. For a reduction or closure of a petty cash account, *prior* approval from the Auditor’s Office is **not** required, however, they still must be notified.



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## Petty Cash Accounts – Establishing, Modifying & Closing

### Establish or Increase a Petty Cash Account

1. A/P – create vendor invoice (Doc Type KR) with the agency or Petty Cash Custodian as the vendor in order to cut a check and receive the *actual* cash. The invoice should generally be coded to the *statistical\** petty cash expense G/L:

DR 5230010001 – PETTY CASH FUND - CHANGE (STATISTICAL)

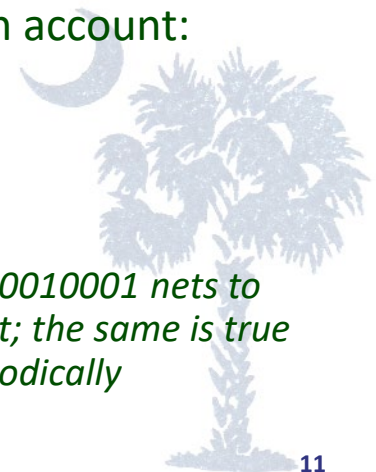
CR Cash (actual)

2. General Ledger – record a journal entry to establish the Petty Cash account:

DR 1000050000 – PETTY CASH

CR 5230010001 – PETTY CASH FUND - CHANGE (STATISTICAL)

*\* Statistical G/L accounts do not consume budget but as you can see above G/L 5230010001 nets to zero between the two entries necessary to establish or increase a petty cash account; the same is true when closing or decreasing an account. Budget should only be consumed when periodically replenishing the petty cash account.*



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## Petty Cash Accounts – Establishing, Modifying & Closing

### Close or Reduce a Petty Cash Account

1. Deposit – to return the *actual* cash:

DR Cash (actual)

CR 5230010001 – PETTY CASH FUND - CHANGE (STATISTICAL)

2. General Ledger – record a journal entry to reduce the Petty Cash G/L account:

DR 5230010001 – PETTY CASH FUND - CHANGE (STATISTICAL)

CR 1000050000 – PETTY CASH



## III. Prior Period Grant Adjustments



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## PRIOR PERIOD GRANT ADJUSTMENTS

### *REFUNDS OF PRIOR YEAR EXPENDITURES, GRANTS & YOU*

- Prior fiscal year refunds of expenditure are generally not available for expenditure in the current fiscal year. These are “non-appropriated receipts” meaning cash is increased but budget should not be. This is why a revenue G/L account is increased rather than recording as a reduction of expense:

DR Cash

CR 4520010000 – REFUND OF PY EXPENDITURE

- Reducing expense in the current fiscal year for an expense initially incurred in a previous fiscal year essentially increases current year budget above and beyond what was originally approved and appropriated in the current year’s Appropriations Act. This circumvents the budget approval process.

*We understand, however, that grant validity periods often cross fiscal years or can extend beyond one fiscal year. And that at times, it is necessary to correct a grant in the current year by reclassing costs to or from grants that were initially incurred in a previous fiscal year. While we understand, we do have plans in place to start capturing these transactions – particularly when current year expenses is being reduced.*

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## PRIOR PERIOD GRANT ADJUSTMENTS

Coming soon.....The CG’s Office, in conjunction with the State Auditor’s Office, is working on the creation of a new BW report to segregate and report on any *prior year grant adjustments*. Based on statewide materiality further entries may need to be made for CAFR reporting at year end. This new report will also assist agencies (and auditors) when working on SEFA reporting since any reductions to a grant relating to a prior year cannot be netted with current year activity.

This report will be very similar to the Prior Year Payable BW report in that the report will be run based on the line item Text field. Agencies will need to fill in the line item text field in the adjusting journal entry with the following text: **PRIOR YEAR GRANT ADJUSTMENT**

The screenshot shows a software interface with two tabs: 'Basic Data' and 'Details'. The 'Basic Data' tab is active and contains the following fields:

Document Date		Currency	USD
Posting Date	10/31/2019	Period	4
Reference			
Doc.Header Text			
Document type	SU		
<input type="checkbox"/> Doc.currency			
Company Code	SC01	State of South Carolina Columbia, SC	

The 'Amount Information' tab is also visible and contains the following fields:

Total Dr.	0.00	USD
Total Cr.	0.00	USD

Below the tabs is a table with the following columns: WBS element, Earmarked funds, Ear..., Order, Assignment, and Text. The 'Text' column contains the text 'PRIOR YEAR GRANT ADJUSTMENT', which is circled in red.

WBS element	Earmarked funds	Ear...	Order	Assignment	Text
					PRIOR YEAR GRANT ADJUSTMENT

A statewide communication will be sent out once this report has been placed in production along with more detailed guidance which will also be posted on the CG’s website.



## IV. Recovery Audits





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## Recovery Audits – Accounting for Vendor Credits

Not much to report here. To date, I’ve only seen one agency record a recovery that related to a look back of payments that would be covered under Proviso 117.88. A few agencies have opted for additional services offered by the recovery auditors that may involve *future* savings. When paying the auditors for these additional services fund 38K80000 should not be used.

Recovery Audit Guidance on CG website:

<https://www.cg.sc.gov/guidance-and-forms-state-agencies/cgs-accounting-policies-and-procedures>

### Accounting Guidance (Updated September 2019)

[Accounting for Federally Declared Disasters \(PDF\)](#)

[Accounting for Federally Declared Disasters - Additional Steps for Agencies with Retention Legislation \(PDF\)](#)

[Agency Monthly Close Checklist \(Excel\)](#)

[Document Types \(PDF\)](#)

[Fund Definitions \(PDF\)](#)

[Low Value Asset Accounting \(PDF\)](#)

[Recovery Audit - Agency Accounting Guidance \(PDF\)](#)

[SCEIS Capital Lease Functionality \(PDF\)](#)



## V. NIGP Code Mapping



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## NIGP Code Mapping

- If you see an NIGP code that looks to be mapped incorrectly or that you feel should be unmapped, please submit a SCEIS Help Desk Ticket. The ticket will also route to me and I will work with the SCEIS Logistics group to review and make any necessary changes.
- Most all of you know this but keep in mind that when entering a shopping cart the G/L CAN be changed from what gets populated by the NIGP code.
- We’ll try to group these changes and push them through periodically in SCEIS. They have to be done after hours when the system has been taken down.



## VI. General Ledger Monitoring & Clearing



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## General Ledger Monitoring & Clearing

1. G/L 4530010000 – RETURN CHECKS
2. G/L 4530020000 – ADJUSTMENT TO AGENCY DEPOSITS
3. G/L 1000010000 – 1000019999 – UNDEPOSITED CASH
4. Fund 30240000 – HR-PR DEFAULT
5. Fund HR PAY
6. Travel Advances
7. General Fund Loans
8. Parked Documents
9. Budget Deficits in Budgeted Funds



## VII. Unemployment Compensation Premiums



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## Unemployment Compensation Premiums

As most of you are aware, the unemployment compensation premium invoices for FY2020 have not yet been sent out. Typically these are sent out by the end of September.

As per State law, a review of the contribution level has been underway and has been more involved than past reviews. We have now finalized a revised methodology for calculating the premiums and will be sending the invoices out in the next couple of days with an invoice date of **October 31** for the period covered July 1, 2019 – June 30, 2020. If you need to know the premium assessed for your agency ASAP so that it can be allocated out to certain grants, please contact me and I can let you know the amount.

**SECTION 41-31-820.** Deposit and review of premiums collected from state agencies; transfers from general fund to cover claims.

(A) Unemployment compensation premiums collected from state agencies will be deposited into a separate account and used to pay unemployment compensation benefits to eligible employees of the State. Premiums will be based on experience ratings provided by private consultants and the Department of Administration or the State Fiscal Accountability Authority. **The Unemployment Compensation Funds' contribution level must be reviewed no less than biennially to ensure that premiums are commensurate with the cost of operating the Unemployment Compensation Fund.** All interest earned on this account must be retained by the Unemployment Compensation Fund and used to offset costs.



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## QUESTIONS

### Contact Information

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