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# Financial Reporting Updates

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**Accounting Policy Meeting**  
**Aug. 18, 2021**

**Appropriation Control, Expenditure Audit and Financial Reporting sections**  
**Fiscal Management Division**

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# Agenda and Presenters

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## Preparing for Fiscal Year-End Close

Presenter: **Laurel Mulkey**  
systems analyst

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## USAS System-Generated Lapse

Presenter: **Drey Lord**  
appropriation control assistant supervisor

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## Top 10 Audit Findings in Post-Payment Audits

Presenter: **Alberto Lañas**  
expenditure audit team lead

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## SEFA Updates

Presenter: **Amber Copeland**  
financial reporting analyst

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## GASB Statement Updates

Presenter: **Michael Hensley**  
financial reporting team lead

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## Questions

Presenters: **Appropriation Control, Expenditure Audit  
and Financial Reporting** sections



## What is Fiscal Year-End Close (FYEC)?

- FYEC begins the evening of Aug. 31 after the regular USAS cycle.
  - ❖ If Aug. 31 falls on a weekend, FYEC occurs the Friday before.

**Note:** For the purposes of this presentation, we will be using Aug. 31 as the date to represent when FYEC occurs.

- Processes final sweeps:
  - ❖ Unappropriated Receipts (Appropriation 99906)
  - ❖ Local Sales Tax Receipts (Appropriation 99907)
  - ❖ Sale of Surplus Property (Appropriation 99908)
  - ❖ Earned Federal Funds (Appropriation 70000)
  - ❖ Hotel Occupancy Tax Refunds



## What is Fiscal Year-End Close (FYEC)? (Cont.)

- Closes balances in preparation for the closing year's financial reporting process:
  - ❖ Closes nominal activity to fund balance/net position GLs.
  - ❖ Closes cash to posting (GLs 0045 and 0052).
    - Cash cannot be posted to a closed fiscal year (no backdating).
  - ❖ Prior year non-cash posting allowed in the new year, with appropriate security and transactions.
- Prepares the USAS financial tables for the incoming fiscal year:
  - ❖ Creates financial tables for new fiscal year.
  - ❖ Rolls closing year's balances forward to new fiscal year's tables.
- USAS may be down on Sept. 1 — Plan accordingly!
  - ❖ Prompt payment law still in effect.

## How It All Fits Together



Several annual processes relate to closing out the fiscal year and/or preparing for the incoming fiscal year:

- **Profile Rollover** (third weekend in June) – Creates the profiles for the incoming year.
- **Financial Table Archive** (third weekend in August) – Archives the prior year's financial tables in preparation for the incoming year.
- **Automated Lapses** (Aug. 31) – Processes the system-generated lapse transactions for expiring appropriations.
- **Fiscal Year-End Close** (Aug. 31) – Hard cash close, final sweeps, closes nominal activity.
- **Financial Reporting Period** (Sept. – Feb.) – Preparation of the *Cash Report*, agency AFRs and the statewide *Annual Comprehensive Financial Report (ACFR)*.
- **GL Close** (April/May) – Closes the prior fiscal year's final nominal activity to fund balance/net position GLs.



## FYEC Frequently Asked Questions

- **Question:** Is USAS online available all day on Aug. 31?
- **Answer:** Yes. USAS is available 7:00 a.m. — 7:00 p.m. per the usual system availability schedule.
  
- **Question:** Is there a normal nightly cycle run on Aug. 31?
- **Answer:** Yes. A regular USAS cycle runs just like usual after USAS goes down at 7:00 p.m. After the regular cycle completes, the FYEC process begins.
  
- **Question:** Are payments generated during the Aug. 31 cycle?
- **Answer:** Yes. Payments are generated during that final cycle and available for distribution the next business day.

## FYEC Frequently Asked Questions (Cont.)



- **Question:** When Aug. 31 falls on a weekend and FYEC occurs on the Friday before, are additional cycles run on that Saturday or Sunday?
- **Answer:** No. A regular cycle runs (like usual) on Friday, which is then followed by the FYEC process. Additional cycles do not run over the weekend. Once FYEC is complete, USAS is available online.
- **Question:** Are reports generated during the Aug. 31 cycle?
- **Answer:** Yes. Reports are generated just like during any other cycle. Depending on how long the FYEC process takes, reports may not be available for pickup as early as usual.

## FYEC Frequently Asked Questions (Cont.)



- **Question:** Are all transactions processed during FYEC included in my Aug. 31 HX file?
- **Answer:** Yes. The HX file for Aug. 31 includes all transactions processed during the regular cycle, plus all the transactions processed during fiscal year-end close, including the final sweep transactions.

Contact your agency's IT section *first* for assistance with accessing your agency's HX files.

- **Question:** Are there certain transactions or processes that must be done prior to FYEC?
- **Answer:** Yes. Check out the [2021 Master Schedule of Fiscal Year-End Close Events](#) for all things fiscal year-end close!



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# Scheduling Payments Around FYEC

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## Payments Using Appropriation Year (AY) 2021 or Prior Years

- For payments due on Aug. 31, 2021 (Tuesday):
  - ❖ Transactions should be entered and ready by Thursday, Aug. 26.
  
- For payments due on Sept. 1, 2021 (Wednesday):
  - ❖ Transactions should be entered and ready by Friday, Aug. 27.
  
- This allows time to correct any errors, obtain final approvals or perform last-minute releases.

# Scheduling Payments Around FYEC (Cont.)



## Payments Using AY 2022

- AY 2022 funds cannot be used for payments until Sept. 1, 2021.
- Payment transactions cannot *process* using a future Effective Date.
  - ❖ Review the Transaction Code Decision Profile (28A), FUTMY field to verify if the transaction can be future dated:

```
TEXAS S28A UNIFORM STATEWIDE ACCOUNTING SYSTEM 05/19/21 10:23 AM
LINK TO: TRANSACTION CODE DECISION PROFILE PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
TRAN CODE: 225 TITLE: ESTABLISH VOUCHERS PAYABLE
GENERAL LEDGER DR-1: 5501 CR-1: 1009 DR-2: CR-2:
POSTING DR-3: CR-3: DR-4: CR-4:
TRANS DOCD PDDT R SVDT I CDOC I RDOC MODI N AGCY R IDX PCA R COBJ R
ED IND: AOBJ RVRS PDT CI 1099 WARR INVC R VNUM I VNAM R VADD
RQDT DMETH R APN# R FUND R GLA N AGL N GRNT SUBG PROJ MULT DI#
POST SEQ: 1 REG NO: 2 WW IND: 1 D/I: D WAR CANCL TC: 951 PYTC: FUTMY: N
GEN TC: GEN ACCR TC: GEN TC2: INTERFACE IND: 1 B
PAY LIQ TC: 380 BALTC: AFRTC: INTTC: 387
A/S BT MATCH GLA DOC A/S BT MATCH GLA DOC
DF:
FILE AP: + 17 AGY GL:
POSTING AB: + 17
INDS: CC:
GP: + 17
PJ: + 17
CF: + 17
EFF START DATE: 09011994 EFF END DATE: STATUS CODE: A
Z06 RECORD SUCCESSFULLY RECALLED LAST PROC DATE: 06212005
F1-HELP F3-END F4-INTERRUPT F6-PROCESS F10-28B PROFILE F11-28C DESC
```

# Scheduling Payments Around FYEC (Cont.)

## Payments Using AY 2022 (Cont.)



➤ Cannot *process* in USAS prior to Sept. 1 but can be **entered** in USAS prior to Sept. 1:

❖ For Input Record (In Rec) Files:

USAS In Rec File	Field Name	Value
Batch Header	Effective Date	20210901
Document Header	Document Transaction Year	22
Detail Transaction	Effective Date	20210901

❖ For online data entry:

• On the Batch Header Entry (500) screen, enter:

BATCH EDIT MODE = **0**

EFFECTIVE DATE = **090121**

```
TEXAS S500 UNIFORM STATEWIDE ACCOUNTING SYSTEM 05/17/21 02:12 PM
LINK TO: BATCH HEADER ENTRY PROD

BATCH AGENCY: XXX (SIGN ON AGENCY)
BATCH DATE: 083021 (MMDDYY, DEFAULTS TO TODAYS DATE)
BATCH TYPE: 4
BATCH NUMBER: 001
BATCH EDIT MODE: 0

BATCH COUNT: BATCH AMOUNT:

PAYMENT DIST TYPE: (MUST BE VALID IN D53 TITLES PROFILE)
DISB METH IND: (H, M, R, E, C OR SPACE)
EFFECTIVE DATE: 090121 (MMDDYY, DEFAULTS TO TODAYS DATE)
FAST ENTRY: (M/S/ )
USER ID: LMUL523 MULKEY, LAUREL
USER CLASS: 79
ACTION CODE AGENCY:
ACTION CODE:

F1-HELP F3-END F4-INTERRUPT
```

# Scheduling Payments Around FYEC (Cont.)

## Payments Using New AY (Cont.)



- On the Pre-Enc/Enc/Expend Transaction Entry (505) screen, enter:

EFF DATE = **090121**

```
TEXAS S505 UNIFORM STATEWIDE ACCOUNTING SYSTEM 05/17/21 02:36 PM
LINK TO: PRE-ENC/ENC/EXPEND TRANSACTION ENTRY PROD

BATCH: AGENCY XXX DATE 083021 TYPE 4 NO 001 SEQ NO 00001 MODE MASTER EDIT ONLY
DOC DATE: EFF DATE: 090121 PMT DUE DATE: 042921 SERV DATE: 080121
DOC/SFX: 9XXXXXXXX 001 REF DOC/SFX: DISC DATE:
TRAN CODE: 225 IC: N RQD PMT DATE:
INDEX: MOD: AGENCY: XXX AY: 22
PCA: 60070 PCC: REQ NO:
COMP/AGY OBJ: 7102 NACUBO SUBFUND:
AMOUNT: 00000000010.00 RVS: DISC: 00000000000.00 1099: FO: PDT: DF
DOC COUNT: 00001 DOC AMT: 00000000010.00 DOC AGY: XXX CI: PROP #:
INV NO: INV DT: CONF: Y
DESC:
DESC:
VEND/MC: 3XXXXXXXXXX 001 NM: VENDOR NAME
APPN NO: 00000 FUND: 0001 ORIG PMT DATE:
CONT NO: WARR NO:
GL AC/AGY:
GRANT NO/PH: SUB GRANTEE: PROJ NO/PH:
MPCD: AGY CD-1: 2: 3: DI: RTI:

F1-HELP F3-END F4-INT F8-FORWARD F11-DETAILS F12-ADDR
```

- The Document Transaction Year is based on the effective date of the transaction.

**IMPORTANT: Release or pre-release these batches!**

# Ordering August Monthly Reports



August monthly reports will run on Friday, Sept. 3, 2021.  
During the week of Aug. 30:

- On your Agency Control (25) Profile for FISCAL YEAR **22**, set the REPORTING INDS-MO to **Y**:

```
TEXAS S025          UNIFORM STATEWIDE ACCOUNTING SYSTEM    05/21/21 02:27 PM
LINK TO:          AGENCY CONTROL PROFILE                PROD
ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)
AGENCY: XXX      FISCAL YEAR: 22

COST             CA RUN:          CA TYPE:          NO STEPS:        LAST STEP:
ALLOCATION-      CA BY IDX:       CA BY PROJ:      CA BY GRANT:    CA POST:
                CA RANGE FROM:  TO:
BILLING DEF-    IDX:            PCA:            EXP COMP/AGY OBJ:
DEFAULT-        IDX:            PCA:            REV COMP/AGY OBJ:

ENC DOC MATCH LVL: 0 (LEVEL OF DOCUMENT MATCH:0=NONE,1=APPN,2=ALL)
PRE ENC DOC MATCH LVL: 0 (LEVEL OF DOCUMENT MATCH:0=NONE,1=APPN,2=ALL)
ENC INDICATOR: N (Y OR N; REDUCE AUTHORITY/CASH)
PRE ENC INDICATOR: N (Y OR N; REDUCE AUTHORITY/CASH)
AGENCY OBJECT IND: N (R=REV, E=EXP, B=BOTH, N=NONE)
LAST MONTH CLOSED: 00          AGY BUD BY ORG IND: N (Y OR N)
LAST YEAR CLOSED: 21          AGY BUD BY PGM IND: N (Y OR N)
REPORTING INDS- MO: Y QTR: N YR: N PY OPEN: N FA CONTROL: N
GRANT/PROJ BILLING RUN: N      FA DEP RUN: N      STATUS CODE: A
EFF START DATE: 09011992      EFF END DATE:      LAST PROC DATE: 03312021
Z06 RECORD SUCCESSFULLY RECALLED
PLEASE ENTER FUNCTION

F1-HELP F3-END F4-INTERRUPT F6-PROCESS
```

## Ordering August Monthly Reports (Cont.)



- On your Report Request (91) Profile(s), verify:
  - ❖ The PERIOD is set to **PM**.
  - ❖ The FREQUENCY is set to **MONTHLY**.
  - ❖ The STATUS CODE is set to **A**.

```
TEXAS S091          UNIFORM STATEWIDE ACCOUNTING SYSTEM      05/21/21 02:51 PM
LINK TO:              REPORT REQUEST PROFILE                  PROD

ACTION: R (A=ADD,   C=CHANGE,  D=DELETE,  N=NEXT,   R=RECALL)

      AGENCY: XXX      REQUESTOR: AAAA      REPORT ID: DAFR9670 REQUEST NO: 01
      APPN YEAR:      PERIOD: PM              FY:      FREQUENCY: MONTHLY

LEVEL -  ORG: 2 PROGRAM:  OBJECT:  FUND: 4 NACUBO FUND:  GL ACCT:
      GRANT:  PROJECT:

AGENCY GROUP:          CONFIDENTIAL INFO: N ( P,T,B,N )
SPECIAL SELECTS -
      AGENCY: XXX              ORG CODE:
PROGRAM CODE:          NACUBO FUND:
      APPROP FUND:          FUND:
      COMP OBJECT:        AGY OBJECT:
      GL ACCT:          AGY GL ACCT:
      GRANT:          PROJECT:
      SPEC SEL 1:        SPEC SEL 2:
LST RUN DATE:          LINES:          STATUS CODE: A
EFF START DATE: 06132002  EFF END DATE:          LAST PROC DATE: 10102020

F1-HELP      F3-END      F4-INTERRUPT      F6-PROCESS
```

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# Internal Transaction (IT) File

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## General IT File Reminders

- All fiscal 2021 documents must be successfully processed, paid and written to history by Aug. 31.
- Research and correct your batch errors daily.
  - ❖ Review your DAFR2151 – Agency Batch Error Report.
- Remember to balance and release the corrected batches (if not in P-Y-4 status).
- Don't overlook the P-Y-4 batches.
  - ❖ FPP errors prevent the transactions from paying.
  - ❖ Review your:
    - DAFR3601 – Transactions Cancelled for Negative Balances
    - DAFR3631 – Fund Control Errors Occurring During Payment Processing

## Internal Transaction (IT) File (Cont.)

### General IT File Reminders (Cont.)



- Cash transactions (post to GLs 0045 or 0052) must process off the IT file **prior to** Aug. 31.
  - ❖ Cash transactions that fail to process on Aug. 31 must be deleted and re-entered with a current (fiscal 2022) Effective Date.
- **Never** make any changes or deletions to system-generated **batch** types – these are the “alpha” batch types.
- If you enter **C** (change) on the Recall a Batch for Correction (510) screen, the batch is put on hold and must be re-released – **even if no changes were made to the transactions!**
  - ❖ If no change made, no action code is recorded to the 37 screen – but the batch is still placed on hold.
  - ❖ Enter **V** (view) if you just want to review the transactions.



## Internal Transaction (IT) File (Cont.)

### General IT File Reminders (Cont.)



- Use caution when correcting or deleting transactions from “balancing” documents in edit mode 3.
  - ❖ For example, transactions using T-code pairs 246/903, 247/904 or 264/905.
  - ❖ Once these documents are balanced and partially posted, it can be difficult to rebalance.
  - ❖ When in doubt, contact USAS Maintenance at: [usas.maintenance@cpa.texas.gov](mailto:usas.maintenance@cpa.texas.gov)
- Remember the [USAS Batch Posting Sequence](#) (the order in which transactions are processed during overnight cycle):
  - ❖ The timing of when transactions are posted is determined by several factors.
  - ❖ The order is the same during the Aug. 31 cycle.

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## Internal transaction (IT) File (Cont.)

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### Empty Batch Headers

USAS clears empty batch headers automatically—unless the batch has never been released. In this case, the batch headers must be manually deleted.

1. In the View Batch Headers (530) screen, enter any character in the S (selection) field next to the empty batch.
2. Press **F9** to navigate to the Batch Balancing (502) screen.
3. Enter **D** in the ACTION field.
4. Press **Enter**.

The batch header will process off the IT file during that night's cycle.

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## Internal Transaction (IT) File (Cont.)

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### Basic Troubleshooting Steps

Are the transactions still on the IT file because:

- The document needs descriptive legal text (DLT) or some other approval?
- There are data element or funding errors?
- There are net negative payments?
- The batch or document is out of balance?
- The batch needs to be released?

For more information about reviewing and clearing your IT file, see:

- [Maintaining a Clean IT File](#)
- [USAS Document Tracking Screens](#)

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# Being Informed on FMX

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## Resources

- [USAS System Page](#)
- [USAS Documentation](#)
- [USAS FAQs](#)
- [System Outages and Holidays Calendar](#)
- [USAS Annual Close Process \(FPP Q.004\)](#)
- [Master Schedule of Fiscal Year-End Close Events](#)
- [Payment Scheduling Information](#)
- [Prompt Payment Information](#)
- [Maintaining a Clean IT File](#)

## Questions?



Topic	Section	Contact Information
<ul style="list-style-type: none"> <li>• Budget Revisions</li> <li>• Journal Vouchers</li> </ul>	Appropriation Control	<a href="#">Appropriation Control Directory</a>
<ul style="list-style-type: none"> <li>• Non-Payroll (Purchase and Travel) Pre-Payment Audit Approvals</li> <li>• Payment Due Dates and AY Determination</li> </ul>	Expenditure Assistance	<a href="#">Expenditure Assistance Directory</a> or call (512) 475-0966
<ul style="list-style-type: none"> <li>• Payroll (HRIS, SPRS and USPS)</li> </ul>	USPS, SPRS, HRIS Help Desk	(512) 463-4008
<ul style="list-style-type: none"> <li>• CAPPS Financials</li> <li>• HR/Payroll</li> </ul>	CAPPS Help Desk	(512) 463-2277
<ul style="list-style-type: none"> <li>• Texas Identification Number System (TINS)</li> </ul>	Payment Services	(512) 936-8138
<ul style="list-style-type: none"> <li>• Treasury Deposits</li> </ul>	Banking and Electronic Processing	(512) 463-6385
<ul style="list-style-type: none"> <li>• Reinstated Warrant Cancellations – USAS</li> </ul>	Payment Services	(512) 936-8138
<ul style="list-style-type: none"> <li>• Warrant Cancellations – Treasury</li> </ul>	Treasury	(512) 475-3288
<ul style="list-style-type: none"> <li>• Super Security Deletes</li> </ul>	Fiscal Oversight	<a href="mailto:usas.maintenance@cpa.texas.gov">usas.maintenance@cpa.texas.gov</a>
<ul style="list-style-type: none"> <li>• USAS Fiscal Year-End Close Process</li> </ul>	Fiscal Oversight (Laurel Mulkey)	<a href="mailto:laurel.mulkey@cpa.texas.gov">laurel.mulkey@cpa.texas.gov</a> or (512) 463-4584

## USAS System-Generated Lapse



The expiring year lapse program captures all expiring appropriations with balances and creates a lapse document in USAS.

- Auto lapse program runs after the regular USAS cycle on Aug. 31.
- Expired appropriation balances occur when they are not expended within two years following the last day of the AY (i.e. – AY 2019):
  - ❖ Unobligated balances may be moved forward with legal statutory authority.
  - ❖ Collected cash balances in fund 0001 must be transferred to 902 with RTI 003973.
    - See [APS018](#) for instructions.



## USAS System-Generated Lapse (Cont.)

- Cash Related Entries:
  - ❖ All deposits, corrections or other cash-related entries to be reflected in fiscal 2021 must be entered before fiscal year-end close.
  - ❖ **Aug. 13** – Deadline for all documents or transactions related to expiring appropriations. After this date, users must coordinate entries with their agency's ACO.
  - ❖ Deadline for fiscal 2021 cash entries is **Aug. 31 at 7 p.m.**
- Pending transactions on the Agency IT File (USAS 53 screen) should be minimal.
- All information is available on FMX on the [2021 Master Schedule of Fiscal Year-End Close Events](#) page.



## Top 10 Audit Findings (2019-2020)

### #1 — Lack of Controls Over Expenditure Processing

- **The Issue:** State employees have the security access to perform multiple tasks in the statewide financial systems, such as:
  - ❖ Entering and releasing USAS payments without oversight
  - ❖ Adjusting payment instructions in TINS
  - ❖ Approving vouchers
  - ❖ Picking up warrants from the Comptroller's office
- **Proper Procedure:** Agencies should implement controls over expenditure processing and segregate each task as much as possible. Agencies can strengthen internal controls and reduce risks to state funds by:
  - ❖ Updating preventive controls in USAS on the Agency Profile (D02) for all transactions.
  - ❖ Requesting the USAS Risky Document Report (DAFR9840) that lists activities for all users, including documents that were entered/alterd and then released by the same user.

For more information, see [USAS Accounting and Payment Control \(FPP B.005\)](#).



## Top 10 Audit Findings (2019-2020) (Cont.)



### #2 — Missing Prior State Service Forms/Incorrect Amount of Longevity Pay (Payroll)

- **The Issue:** State agencies fail to verify prior state service when hiring leading to incorrect longevity payments. When agencies fail to verify, longevity payments are calculated incorrectly and eligible employees are underpaid.
- **Proper Procedure:** When hiring a new employee, agencies must:
  - ❖ Research state of Texas employment history.
  - ❖ Determine eligibility for longevity pay by verifying prior state service.
  - ❖ Ensure the longevity payment is calculated correctly.

For more information, see the **Texas Payroll/Personnel Resources'** website for:

- ❖ [State of Texas Employment History Application](#)
- ❖ [Longevity Pay](#)

## Top 10 Audit Findings (2019-2020) (Cont.)



### #3 — Failure to Request Security Access Removal and Failure to Notify Comptroller to Remove Employee from Signature Card (Security)

- **The Issue:** State agencies fail to notify the Comptroller's office of an employee's termination so the employee's security access can be revoked in a timely manner. Any payments authorized electronically in USAS or paper vouchers approved after the employee's termination would constitute an unapproved expenditure.
- **Proper Procedure:** Agencies must:
  - ❖ Notify the Comptroller's office of an employee's termination no later than the fifth day after the effective date of termination to prevent the terminated employee from approving expedites.
  - ❖ Notify the Comptroller's office of an employee's authority revocation no later than the effective date of revocation or termination to prevent an unauthorized or terminated employee from executing electronic approvals.

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## Top 10 Audit Findings (2019-2020) (Cont.)

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### #3 (Cont.)



- ❖ Implement procedures to regularly monitor user accounts and ensure a user's access privileges remain appropriate for that user's access needs.
- ❖ For more information, see the **Procedures for Establishing and Removing Authority and Security to Approve Expenditures** in [Expenditure Approvals and Certification \(FPP B.007\)](#).

## Top 10 Audit Findings (2019-2020) (Cont.)



### #4 — Lack of Conservation of State Funds (Travel)

- **The Issue:** Agencies do not consider cost savings to the state when making travel arrangements. Employees fail to compare costs to determine the most cost-effective method to travel. This results in additional travel expenses.
- **Proper Procedure:** Agencies must:
  - ❖ Minimize the amount of travel expenses paid or reimbursed by the agency.
  - ❖ Ensure each travel arrangement is the most cost effective considering all circumstances.
  - ❖ Properly train employees on travel regulations to ensure compliance with regulations and limitations.
  - ❖ Maintain the following travel documentation:
    - Travel vouchers
    - Receipts
    - Other supporting documents for travel expenses

For more information, see **Texttravel**'s website for:

- ❖ [Conservation of State Funds](#)
- ❖ [Agency, Employee Responsibilities](#)

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## Top 10 Audit Findings (2019-2020) (Cont.)

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### #5 — Missing/Insufficient Supporting Documentation (Purchase & Travel)

- **The Issue:** Agency documentation for purchases and travel expenses is missing or insufficient. Without supporting documentation, a purchase or travel expense and the corresponding data entered USAS cannot be validated.
- **Proper Procedure:** Agencies must maintain related documentation in their files to support the legality and fiscal responsibility of each payment that results from either a purchase or a travel expense. Examples of required documentation include:
  - ❖ Invoice Purchase order (PO)
  - ❖ Contract (including supporting procurement documentation)
  - ❖ Receiving report
  - ❖ Travel voucher
  - ❖ Receipts and their supporting documents for travel expenses

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## Top 10 Audit Findings (2019-2020) (Cont.)

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### #5 (Cont.)



- ❖ Supporting documentation must be made available to the Comptroller's office in the manner required by the agency. The types of supporting documentation the Comptroller's office may request include: purchase orders, requisitions, contracts, invoices and receipts.
- ❖ For more information, see [Texas Administrative Code, Chapter 34, Section 5.51\(e\)\(2\)-\(3\)](#).

## Top 10 Audit Findings (2019-2020) (Cont.)



### #6 — Prompt Payment and Payment Scheduling Errors

- **The Issue:** Payments are improperly scheduled for payment in USAS, which may result in either a late payment or an early payment. If it is a late payment, the Comptroller's office must pay interest due under the prompt payment law on behalf of the agency. If a payment is early, the state's treasury incurs a loss in interest.
- **Proper Procedure:** Each agency must:
  - ❖ Review its procedures to ensure payment information is submitted for processing in a timely manner and payments are released on time to avoid incurring interest.
  - ❖ Verify that due dates are entered accurately to ensure that, if interest is due, it is paid correctly to the vendors.
  - ❖ Schedule all payments greater than \$5,000 for the latest possible distribution allowed by their purchasing agreements in order to minimize the loss of earned interest to the state's treasury.

For more information, see the **eXpendit** website's [Prompt Payment](#) page and [Payment Scheduling](#) page.

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## Top 10 Audit Findings (2019-2020) (Cont.)

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### #7 — Missing/Incorrect SAO Nepotism Disclosure Statement (Procurement & Contracts)

- **The Issue:** State agencies fail to complete a nepotism disclosure statement when procuring a contract valued at \$1 million (or more) or the form is signed by the wrong individual. This can lead to an agency being unaware of a potential conflict of interest in a procurement decision.
- **Proper Procedure:** For contracts valued at \$1 million or more, all purchasing personnel working on a contract must disclose any relationship with the selected vendor to the administrative head of the agency on a form prescribed by the State Auditor's Office.

For more information, see:

- ❖ [Texas Government Code, Section 2262.004](#), which requires agency purchasers to disclose relationships that might pose a conflict of interest in awarding a major contract.
- ❖ [State of Texas Procurement and Contract Management Guide](#) for agency review of required disclosures.



## Top 10 Audit Findings (2019-2020) (Cont.)



### #8 — Failure to Report Contract to the Legislative Budget Board (Procurement & Contracts)

- **The Issue:** State agencies are not reporting contracts or contract amendments valued more than \$50,000 to the Legislative Budget Board (LBB). This affects the ability of oversight agencies to monitor state contracting efforts.
- **Proper Procedure:** Agencies receiving appropriations under the GAA must report all contracts over \$50,000 to the LBB, including contracts for which only non-appropriated funds will be expended. The submission must include documentation such as:
  - ❖ The award
  - ❖ Solicitation documents
  - ❖ Renewals
  - ❖ Amendments
  - ❖ Addendums
  - ❖ Extensions
  - ❖ Attestation letters
  - ❖ Other records

See the [General Appropriations Act \(GAA\), Article IX, Section 7.04\(c\)](#) and the LBB's [Contract Reporting Guide](#).

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## Top 10 Audit Findings (2019-2020) (Cont.)

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### #9 — Missing CMBL Solicitation (Purchase, Procurement & Contracts)

- **The Issue:** State agencies do not notify all entities on the Centralized Master Bidders List (CMBL) that match the commodity code for the purchase, or do not document the notification. This can decrease potential competition on procurements.
- **Proper Procedure:** An agency must solicit from a minimum of three active vendors on the CMBL including two current Texas-certified historically underutilized businesses for purchases between \$5,000 and \$25,000. For procurements exceeding \$25,000, an agency must use the CMBL to solicit from each eligible vendor on the list that serves the agency's geographic region.

A copy of the bid list must be placed in the procurement file.

For more information, see **Centralized Master Bidders List** on page 67 of the [State of Texas Procurement and Contract Management Guide](#).

## Top 10 Audit Findings (2019-2020) (Cont.)



### #10 — Missing/Incomplete Vendor Compliance Verifications (Purchase, Procurement & Contracts)

➤ **The Issue:** Verifications of vendor compliance (that an agency must check before entering into a contract) are not performed. If a vendor is listed on one of these lists, the state cannot do business with that vendor. These verifications include:

- ❖ System for Award Management
- ❖ Debarred vendor list
- ❖ Iran, Sudan and foreign terrorist organization lists
- ❖ Boycott Israel check
- ❖ Vendor's warrant hold status

Failure to conduct these checks can lead to the improper award of a contract.

➤ **Proper Procedure:** The vendor compliance verifications must be performed before the agency contracts with a vendor. A dated copy of the verifications must be retained in the procurement file.

## Top 10 Audit Findings (2019-2020) (Cont.)

### #10 (Cont.)



For more information, see:

- ❖ Barring Vendor check:  
[Texas Government Code, Section 2155.077](#)
- ❖ System for Award Management check:  
[Presidential Executive Order 13244](#)
- ❖ Iran, Sudan and foreign terrorist list organization check:  
[Texas Government Code, Sections 2252.001\(2\) and 2252.152](#)
- ❖ Boycott Israel check:  
[Texas Government Code, Sections 2270.0001\(3\) and 2271.002](#)
- ❖ Warrant/payment hold check:  
**eXpendit** website's [Restricted Expenditures – Persons Indebted to the State](#) and [Texas Government Code, Section 2252.903](#).

# SEFA Updates



## Federal Reporting Updates

- The Assistance Listing Number (ALN) replaces the Catalog of Federal Domestic Assistance (CFDA) number.
  - ❖ SEFA web application and AFR reporting requirements may still use “CFDA” references.
  - ❖ Many federal resources still use “CFDA” references.
- System for Award Management (SAM.gov) Assistance Listing replaces:
  - ❖ beta.SAM.gov search
  - ❖ Older CFDA.gov

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## SEFA Updates (Cont.)

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### 2021 Compliance Supplement

- Guidance is **not** final until the OMB releases the 2021 Compliance Supplement.
- Not published as of Aug. 2, 2021. Should be published later this summer.
- Will include Provider Relief Fund (PRF) and other COVID-19 guidance.
- Expected to have an Addendum later this year.
- Monitor the [AFR Reporting Requirements](#) website for updates that impact the SEFA.
- Comptroller's Financial Reporting section will update agency SEFA records if Addendum is published after the SEFA final certification deadline (Nov. 1, 2021).

## SEFA Updates (Cont.)



### COVID-19 SEFA Reporting

#### General

- Continuation of fiscal 2020 requirements.
- Continue to use COVID-19 Special Funding indicator:
  - ❖ **C** = Special Funding for batch entry
  - ❖ **COVID-19** = indicator selected for manual record entry
- Programs will be separated into COVID-19 and non-COVID 19 in the SEFA Schedule 1A. Examples:
  - ❖ Child and Adult Care Food Program
  - ❖ **COVID-19** – Child and Adult Care Food Program

## SEFA Updates (Cont.)

### COVID-19 SEFA Reporting (Cont.)

#### Education Stabilization Fund (ESF) and Higher Education Emergency Relief Fund (HEERF), I and II



- Reporting by subprogram feature now available in SEFA web application
  - ❖ Add the letter of the subprogram to all 84.425 ESF and HEERF ALNs (CFDAs). Example:
    - ALN 84.425E = HEERF Student Aid Portion
- Report lost and foregone revenue in the SEFA expenditure records:
  - ❖ Reported as an expenditure.
  - ❖ Do **not** report as a SEFA Note 2 reconciling item.





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## SEFA Updates (Cont.)

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### COVID-19 SEFA Reporting (Cont.)

#### Provider Relief Fund (PRF)

- Guidance is updated in the 2021 Compliance Supplement.
  - ❖ Guidance is based on the **U.S. Department of Health & Human Services'** [Provider Relief Fund General Information \(FAQs\)](#)
- Reporting:
  - ❖ Report (in SEFA) the total expenditures and lost revenues from the Period 1.
  - ❖ Submit those SEFA totals on the [Provider Relief Fund Reporting Portal](#).
  - ❖ Report lost and foregone revenue (reported like HEERF) on the face of the SEFA.
  - ❖ Report like an expenditure.

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## SEFA Updates (Cont.)

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### SEFA Timeline Reminders

- SEFA opened on Aug. 1, 2021 for initial data entry.
- Deadlines:
  - ❖ Sept. 1 – Initial Certification
  - ❖ Sept. 28 – Pass-through Certification
  - ❖ Nov. 1 – Final Certification

## SEFA Updates (Cont.)



### SEFA Data Entry Requests – Items Required

- CFDA (ALN) additions:
  - ❖ Include a copy of the award letter or agreement with the request the identifies the CFDA number or ALN.
  - ❖ Disclose if USAS D40 profile addition needed.
- Non-state Entity (NSE) additions:
  - ❖ Include a copy of the award letter or agreement with the request the identifies the NSE.
- SEFA Note 2 reconciling item:
  - ❖ Include a short description of the item.
  - ❖ Include the CFDA number or ALN, if applicable.
  - ❖ Report the amount.
  - ❖ Disclose whether it is a deduction from or addition to federal revenue.

## SEFA Updates (Cont.)

### SEFA Data Entry Requests – Items Required (Cont.)



#### ➤ SEFA record entries:

- ❖ Submit requests for a record that must be modified, added or deleted after the certification deadline:
  - Sept. 28 – interagency pass-through records
  - Nov. 1 – all other record entries
- ❖ Include:
  - The CFDA number or ALN
  - Revenue amounts:
    - Direct
    - NSE pass-through — include the NSE name and identification (ID) number
    - Interagency pass-through
  - Expenditure amounts:
    - Direct
    - NSE pass-through
    - Interagency pass-through
  - Whether research and development (R&D)
  - Whether federal funds were related to special funds:
    - COVID-19
    - American Recovery and Reinvestment Act (ARRA)

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## SEFA Updates (Cont.)

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### SEFA Resources

- Guidance is available on **AFR Reporting Requirements** website in the [Pass-Through Activity](#) tab. Most guidance applies to:
  - ❖ Direct federal funds
  - ❖ Federal pass-through funds
- See SEFA's FAQs section featured in the [April 2021 Accounting Policy Meeting Handout](#).
- See FMX's [SEFA Tutorial](#) (web-based training).
- Submit questions and data entry requests to your agency's assigned [financial reporting analyst](#).

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# **GASB Statement Updates**

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## **Implementation for Fiscal 2021**

- GASB Statement No. 92, *Omnibus 2020*
- GASB Statement No. 93, Replacement of Interbank Offered Rates
  - ❖ All applicable paragraphs are effective for fiscal 2021 until GASB announces otherwise, except for the following:
    - Paragraph 11b
    - Paragraph 13
    - Paragraph 14

## GASB Statement Updates (Cont.)



### GASB Questionnaires

- All agencies are required to complete and submit each GASB Questionnaire for each fiscal year.
- Questionnaires were available **July 6 – Aug. 15**.
  - ❖ Did your agency miss the deadline? If so, contact your agency's assigned financial reporting analyst.
- Confirm or update your agency's point of contact.
- Annual GASB Questionnaires:
  - ❖ 14/39/61/80/90 — Component Units
  - ❖ GASB Statement No. 47, Accounting for Termination Benefits
  - ❖ GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations
  - ❖ GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements
  - ❖ GASB Statement No. 69, Government Combinations and Disposals of Government Operations
  - ❖ GASB Statement No. 70, Accounting and Financial Reporting for Non-exchange Financial Guarantees

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## GASB Statement Updates (Cont.)

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### Effective for Fiscal 2022 (Sept. 1, 2021)

- GASB Statement No. 87, *Leases*
- Implementation Guide 2019-3, *Leases*
- Provided details in prior APS meeting GASB 87 updates:
  - ❖ Comptroller's Financial Reporting section is in the process of implementing Lease Query, with a target date of completion in November.
  - ❖ Lease Query User Survey is closed. If your agency did not complete the survey, contact your agency's assigned financial reporting analyst.
  - ❖ See the FAQs section in the [July 2021 Accounting Policy Meeting Handout](#) for more details.



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## Questions?

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If you still have questions, contact your agency's assigned:

- [appropriation control officer](#)
- [expenditure audit analyst](#)
- [financial reporting analyst](#)