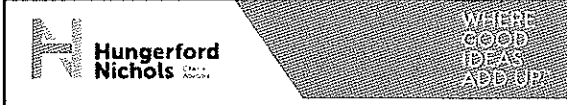


A & A Update

MSBO Finance Committee Meeting
March 17, 2017


Adriane M. Schrauben, CPA



Topics to Discuss

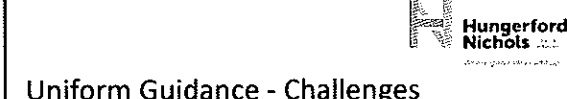
- Uniform Guidance
 - Written Procedures
 - IC Vs Compliance
 - Time Keeping
 - Procurement
- GASB Pronouncements
 - GASB 68 – Any issues?
 - GASB 77
- Looking to the Future
 - GASB 75
- Questions

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UNIFORM GUIDANCE


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Uniform Guidance - Challenges

- Lack of familiarity with existing federal grant requirements
- Existing compliance policies and procedures severely lacking –need to build from the ground up
- Reading and interpreting the UG requirements, changes in UG requirements, new FAQ's –learning is an ongoing process
- Lack of staff resources and/or prioritizing of UG implementation efforts


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Uniform Guidance – Written Procedures

- Written Procedures are required! Not just under UG but was required under Circular A-133
- Areas that should be included:
 - Records that identify the source and application of funds for federally funded activities (200.302)
 - Effective control over and accountability for all funds, property, and other assets (200.302)
 - Cash management requirements (200.302)
 - Allowability of costs (200.302)
 - Conflict of interest policy (200.318)
 - Monitoring and risk assessment on subrecipients (200.331)
 - Travel policy (200.474(b)(3))
- *Note: Not a comprehensive list. Review UG for all requirements.*

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Uniform Guidance – IC vs Compliance

Uniform Guidance –Internal Control Responsibility of Auditees

- **MUST** – Establish and maintain effective internal control over the federal award that provides reasonable assurance that the federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- **SHOULD** – Be in compliance with guidance in:
 - Standards for Internal Control in the Federal Government” (Green Book) issued by the Comptroller General of the United States, or
 - The “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)
- Use of “should” in Uniform Guidance indicates a “best practice” and is not a presumptively mandatory requirement

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Uniform Guidance – IC vs Compliance

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Uniform Guidance – IC vs Compliance

Understand the difference between control vs. procedure

- Controls: What the entity does to ensure compliance.
- Procedure: The path a transaction takes from beginning to completion.

Understand the difference between control vs. compliance

- Controls: What the entity does to ensure compliance.
- Compliance: Did entity comply?

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Uniform Guidance – Time Keeping

Charges must be based on records that accurately reflect the work performed; these records must:

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated
- Reasonably reflect the total activity for which the employee is compensated by the nonfederal entity, not exceeding 100% of compensated activities
- Comply with the established accounting policies and practices of the nonfederal entity
- Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and nonfederal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity

For any nonfederal entity where the records do not meet these standards, the federal government may require personnel activity reports, including prescribed certifications, or equivalent documents that support the records.

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Uniform Guidance – Procurement

- Time is running out

- Waiver expires 6/30/17
- New Policy must be in effect by 7/1/17
- Must be reflective of what you're ACTUALLY doing!

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Uniform Guidance – Procurement

Procurement Method	Threshold
1. Micro Purchases	Less than \$3,500
2. Small Purchases	Up to \$150,000
3. Sealed Bids	Greater than \$150,000
4. Competitive Proposals	Greater than \$150,000
5. Sole Source (Noncompetitive)	Unique, Public Emergency

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Uniform Guidance – Procurement

The Uniform Guidance outlines five methods of procurement Source: 2 CFR 200.318(a)

- **Micro-purchase:** Purchases where the aggregate dollar amount does not exceed \$3,500 for \$2,000 if the procurement is construction and subject to Davis-Bacon. When practical, the entity should distribute micro-purchases equitably among qualified suppliers. No competitive quotes are required if management determines that the price is reasonable.
- **Small purchase:** Includes purchases up to the Simplified Acquisition threshold, which is currently \$150,000. Informal purchasing procedures are acceptable, but price or rate quotes must be obtained from an adequate number of sources.
- **Sealed bids:** Used for purchases over the Simplified Acquisition threshold, which is currently \$150,000. Under this purchase method, formal solicitation is required, and the fixed price (lump sum or unit price) is awarded to the responsible bidder who conform to all material terms and is the lowest in price. This method is the most common procurement method for construction contracts.
- **Competitive proposals:** Used for purchases over the Simplified Acquisition threshold, which is currently \$150,000. This procurement method requires formal solicitation, fixed-price or cost-reimbursement contracts, and is used when sealed bids are not appropriate. The contract should be awarded to the responsible firm whose proposal is most advantageous to the program, with price being one of the various factors.
- **Noncompetitive proposals:** Also known as sole-source procurement, this may be appropriate only when specific criteria are met. Examples include when an item is available only from one source, when a public emergency does not allow for the time of the competitive proposal process, when the federal awarding agency authorizes, or after a number of attempts at a competitive process, the competition is deemed inadequate.

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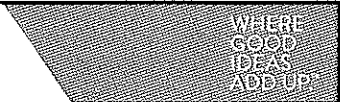


Uniform Guidance – Procurement

Can a nonfederal entity have different procurement procedures for federal and nonfederal procurements?


- The nonfederal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable federal law and the standards identified in this part.
- Source: 2 CFR 200.318(a)

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GASB PRONOUNCEMENTS


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GASB 68 - Pensions

- What issues are you having?
- Any Best Practices?
- 147c?


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GASB 77 – Tax Abatements

GASB 77, Tax Abatement Disclosures, require governments to disclose information about tax revenue they don't receive as a result of tax abatement agreements that a. they enter into and/or b. agreements that other governments enter into that reduce their own taxes.


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GASB 77 – Tax Abatements

The guidance applies only to tax abatements. They are defined in Paragraph 4 of the Statement as “reductions in tax revenues that result from an agreement between one or more governments and an individual or entity in which the governments promise to forgo tax revenues and the individual or entity promises to take “a specific action that contributes to the economic development or otherwise benefits the governments or citizens of those governments.”

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GASB 77 – Tax Abatements

The goal is to enable users of the financial statements to better assess:

- (1) whether current-year revenues were sufficient to pay for current-year services,
- (2) compliance with finance-related legal or contractual requirements,
- (3) where a government's financial resources come from and how it uses them and
- (4) the government's financial position and economic condition and how they have changed over time.

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GASB 77 – Tax Abatements

Governments should disclose in the notes to financial statements the following information related to tax abatement agreements that are entered into by other governments that reduce the reporting government's tax revenues:

- Brief descriptive information, including the names of the governments entering into the tax abatement agreement and the specific taxes being abated
- The gross dollar amount, on an accrual basis, by which the reporting government's tax revenues were reduced during the reporting period as a result of tax abatement agreements
- If tax abatement agreements are disclosed individually, a brief description of the quantitative threshold the reporting government used to determine which agreements to disclose individually

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GASB 77 – Tax Abatements


What does this mean for schools?

- IFT
- Renaissance Zones
- Brownfield/DDA

Where to gather the information?

- Tax Rolls


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WHERE GOOD IDEAS ADD UP™

LOOKING AHEAD


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GASB 75 – OPEB

- Extension of GASB 68
- Requires the health care liability of MPSERS to be added to Statement of Net Position
- Effective for fiscal years beginning after June 15, 2017

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Questions?