



# STATE OF MONTANA

## *State Accounting Training*

STATE ACCOUNTING TRAINING  
JUNE 2010

Presented by:

*DOA – State Accounting Division*

# Objectives

- **Discuss updates to State accounting policy (including):**
  - Leases
  - CWIP
  - Fund Balance
  - Intangibles
  - Derivatives
- **Review accounting issues (including):**
  - Cash
  - A vs B Accruals
  - SWCAP
  - Prior vs. Current Year
- **Discuss FYE Dates/Reminders (including):**
  - Neg Cash at FYE
  - Selling STIP at FYE
- **Discuss SAHBRS issues/Upcoming Upgrades:**
- **Discuss Other Issues (including):**
  - Consolidated Vendor File
  - 1099 – MISC Changes
  - IRS 3% Withholding
  - P Card Reminders

# Agenda

Cash Issues	Julie Feldman	Derivatives	Charles Idehen
Leases	Julie Feldman	“A”/”B” Accruals	Heather Jarvis
Intangibles	Cody Carter	Prior Year vs. Current Year	Heather Jarvis
CWIP	Janet Atchison	FYE/Dates Reminders	Ingrid Mallo
SWCAP	Janet Atchison	SABHRS Update/ Pro Cards	Cheryl Grey/ Linda Gaughan
Fund Balance	Paul Christofferson	Payment/Vendor Issues	Julie Feldman
Pass Thru Grants	Charles Idehen	Other	Julie Feldman

# Accounting Bureau #'s to know ...

Paul Christofferson	4609	Policy
Julie Feldman	3094	Policy/Travel Questions
Janet Atchison	4669	AM, AR, PO & Billing Helpdesks - GL Backup/Policy - Fund Balance ?'s
Cody Carter	7830	GL Backup/Policy/CMIA Questions
Charles Idehen	5584	GL Backup/Policy/Travel Questions
Heather Jarvis	4681	GL Helpdesk/Policy Questions
Ingrid Mallo	3975	GL Backup/Policy Questions
Kristy Klein	5688	AP Helpdesk - 1099-MISC ?'s
Angie Burrows	3133	Warrant Writer - Vendor's
Pat Birnie	2505	Warrant/Stale Replacements
Jennifer Winkler	5230	

# Recently Issued Policy Drafts...

Policy Number	Policy Subject
2-0280	Working Capital
2-1700	Intangible Assets
2-1735	Livestock Accounting Policy
2-1780	Accounting for Leases
2-1800	Fund Balance/Net Assets
2-6020	OPEB

# Upcoming Policy Drafts...

Policy Subject
Pollution Remediation Obligation
Investments/Related Disclosures
Vendor TIN Requirement

# Major Cash Change at FYE



# Past 1104 Cash During FYE

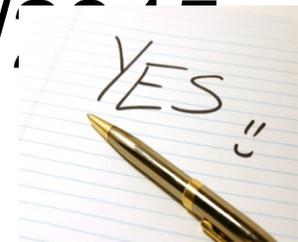
- Distributions from/to agency funds (07xxx)
- Recording of errors
- Recording Distributions
- Any journal created prior to July 1<sup>st</sup>, but not posted until after
- Interfund loans payable

# Past Use of 1345/2345

- Used on Journal between July 1<sup>st</sup> and FYE close pertaining to prior year
- Between different funds or agencies
  - For ex: DOA paying Motor Pool Charges

# 1345/2345 No Longer Required

- Transactions between funds/  
agencies
  - 1345/2345 Cash Cut Off Accounts  
will **NO** longer be used
  - **ALL** transactions during the FYE  
period will use 1104 vs. 1345/2345
  - MOM 2-8100



# 1104 Auto-Generated Thru FYE

- 1104 will be auto-generated on all journals during the FYE period just as it is today
- Agencies will no longer have to select GENERAL on the transaction code for transactions within the new fiscal year

# In Summary 1104 at FYE

- If you have positive 1104, then use it during FYE
- If you are required to make a distribution/transfer, and have no 1104 then you must get an I/E loan to make the entry with 1104
- If you making the payment for goods/services and no 1104, then use 1306/2106B

# Due from/to other funds

- Accounts 1306/2106B
- There is no change in regard to how they are used by agencies at FYE
- Must be zero when combined on a journal

# 1306/2106B used when ...

- Goods purchased or services received from another fund
- Revenue billed but not yet paid

# Open item with 1306/2106B

- 1<sup>st</sup> 5 digits must be agency number ...
  - For 2106B:
    - The agency number to which the payable is owed
  - For 1306:
    - The agency number to which the receivable is due
- Remaining 25 digits are optional

# Other Cash and Payment Issues/Reminders



# W/ Regard to Cash Agencies Need To...

- Timely Record – Post – Review .....
  - Deposits/Vouchers
  - Record 1107 – Cash on Hand at FYE
- Cash not on reconciliations/reports until posted
- Must be one bank deposit to one SABHRS entry

# Negative Cash not Allowed at FYE

- Each fund in total must have a positive cash balance at FYE
- Administering Business Unit is responsible for monitoring positive balance

# STIP

- **Need to sell STIP before a loan is approved**
- STIP deadline is 2 p.m. on June 28<sup>th</sup>
  - See BOI memo for further information

# Payments - Electronic

- Wire
  - Require Treasury Approval
  - Initiated/Completed same day
  - Cannot be 1099-MISC applicable
  - SABHRS AR Module
- ACH
  - Can be 1099-MISC applicable
  - SABHRS AP Module
- Card Programs (ex – EBT or ReliCard)
- P Card

# Payments - ACH

- Can be included on interface files
- Reduces stale-date review/reissue work
- Vendor can have money in bank sooner
- Less chance of fraud (as reported by banking industry)
- **SAVES AGENCIES MONEY**
  - No Advice or eMail Advice

# ACH eMail vs Mailer Advices

- eMail Advices –
  - Field on vendor form
  - Attached to payment location
  - Can be used w/ voucher interface files
    - See SABHRS Payments/AP Interface Doc
  - Receipt of eMail's can be tracked
  - SAVE AGENCIES MONEY
    - No cost to agencies for eMail advices

# ACH eMail Advice

From: PeopleSoft@peoplesoft.com

Sent: Tue 5/26/2009 9:27 AM

To: Nason, Berta

Cc:

Subject: Direct Deposit Information-Test



Message



MTAP6654\_1157785.PDF (41 KB)

The State of Montana has sent \$171.22 by direct deposit to your account. Detailed information regarding this deposit is in the attached PDF. PLEASE DO NOT REPLY TO THIS EMAIL.

# ACH Advice Information

MTAP6654\_1157785 (2).pdf - Adobe Reader  
File Edit View Document Tools Window Help

1 / 1 100% Find

 State of Montana  
Department of Administration  
Notice of Direct Deposit

Date	Reference Number
05/26/2009	0001745593

**KIRBY CONLEY**

Agency	Agency Name
3401Z	Insure Montana

Bank ID	Bank Account Number	Vendor Id	Settlement Date	Total Paid Amount
			04/19/2007	\$171.22

Invoice Number	Invoice Date	Voucher Id	Voucher Paid Amount
MAR07 1_800_332_6148 INSURE MONTANA	04/01/2007	00000327	\$171.22

INSURE MONTANA PROGRAM  
PAYMENT

Start | 4 Micros... | MINE - Mo... | AesWithM... | tikpDL\_Fn... | MTAP665... | MTAP665... | Microsoft ... | SnagIt Cat... | SnagIt Edit... | 10:03 AM

# WWU Rates for FY10/11

RATE	FY2010	FY2011
ACH – eMail advice or NO advice	.1223	.1153
<b>ACH – Mailer Advice</b>	<b>.7623</b>	<b>.7753</b>
Mailer - Mailer	.7212	.7245



# ACH Payments

- Pursuant to NACHA -
  - You must have written permission to debit or credit an account using ACH
  - Review your forms to ensure that they have the proper language

# ACH Credits/ACH Pushes

- This is where someone pulls the money from our account with no intervention from us
- This is **NOT ALLOWED** without the State Accounting Division's approval
- As the money leave the bank without a SABHRS entry or budget approval

# Treasury/Agency Communication

- Now agencies to retrieve information from query vs email from treasury
  - Wires Received
    - A/R initiated by Treasury
  - Clearing Account Items
- Information still on email (for limited time)
  - Wires Received – Emails
    - A/R initiated and completed by agency

# New Treasury Queries

- New Queries to be run by agencies –
  - MTTR\_AGENCY\_WIRES
  - MTTR\_CLEARING\_ACCT\_TRANS
  - MTTR\_INTERFACE\_TREAS\_WIRE
    - Available Mid June

# New Queries for Treasury Info

- Available daily from 10:30 am – Noon
  - Depending on numbers received
- May need to look later in day for further transactions
  - Last report by 4:00pm
- Need to be run for each business unit

# Lease Issues



# Capital Leases are...

- If any of the following apply...
  - Ownership of the property transfers
  - Lease contains a bargain purchase option
  - Lease term is  $\geq$  to 75% of estimated economic life (unless lease begins in last 25% of est life)
  - PV of minimum lease payments  $\geq$  90% of the FMV (unless lease begins in last 25% of est life)
- It is a capital lease.

# Installment Purchases...

- Purchase of asset overtime
- Title passes when payments start
- Treated as a Capital Lease for Accounting

# Operating Leases...

- Do not meet criteria to be a Capital Lease
- Expensed rather than capitalized

# Op Lease w/ Schd Rent Increases

- Pattern of payments, including increases
  - Are systematic and rational –
    - Measured based on lease terms when –
  - Considered Artificially low for certain period –
    - Measured using Straight Line, or
    - Measured using the estimated fair value with the interest method
- See draft MOM 2-1780.11 and 2-1780.12

# Example 1 – Op Rent Increase

- Lease 5 years
- Lease payments years 1-3 \$24,000
- Lease payments years 4-5 \$26,000
- Deemed Systematic and Rational
- Rental payments based on terms of the lease contract

# Example 2 – Op Rent Increase

- Lease 5 years
- Lease payments year 1 - \$10,000
- Lease payments year 2 – 5 - \$24,000
- Deemed to be “Rent Holiday” in Year 1
- Rent per year using straight line basis  
–  $\$21,200 = (10,000 + (24,000 * 4)) / 5$

## Example 2 (cont)

- Year 1 entry:

Debit	Rent Expense	21,200	
Credit	A/P		(11,200)
Credit	Cash		(10,000)

- Year 2 – 5 entries:

Debit	Rent Expense	21,200	
Debit	A/P	2,800	
Credit	Cash		(24,000)

# Leasehold Improvements...

- Leasehold Improvements –
  - Additions
  - Improvements
  - Alterations
- Made by lessee to leased property
- Cannot be removed from leased property
- Does not include maintenance and repairs done in normal course of business

# Should it go or should it stay?

- If it stays –
  - Leasehold Improvement
    - Building Improvement/Equipment
- If it goes –
  - Not Leasehold Improvement
    - Equipment
- Does it meet the applicable threshold?
  - Yes – Capitalized
  - No – Expensed

# Capitalized Leasehold Improvements

- Depreciated over shorter of –
  - The remaining lease term, or
  - The estimated useful life of the improvement
- Do not have a residual value
- If made in lieu of rent – should be expensed
- See draft MOM 2-1780.50

# Renegotiated Leases

- Review newly renegotiated lease agreements
- Classification could change from –
  - Operating to Capital
  - Capital to Operating
- Classification could remain same –
- Change your CAFR lease schds accordingly
- See draft section MOM 2-1780.10

# Old Capital / New Operating

- Retire Old Lease
  - Reverse Applicable Fixed Asset
  - Reverse Lease Liability
- Record new lease as operating

# Old Operating / New Capital

- Add new lease to AM
  - Record Applicable Fixed Asset
  - Record Lease Liability

# w/ Review Remains Capital

- Current balance must be adjusted by –
  - Difference between the PV of the future minimum lease payments and present balance of the obligation
  - Must use rate of interest used to record the initial lease

# AM and Capital Leases

- If recorded in month of inception
  - Record as a lease asset on AM
    - AM will generate Asset and Liability Accounts
    - AM will reduce the lease liability accounts as appropriate
- If not recorded in month of inception
  - Record as non-lease asset on AM
  - Record lease liability with a GL entry
  - Record reduction to lease liability with GL entry

# Remember At FYE w/ Leases:

- Recorded in same ledger as lease liab
  - Record lease obligation due in FY2011 (Current)
  - Record accrued interest pay
  - Reverse during the next fiscal year
- Sum of lease accts must be zero (Act + EW)

69301/69301A	69303/69303A
69401/69401A/69403	69501
583300	

# Other FYE LT Debt Reminders

- Recorded in same ledger as LT liab
  - Record obligation due in FY2011 (Current liab)
  - Record accrued interest pay
  - Reverse during the next fiscal year
- Sum of debt accts that must be zero
  - 5831XX
  - 583600
  - 5837xx
  - 679XX
  - 69101
  - 69102

# Intangible Assets

# Intangible Assets

## Respective GASB Statement - No. 51 Accounting and Financial Reporting for Intangible Assets

- To be applied in addition to existing capital asset authoritative guidance such as GASB 34
- Effective FY10
- See Updated Draft of MOM Chapter 2-1700 posted on our website

# Intangible Asset Definition

Possesses all three of the following characteristics:

- Lack of physical substance
- Nonfinancial in nature - not cash, securities, receivables
- Initial useful life extending beyond a single reporting period

# Exceptions

- Those acquired or created primarily for the purpose of directly obtaining income
- Those resulting from capital lease transactions reported by lessees
- Goodwill

# Intangible Asset Recognition

- An Intangible asset should be recognized only if it is identifiable, meaning:
  - Separable or capable of being separated and sold or transferred or
  - Arises from contractual or other legal rights, regardless of whether rights are separable

# Intangible Amortization

- Amortized over the useful life of the intangible asset with no salvage value
- Intangible assets with indefinite useful lives should not be amortized – but still capitalized
  - No legal, contractual, regulatory, technological or other factors that limit useful life of the asset

# Retroactive Reporting

- Required for Intangible Assets acquired after June 30, 1980
- Only Two Exceptions:
  - Those with indefinite useful lives as of effective date
  - Those that were internally generated, including those that are in development as of effective date

# Estimated Historical Cost

- If determining the actual historical cost is not practical due to lack of sufficient records, intangible assets should be retroactively reported using an estimated historical cost

# Intangible Asset Categories

- Land Use Rights
  - Amortizable or
  - Permanent
- Legal Rights
- Software
  - Purchased or
  - Internally Generated

# Land Use Rights

- Amortizable – Subject to Retroactive Reporting
- Permanent – Exempt from Retroactive Reporting
  - indefinite useful life
  - Examples
    - Easements/Right-a-ways
    - Mineral Rights
    - Timber Rights
    - Water Rights

# Legal Rights

- Subject to Retroactive Reporting
- Examples
  - Copyrights
  - Patents
  - Trademarks

# Software – Purchased

- Subject to Retroactive Reporting
- Examples
  - Purchase of or license to use commercially available software
  - Modifications to purchased or licensed to use commercially available software
  - Software that has not been modified using more than minimal incremental effort before being put into operation

# Software – License to use

- Useful life greater than one year
  - Amortize over the life of the license
- Exceeds threshold
  - Based on aggregate purchase price of licenses, not the license price per user

# Software – Internally Generated

- Exempt from Retroactive Reporting
- Examples
  - Software developed in-house or by a contracted 3<sup>rd</sup> party
  - Modifications developed in-house or by a contracted 3<sup>rd</sup> party
  - Commercially available software that is modified using more than minimal incremental effort before being put into operation

# Software – Internally Generated

- Capitalize only upon the occurrence of all of the following:
  - Determination of specific objective
  - Demonstration of technical/technological feasibility
  - Demonstration of current intention to complete

# Software – Internally Generated

- Criteria to commence capitalizing is met when both of the following conditions are met:
  - Preliminary project stage is complete
  - Management authorizes and commits to funding
- Cease capitalizing when software is operational

# Software – Internally Generated

- Preliminary Project Stage
- Application Development Stage
- Post Implementation/Operation Stage

# Preliminary Project Stage

- Costs should be expensed
- Examples
  - Conceptual formulation
  - Evaluation of alternatives
  - Determination of existence of needed technology
  - Final selection of alternatives

# Application Development Stage

- Costs should be capitalize costs
- Examples
  - Design of chosen path
  - Software configurations and interfaces
  - Coding
  - Installation to hardware
  - Testing, including parallel processing phase
  - Data conversion necessary to make software operational

# Post Implementation/ Operation Stage

- Costs should be expensed
- Examples
  - Application training
  - Data conversion not necessary to make software operational
  - Software maintenance

# Non-Budgeted Expense Accounts

- If an expense account other than a 63XXX or 64XXX account is used to purchase an intangible asset that needs to be capitalized an additional general ledger journal must be completed in the ACTUALS Ledger (regardless of asset fund type) to offset this expense with a nonbudgeted expense account.

# Non-Budgeted Expense Account Example

- Internally Generated Software expensed in account 61100 Salaries as incurred
- Correcting Journal in ACTUALS Ledger:

Debit	63498 NB Full Accr Intang Offset
Credit	61170 Capitalizable salary - NB

# Software – Internally Generated

- If Internally Generated Software Development is not complete at FYE, the capitalizable costs (Application Development Stage activities) incurred to date should be recorded in AM as CWIP

# Software Modifications

- Capitalize if modification, whether purchased or internally generated, results in any of the following:
  - Increase in software functionality
    - Can perform task previously incapable of
  - Increase in software efficiency
    - Increase in level of service provided
  - Extension of useful life

# Impairment of Internally Generated Intangible Assets

- Common indicator that an internally generated intangible asset may be impaired – Development Stoppage
- Report at lower of carrying value or fair value

# Intangible Asset Thresholds

- Land Use Rights - \$100,000
  - Previously known as Easements
- Other Intangibles - \$100,000
- Purchased Software - \$100,000
- Internally Generated Software - \$500,000

# Change in Thresholds

- If an intangible asset is already recorded in AM but no longer meets the capitalization threshold due to an increase in threshold –
  - Leave intangible asset in AM as is
  - Do not retire existing intangible asset
  - Amortize for the remainder of useful life

# AM Profiles

- GESAM/PESAM – G41 & P41
  - Land Use Rights – Amortized
  - Previously known as Easements – Amortized
- Asset Classes
  - Easements/Right-a-ways – 41001
  - Mineral Rights – 41002
  - Timber Rights – 41003
  - Water Rights – 41004

# AM Profiles

- GEASE/PEASE – G43 & P43
  - Land Use Rights – Permanent
  - Previously known as Easements
- Asset Classes
  - Easements/Right-a-ways – 43001
  - Mineral Rights – 43002
  - Timber Rights – 43003
  - Water Rights – 43004

# AM Profiles

- GIGSF/PIGSF – G84 & P84 - NEW
  - Software – Internally Generated
- Asset Classes
  - Software 84001
  - Software Modifications 84002

# AM Profiles

- GINTG/PINTG – G89 & P89
  - Software – Purchased
  - Previously known as Software
- Asset Classes
  - Software 89001
  - Software Modifications 89002
  - Licenses 89003

# AM Profiles

- GOTIN/POTIN – G66 & P66 – NEW
  - Other Intangibles
- Asset Classes
  - Copyrights – 66001
  - Patents – 66002
  - Trademarks – 66003
  - Other Intangibles – 66004

# Clarification of Other Capital Asset Issues

- Value of capital assets that are:
  - Transferred to another fund/agency
  - Purchased for a nominal price

# Transferred Capital Assets

- Assets transferred within the same financial reporting entity should be recorded at **historical cost**
  - When capital assets are moved from one fund to another, the recipient fund should continue to report those assets at their historical cost as of the date they were acquired by the primary government

# Recording Transferred Assets in AM

- Transferring Fund should retire asset in AM and
- Recipient Fund should add asset to AM using the original
  - Acquisition date as the transaction date
  - Historical cost
  - Profile ID
  - Useful life
  - Salvage value

# Nominal Purchase Price

- Capital assets received in a non-exchange transaction should be recorded at their estimated fair value at the time of acquisition
  - Non-exchange transaction – a transaction in which each participant does not directly receive and sacrifice equal values

# CWIP

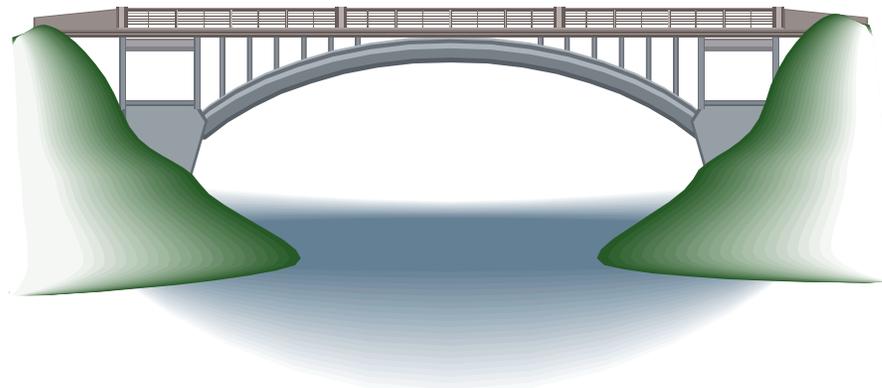


The construction work in progress

**Production!!!!**

# Definition of CWIP

- Buildings
- Software (intangible)
- Any project where a capital asset is being built.
- Projects not completed – record on AM
- MOM II, Chapter 1700, section 1760.90



# Scenario

- We have a building that is being constructed during 2010 but will not be completed until 2011.

- Cost during 2010:

– Building	6xxxx	 \$600,000
– Architect Plans	xxxxx	50,000
– Inspection Fee	xxxxx	10,000

# Building scenario

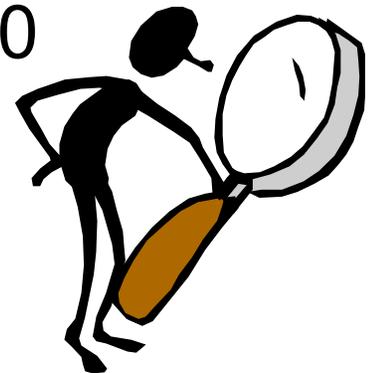
- Total cost \$560,000 – FY 2010
- Entry created in AM:

– Debit	1706	Construction Work in Progress	\$560,000
– Credit	1811	Capital Asset Clearing	(560,000)



# Agencies Responsibility

- Account 1811 needs to be zero at FYE
- Analyze the related expenditures
- Generate ONL journal reversing 1811 against the appropriate non-budgeted capital asset offset account.
- List of non-budget accounts listed in MOM II, chapter 1700, section 1750.30



# ENTITYWIDE Entry Governmental Funds

– Debit	1706	Construction Work in Progress	\$560,000
– Credit	1811	Capital Asset Clearing	(560,000)

Your entry to clear:

– Debit	1811	Construction work in Progress	\$560,000
– Credit	64298	NB full Accr building offset	(560,000)

# ACTUALS ENTRY

## Governmental fund

– Debit	64298	NB full Accr building offset	\$560,000
– Credit	62xxx	NB Capitalizable costs	(500,000)
– Credit	62xxx	NB Capitalizable costs	( 60,000)



# Clearing 1811

## Proprietary fund type

### ACTUALS Ledger

- Entry to clear the 1811:

– Debit	1811	Capital Asset Clearing	\$113,000
– Credit	6xxxx	NB Capitalization Expense	\$\$,\$\$\$
– Credit	6xxxx	NB Capitalization Expense	\$\$,\$\$\$
– Credit	6xxxx	NB Capitalization Expense	\$\$,\$\$\$



# FY 2011

- Building is completed
  - Reverse 1811 entry done at FYE 2010 (previous slide)
  - Retire the CWIP from AM
  - Add the completed building to AM
- Building not completed as of FYE 2011
  - Adjust CWIP for additional costs expended in FY 2011
  - Zero out 1811 at FYE (previous slide)

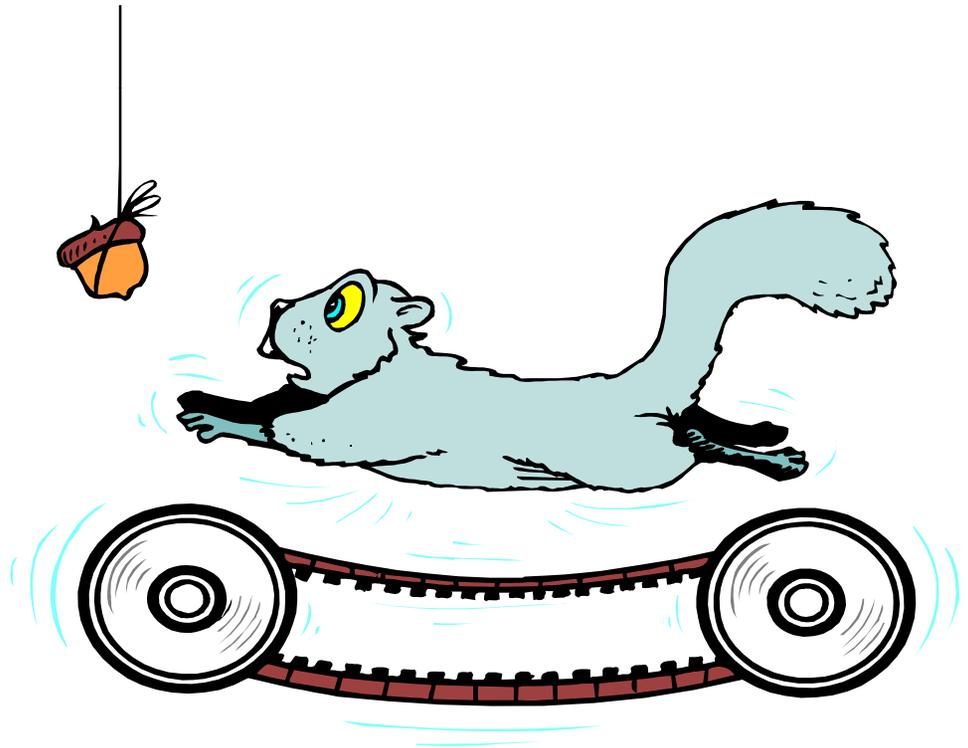
# Final

- If the completed building takes longer than two years, you would use fund balance for your 1811 reversal for prior prior adjustments.
- Keep making entries for as long as it takes.



# Other AM issues

YEAH – AM!!!!!!



# Disposals

- Do not use disposal code that will want to see proceeds on expensed or other asset (unless proceeds are applicable)
  - ✓ Sale
  - ✓ Exchange
  - ✓ Donation
- Best to use is scrapped



# Pxxx vs: Gxxx

- Pxxx are proprietary funds
- Actuals Ledger
  - 06 Enterprise funds
  - 065 Internal service
  - 085 Investment trust
  - 086 Private purpose trusts
  - 095 Pensions

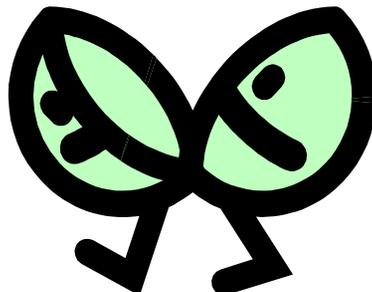
# Continued

- Gxxx is used for Governmental funds
- Entitywide Ledger
  - 01 General fund
  - 02 State special (also 081xx and 082xx)
  - 03 Federal special
  - 04 Debt service
  - 05 Capital projects
  - 09 Permanent funds

# Split funded assets

- Can't have an asset on AM that is split funded by fund type – such as  $\frac{1}{2}$  governmental fund and  $\frac{1}{2}$  proprietary
- Assign to either the governmental or the proprietary fund, and then journal on ONL the part that belongs to other fund type

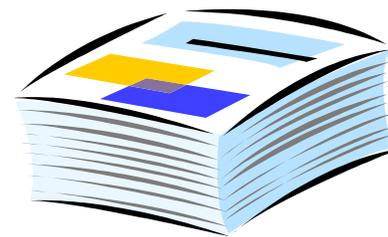
Proprietary



Governmental

# Report

MTAM\_GL\_RECON



# 6/30/10 default

- Default date
- No changes that are effective dated for 2011
- Do not add new assets until after close
- No changes until after AM is closed



# Power

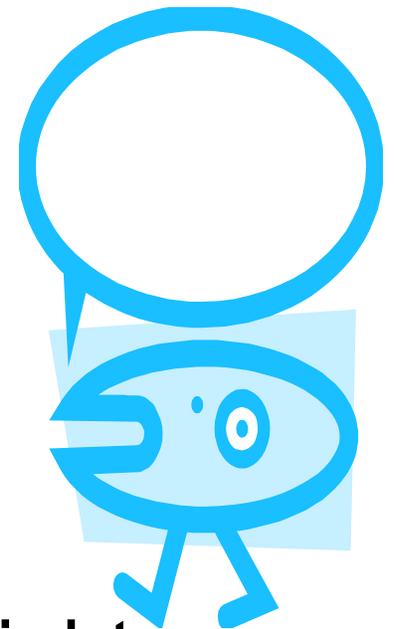
## State Accounting Division

- Delete asset
- Change data on asset
- Run the AM depreciation process



# Last but not least

- Sum 63xxx/64xxx net to zero
- 1811 must equal zero
- Inventory – must have a location
- Get all added and know they are right
- After AM generates a journal – do not change the fund.
- If you need to change field, go through basic add, not express add



# Before I go

Accountants don't die, they just lose their balance.



# Finally

- Done at last!!!!
- Questions





**SWCAP**

Statewide Cost Allocation  
Plan

# SWCAP

Why do I want to talk about SWCAP?

Agency knowledge

My sanity in question!!!!



# Where do the numbers come from?

- Orgs that represent General Fund (GF) dollars:
  - DOA – Personnel
  - DOA – Accounting and Management
  - Office of Budget and Planning
  - DOA – Procurement
- Building use
- MTPRIME credit

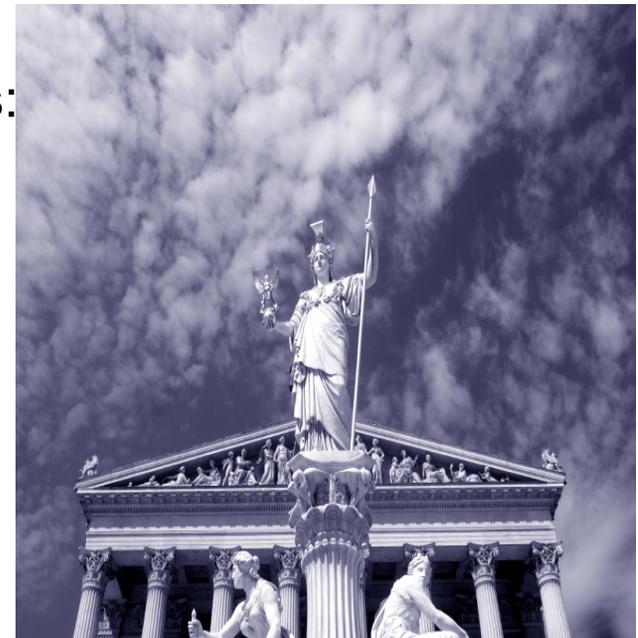


# Building Use

- Use charge of 2% of the cost of construction and renovation
- Building that are occupied by more than one agency
- Construction and renovations that are capitalized

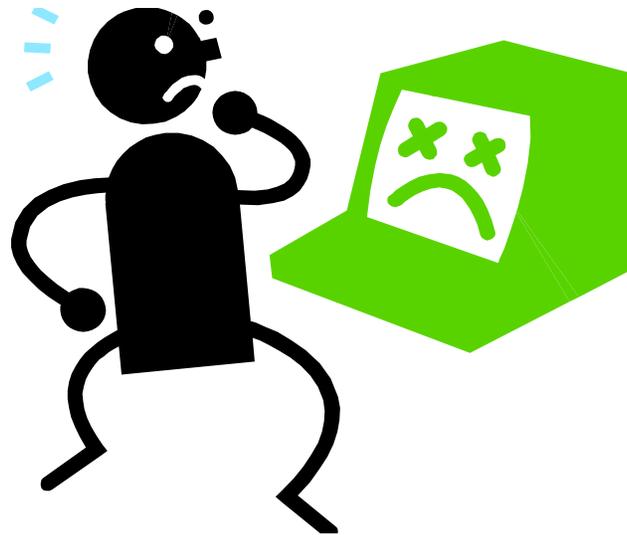
❖ Current building matching requirements:

- ✓ Capital Building
- ✓ Old Liquor Building
- ✓ Judicial (Justice) Building
- ✓ Mitchell Building



# MTPRIME

- What is this?
- SBAS to SABHRS
- Credit to agencies
- Credit running out



# MTPRIME

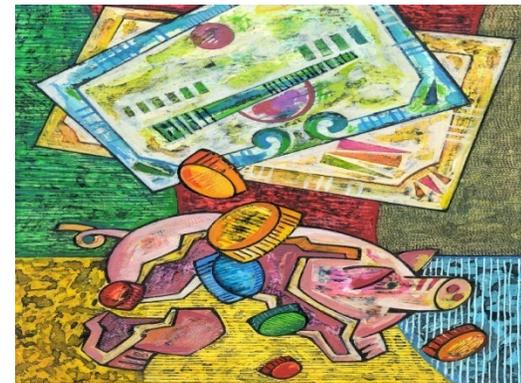
## Cost Centers

- Accounts Receivable
- Asset Management
- Benefits Administration
- Budget
- Financial Reporting
- General Ledger
- Human Resources
- Payroll
- Procurement
- Time and Labor
- Warrant Writing



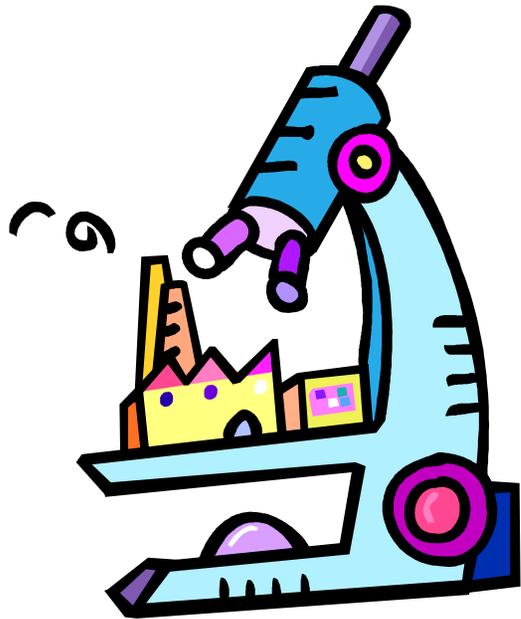
# DOA – Accounting and Management Orgs

- 102 - Legal unit
- 300 - Accounting
- 1150 – Labor Relations
- 1151 – Labor Management Training
- 1700 – Treasury
- 1705 – Personnel
- 1717 - Audit



# Office of Budget and Planning Orgs

- 40 – Budget and Program Planning
- 95 – OBPP Audit



# Personnel Division Orgs

- 2310 – Personnel Administration
- 2330 – Human Resource Standards and Services



# Procurement Org

- 1000 – Procurement and Printing



# 2 CFR 225

## Cost Principles for State, Local, and Tribal Governments

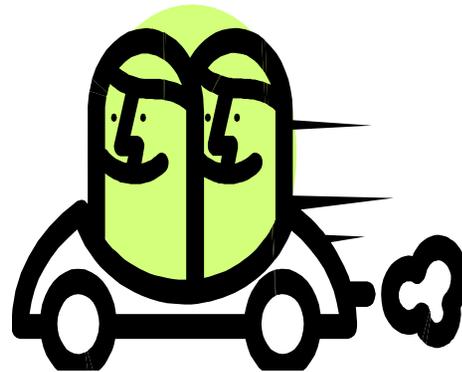
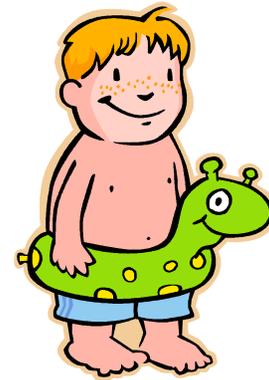
- Salaries and Benefits
- Fringe Benefits
- Other Services
- Supplies and Materials
- Communication
- Travel
- Rent
- Repair and Maintenance
- Other Expenses



# The Plan

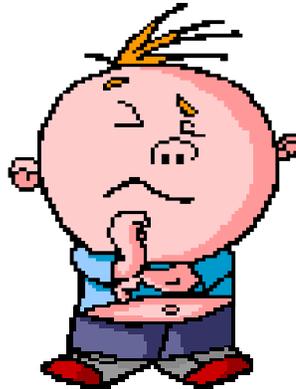
## Basic Information

- Fiscal years
- Pools – central service costs
- Step-Down Allocation



# Basis for Allocation

- What is this?
- How was it determined?



# Building Use

Basis for Allocation

- Building use
  - Basis is square footage occupied



# MTPRIME

## Basis for Allocation

- MTPRIME
  - Account Receivable                      number of deposits/vouchers
  - Asset Management                        number of assets tracked
  - Benefits Administration                employees
  - Budget                                        direct assignment to budget pool
  - Financial Reporting                      GL transaction lines
  - General Ledger                            GL transaction lines
  - Human Resources                        employees
  - Payroll                                        direct assignment to the payroll ISF
  - Procurement                              # of requisitions, RFP's and IFB's
  - Time and Labor                          employees
  - Warrant Writing                          direct assignment to the Warrant W. ISF

# Accounting and Management Bases for allocation

- Accounting/SABHRS lines entered in GL
- Audit Administration FTE's
- Labor Management Training FTE's within agencies
- Legal Services Administration FTE's
- Personnel Administration FTE's
- Treasury number of deposits
- Labor Relations number of employees covered  
covered by labor agreements

# Office of Budget and Planning

## Bases for Allocation

- Budget Maintenance # of budget changes per agency
- Budget Supplement A Budget journal entries processed
- Budget Supplement B Number of EPP requests processed
- Single Audit Number of Federal grants per agency
- General Government unallowable

# Personnel and Procurement

## Bases for Allocation

- **Personnel**

- Human Resource Services      Employees

- **Procurement**

- Purchasing      Number of RFP's/IFB's
- Term Contracts      Equal allocation to all

# Whew!!!

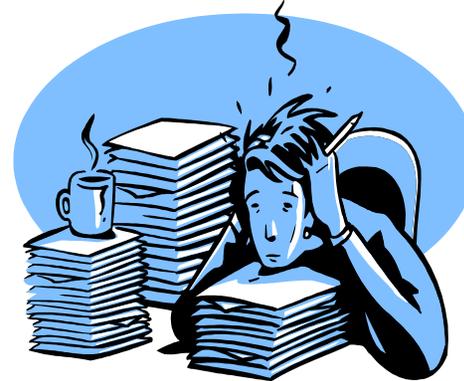
You mean there is more?

- What next?
- General Fund Expenditures
- But wait – we are not over yet!!!



# Section II

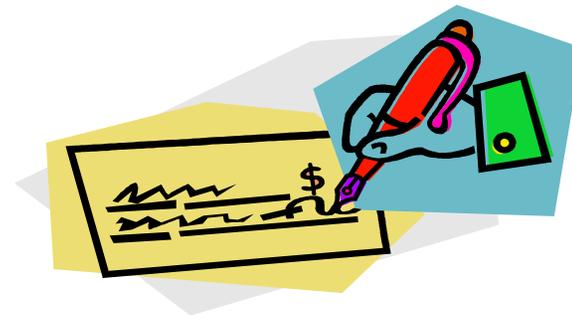
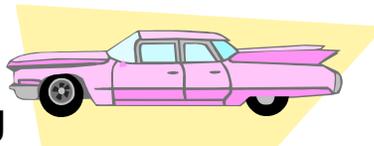
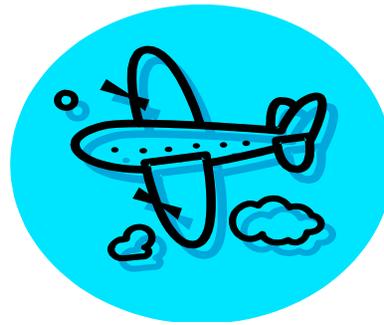
- Section II reconciliations
- Transfers In/Transfer Outs
- Adjustments
- Balances to CAFR



# Section II

## Internal Service Funds

- Section II
  - Print & Mail Services
  - Admin Insurance
  - Admin Supply
  - Aircraft Operations
  - Building and Grounds
  - Debt Collection
  - Employee Group Benefits \*\*
  - Information Services
  - Investment Division
  - Justice Legal
  - Motor Pool
  - Payroll Processing
  - Personnel Training
  - Warrant Processing



# Self-Insurance Funds

- State Fund

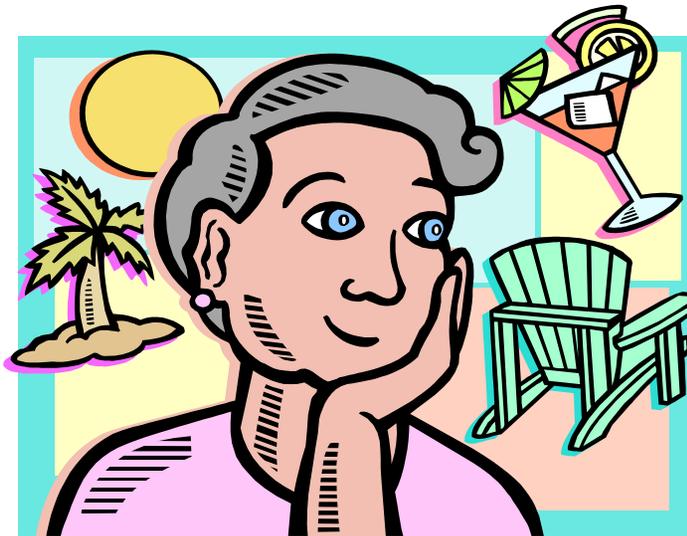
- Old Fund
- New Fund

- The allowable reserve for self-insurance funds is normally limited to the discounted present value of claims, submitted and adjudicated but not paid, submitted but not adjudicated and incurred but not submitted.



# Fringe Benefit Funds

- Public Employees Retirement System
- Teachers Retirement System



# Final Comments

- Questions:

Julie Feldman

444-3094



And we are done now!!!!

Janet Atchison  
444-4669



# GASB Statement 54

## Fund Balance

# Early Implementation!

## - Why?

New reporting process

Existing reporting system experiences

# How we Plan to Implement!

- Fund Balance Classifications (Governmental Funds)
  - Non Spendable (4120)
  - Restricted (4125)
  - Committed (4130)

- Fund Balance Classification Implementation Continued
  - Assigned (4135)
  - Unassigned (4140)

# Fund Balance Disclosures

- Classification Policies and Procedures
- Reporting Encumbrances
- Fund Balance Detail in Notes
- No Stabilization fund, will disclose minimum General Fund Balance Policy



# Governmental Funds Cont'd

- Capital Projects Funds
- Debt Service Funds
- Permanent & Private Purpose Funds

## Summary

# Pass-Through Grants

# Pass-Through Grants

- **Definition:** According to GASB Statement No. 24, Pass-through grants include any financial assistance received by a governmental entity (referred to as primary recipient) to transfer to, or spend on behalf of a secondary recipient.

# Pass-Through Grants (cont)

- All cash pass through grants received by a state agency, (primary recipient agency) should be reported in its financial statements.
- As a general rule, the cash should be recognized as revenue, expenditures, or expense in governmental, or proprietary funds.

## **Accounting for pass-through grants between primary and secondary recipient**

- Grant revenue is only recorded by the primary recipient when the money is originally received into the state's treasury.
- Grant expense or expenditure is only recorded when the money is spent for the purpose of the grant.
- The secondary recipient must retain the same funding source as used by the primary recipient.

## **Accounting for pass-through grants between primary and secondary recipients (cont)**

- Transfers between business unit or funds of primary government should be recorded as an operating transfer.
  - The primary recipient would record a Transfer-out and not “grant expense”.
  - The secondary recipient would record a Transfer-in, and not “grant revenue”

# Accounting entries

- The following example represents the accounting entries of a pass-through grant between DEQ and DMA.

For DEQ to record the receipt of cash from the federal government.  
Federal Special Revenue Fund

- |          |        |                       |        |
|----------|--------|-----------------------|--------|
| • Debit  | 1104   | Cash in Bank          | 15,000 |
| • Credit | 59XXXX | Federal Grant Revenue | 15,000 |

# Accounting entries (cont)

For DEQ to record award of pass-through grant to DMA

Federal Special Revenue Fund

• Debit	68xxx	Operating Transfer-Out	15,000	
• Credit	1104	Cash in bank		15,000

For DMA to record receipt of pass-through grant from DEQ

Federal Special Revenue Fund

• Debit	1104	Cash in bank	15,000	
• Credit	582XXX	Operating Transfer-In		15,000

On each journal, the total posted to the 68xxx accounts and 582xxx accounts must balance on the same journal . This will be required per an edit in SABHRS.

# Accounting entries (cont)

For DMA to record expenditures based on grant award

Federal Special Revenue Fund

- |          |       |                    |        |
|----------|-------|--------------------|--------|
| • Debit  | 66XXX | Grant Expenditures | 15,000 |
| • Credit | 1104  | Cash               | 15,000 |

# Cash Conduits

- When the primary recipient agency of the grant functions only as a cash conduit, the pass-through grant should be accounted for in any type of fund.
- An agency serves as a cash conduit if it merely transmits grantor-supplied moneys without having administrative or direct financial involvement in the program.

## Cash Conduits (cont)

- Activities constituting administrative involvement include, but not limited to the following:
  - Monitoring secondary recipients for compliance with specific requirements established by the program.
  - Determining which secondary recipients are eligible for grant payments (even if eligibility criteria is established by the provider government).
  - Exercising some discretion in determining how resources are to be allocated.

## Cash Conduits (cont)

- Activities constituting direct financial involvement include, but are not limited to:
  - Recipient agency financing some direct program cost by providing matching funds for a grantor imposed match requirement.
  - Recipient agency being responsible for disallowed costs.

## **Intra-entity activity with or between component units**

- As required by GASB Statement 34, all resources flow (except those that affect the balance sheet only) between primary government and a component unit, or between component units must be recorded as revenue and expense. Therefore, intra-entity transactions involving component units are required to use the following account series:
- Fund receiving the resources – Revenue account 5829XX
- Fund providing the resources – Expense account 689XX

# **GASB Statement 53**

## Accounting and Financial Reporting for Derivative Instruments

# Definition

- What is a derivative?
  - A complex financial agreement with another party, the value of which is based on changes in the market of the related item (such as interest rate and commodity prices).
- It is a contract that has settlement factors which could be:
  - One or more reference rates. Notional amounts.
  - Payment provisions for any combination.
  - It is leverage.
  - It can be settled net.

# Purpose

- Governments use derivatives for the following reasons:
  - Reduce a specific financial risk, such as increasing costs
  - Lower borrowing costs
  - Generate income – investments
  - Manage cash flows – receive up-front repayments from a third party.

# Settlement Factors

- What are settlement factors?
  - Reference rates – an interest rate, security price, commodity prices, exchange rate, other variables
  - Notional amount(s) – the face amount of the contract which includes the number of units, shares, bushels, pounds etc.

# Reporting Requirements

- Derivatives should be reported on the statement of net assets at fair value.
- Unless hedging derivative, changes in fair values are part of investment revenue in statement of activities.
- If hedging, then changes are deferred inflows or outflows on the balance sheet; not reported as investment income/loss on the statement of activities until:
  - Hedge ends
  - Hedge terminates early
  - Hedge ceases to be effective
  - Hedged asset/liability is sold or retired, or no longer probable that the hedged transaction would occur

# Hedges

- What is a hedge?
  - A contract entered into to reduce some form of risk in cash flows or fair values.
- Hedges that accomplish the goal of reducing risk as expected are commonly referred to as **effective**.

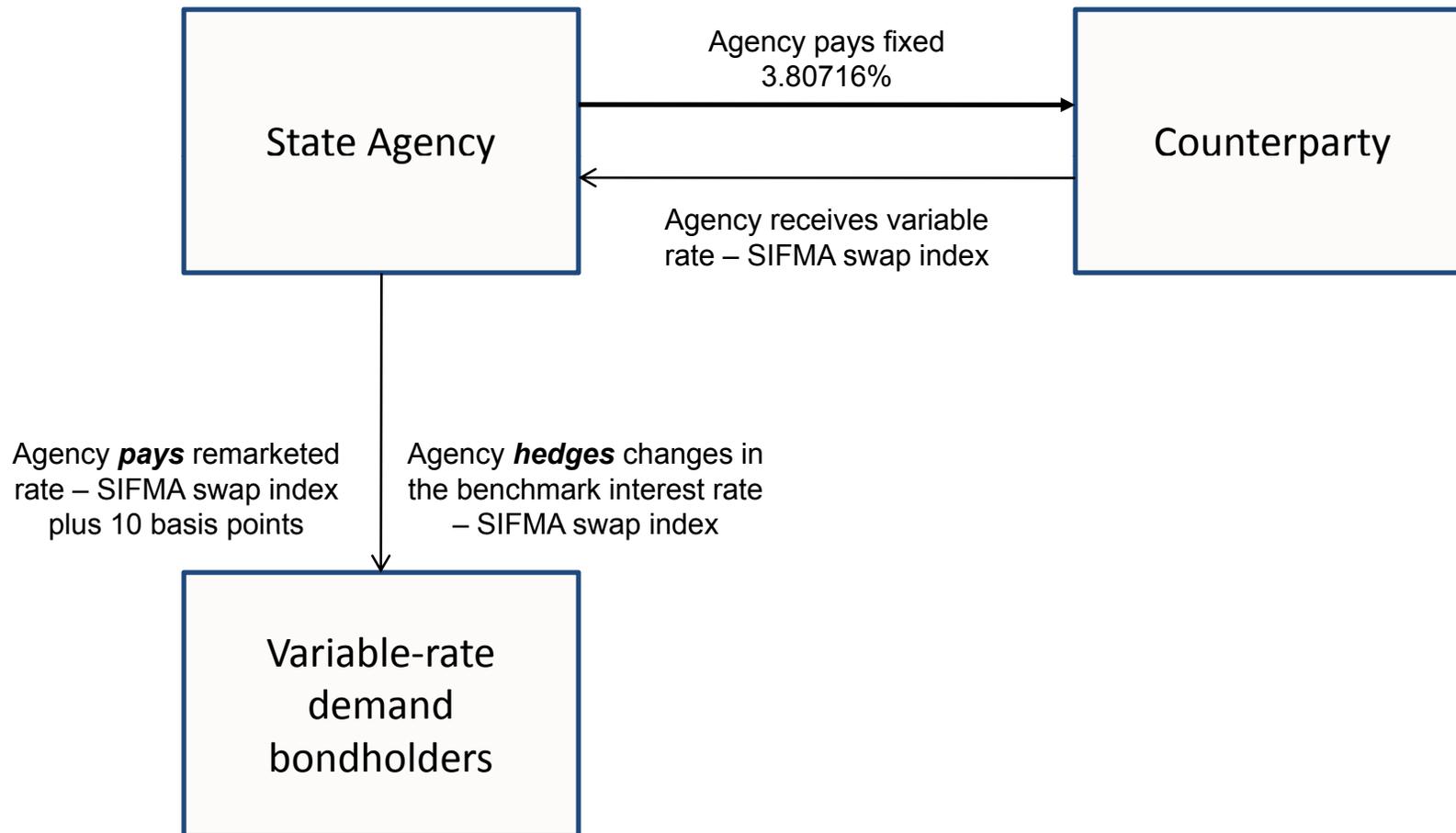
## Hedges (cont)

- It must be associated with a hedgeable item: Asset, Liabilities, expected transaction (swaption, forward, etc.).
- Notional amount = principal amount.
- Derivative is in the same fund as hedgeable item.
- Term or time period is consistent between derivative and hedgeable item.
- It is effective in reducing the risk.

# Reporting Requirements

- Note disclosure
- Summary table of information:
  - Organized by governmental, BTA, fiduciary funds: Subdivisions for hedging and investment derivatives.
  - Within each category – aggregate information by type (received fixed swaps, pay fixed swaps, swaptions, caps, basis swaps, futures, etc.)

# Example



# “A” and “B” Accruals

## Prior Year vs. Current Year

# Overview

- “A” Accruals
- “B” Accruals
- Documentation
- New Accruals
- Paying Accruals
- Problems with “A” Accrual Journals
- Old Accrual FYE Clean-up
- Continuing Approps – dos and don’ts
- Prior Year vs. Current Year

# “A” Accruals

- Definition
  - Items/Services received After June 30<sup>th</sup>
  - Not to be Used for Continuing Appropriations
- Valid Obligation Criteria
  - Materials, supplies and equipment
    - If PO was issued
  - Services
    - If valid agreement
  - Contracts or MOU
    - If signed
- Must first consider legislative intent
  - Meets Valid Obligation Criteria however,
  - Cannot be contrary to intent of original approp when enacted

# Example of an “A” accrual

- Valid – Signed contract to receive legal services, but services will not be completed until July 2010. This can be encumbered and is a valid “A” accrual.
- Invalid – 2011 remodel project, no contract or memo of understanding signed by June 30, 2010; cannot encumber and is not a valid “A” accrual.
- Management Intent – even if in written format cannot be encumbered as a valid “A” accrual.

# “B” Accruals

- Definition
  - Items/Services received before June 30<sup>th</sup>, but not paid until Fiscal Year 2011
  - Valid Obligation Criteria
    - Contracts – performance completed or virtually complete
- Example
  - Valid - Contract for computers are delivered on June 30, 2010 and not paid until after this date

# Documentation

- It is the responsibility of the person approving the accrual to verify that the accrual meets the valid obligation criteria, and that the supporting documentation is sufficient to prove it.
- See Chapter 2-8100 for guidelines on documentation regarding Accruals

# New A-Accruals

- Make sure your open item key means something
  - It must be unique
  - Don't use as a revolving account
  - Use the year it was appropriated in the name
- DOA is required to show the Legislature a report on how old these accruals are, so when the open item key is not unique and/or recycled, there is no way to determine the age of these accruals.
- Don't increase prior year accruals. Set up a new accrual.
- Use Account 2403 for "A" Accruals and Account 2301B or 2106B for "B" Accruals
- The Actuals ledger should never have a balance in the 2403 account

# New Accruals continued...

- To bring forward an accrual from the previous year, a \$0 ORG and Approp budget needs to be brought forward into fiscal year 2011.
- This is done automatically, IF
  - The program, subclass, and org associated with your 2403 accruals are all included.
  - A G/L journal reversing the original 2403 entry and a new G/L journal adding these fields must be done in order to correct the accrual
- If this is not done, the budget will not be carried forward and a manual request will have to be made through OBPP.



# Paying Accruals - Example

- Remember you must first reverse the accrual entry before you pay for the item or service

Program Year 2010, Journal entered in FY2010	
Debit	Expenditure
Credit	2403 Accrual
Program Year 2010, Reversal of Original Journal in FY2011	
Debit	2403 Accrual
Credit	Original Expenditure Acct (Whole amount or amt of Voucher)
Program Year 2010, Voucher paid in FY2011	
Debit	Expenditure
Credit	Cash

# Problems with “A” Accrual Journals

- Unbalanced A-Accrual (encumbrance) journals
  - SABHRS will allow unbalanced A-Accrual journals to post
- Balanced A-Accrual (encumbrance) journals with Cash Lines
- Both of these journals must be corrected by Year-End

# Problems with “A” Accrual Journals continued...

- Reminders
  - Applies to journals that establish, adjust or reverse “A” Accruals
  - Watch for the system adding cash lines if more than one fund is used in the journal and the funds do not balance
  - You can eliminate these cash lines by fixing the balances by fund and running the edit check

# Old Accrual FYE Clean-up

- Each agency is responsible for closing all accrual balances that will not be paid during fiscal year-end or continued into a future period by July 15, 2010
- What do you do when you have not been paying on an old Accrual?
  - Establish a Zero Dollar budget to close the accrual
  - Establish an Approp/Org Budget in the case of “B” Accruals
- See MOM 2-8145.21 and 2-8145.22 for journal examples on “B” and “A” accrual clean-up.

# Continuing Approps – Do's and Don'ts

- On continuing appropriations, if your org budget goes negative, you must fix before end of FYE
- Prior year activity on a continuing approp is not carried forward to the new year, so adjustments to these approps must be made against the current year budget. The program year must be the current year.

# Continuing Approps

**Continuing Approp invoices for 2010 CANNOT be paid in the normal fashion during this period**



**Continuing Approp invoices for 2011 CANNOT be paid in the normal fashion during this period**



# Prior Year vs. Current Year

- Applies to modified accrual funds
- For those agencies that establish revenue accruals at FYE, be sure to follow Ch. 2-1170.10 regarding the proper treatment when the monies are collected
- Prior year Revenue Adjustment
- Accrual Reversal
- Be Consistent
- Revenue and accrual entries that incorporate changes in tax distribution

# Prior Year vs. Current Year

- MCA Title 17, Chapter 2, Section 124 (17-2-124) requires the distribution of tax receipts be made in accordance with the provisions of the law governing the allocation of the tax effect for the period in which the tax revenue was recorded for accounting purposes.

# Prior Year vs. Current Year

- Periodically, changes in the distribution of a particular tax occur at the beginning of the fiscal year and the receipts collected in the first 60 days of the fiscal year are distributed differently than the same tax revenue accrued at the end of the previous fiscal year. Entries must be made to adjust the distribution of the tax receipts received in the current fiscal year that are attributable to the same tax revenue accrued in the previous fiscal year.

# FYE Dates/Reminders

MOM 2-8100



# FYE - Dates

June 28	Last Day to Submit warrant cancellations/rejected EFT's
June 30	Last day to deposit FY10 money – Treasury open until 5:00
July 1	Begin submitting FY11 entries

# FYE - Dates (cont.)

July 13 (noon)	Last day for FY10 vendors
July 15	Last day for AP, AR & AM
July 16	"A" Accrual Carryforward letters due
July 19 (noon)	Final day for regular processing of 2010 BCD's by OBPP

# FYE Dates (cont.)

July 19	Mid-month org reports available
July 23	Last day to submit adjusting / correcting entries for FY10
July 23	Correction of errors / Closing to run

# FYE Default Dates

Module	Period	Default Accting Date
Accounts Payable	July 1 <sup>st</sup> – July 15 <sup>th</sup>	June 30 <sup>th</sup>
General Ledger	July 1 <sup>st</sup> – July 22 <sup>nd</sup>	June 30 <sup>th</sup>

# FYE AM Dates

- Transaction date must be changed to reflect the in-service date of the asset
- Accounting date will be June 30<sup>th</sup> until 7/15/10
- Do not enter FYE11 assets until after closing is complete
- Modification of status fields on existing assets cannot be done until after 7/15
  - Ex. Location

# FYE A/R Dates

A/R will not have a default date

*Accounting Date on Totals Page*

**MUST MATCH**

*Accounting Date on Payments Page*

# SABHRS Financials Hours

- Monday – Friday
  - 6:00am – 8:00pm
- Saturday
  - 11:00am – 9:00pm
- Sunday
  - 6:00am – 9:00pm

# Budget vs Actual Expenditures

- Agencies are responsible for ensuring all budgeted expenditures have properly processed through commitment control
- Queries to ensure budgets are accurately reflected:
  - MTGL\_KK\_V\_ACTUALS\_EXP
  - MTGL\_KK\_V\_ACTUALS\_REV

# Budget Journals

- Agencies need to ensure that fiscal year matches budget period
- SABHRS an edit to monitor this process
  - You will receive an error message if you try to enter a budget journal that has a fiscal year with a budget period that does not match.

# BUDGET JOURNAL EXAMPLE

<b>Budget Period</b>	<b>Fiscal Year</b> (Defaults Based on Journal Date)	<b>Journal Date</b> (Defaults to Current Date)
2010	2011	7/1/10

# Zero balance Accounts

- Must be zero at FYE when the balances in the actuals and entitywide ledgers are combined
- List is found in 2-8130.00
- Deal primarily with debt and assets
  - Entries detailed in MM 2-03-05

# Clearing Accounts

- Must have a zero balance in both the actuals and entitywide ledger
- Detailed list in 2-8130.00
- Examples
  - 2506: Uncleared Collections
  - 1823: Due From
  - 2558: Due To

# Maintained Accounts

- Document must be approved by DOA – Accounting Bureau
- Can be used on vouchers, deposits or general ledger journals

# Negative Cash

- Each fund in total must have a positive cash balance at FYE
- Administering Business Unit is responsible for monitoring positive balance
- STIP deadline is 2 p.m. on June 28<sup>th</sup>
  - See BOI memo for further information

# SABHRS Updates

# ProCard and FYE

# ProCard and FYE

- July 1<sup>st</sup> –
  - Default program code for ProCard transactions change from 10 to 11
  - Agencies need to start and monitor subsequent transactions to ensure that the correct Program Code is used

# ProCard and FYE (cont.)

- July 7<sup>th</sup> –
  - SABHRS will create ProCard jrnl for outstanding June ProCard transactions not included on the 6/22/10 jrnl
    - Cash will not be used
    - NOTE: The default fund offset entries will not be on this journal, but will appear on the 7/29/10 jrnl
    - See ProCard example 1 on handout

# ProCard and FYE (cont.)

- July 8<sup>th</sup> – July 21<sup>st</sup>:
  - Agencies need to monitor subsequent transactions to determine the need to accrue outstanding ProCard transactions
  - MTPO\_PROCARD\_PURCHASE\_DTL Query
    - Org (like)
    - Fund (like)
    - Post Date (between)
    - Returns POST\_DT and TRANSACTION\_DT

# ProCard and FYE (cont.)

- July 22<sup>rd</sup> –
  - DOA will create the ProCard IU journals to receive the cash from the agencies (Example 3 – on handout)
  - After US Bank is paid (Example 2 – on handout)
  - FYE 2011 cash

# ProCard and FYE (cont.)

- July 29<sup>th</sup> –
  - SABHRS will create the agency ProCard Journals
  - Cash will not be balanced on these journals
    - Agencies need to manually balance cash by Fund with offset to 2101A
  - Agencies need to make sure correct Program Code is used
    - Refer to the JRNL\_LN\_REF field
  - Journals will include 2 sets of default fund entries
  - Example 4

# Warrant Writer Unit

## FYE Reminders



# Cancellations

- Warrant Cancellations must be in our office by the 28<sup>th</sup>, but would be preferred by the 25<sup>th</sup>
  - 2 day process
  - Must have FY10 budgets reverted before they will post in FY11
  - Approximately – August 3rd
- Includes ACH Rejects
  - Agencies will continue to be notified as they occur

# Vendor Forms at FYE

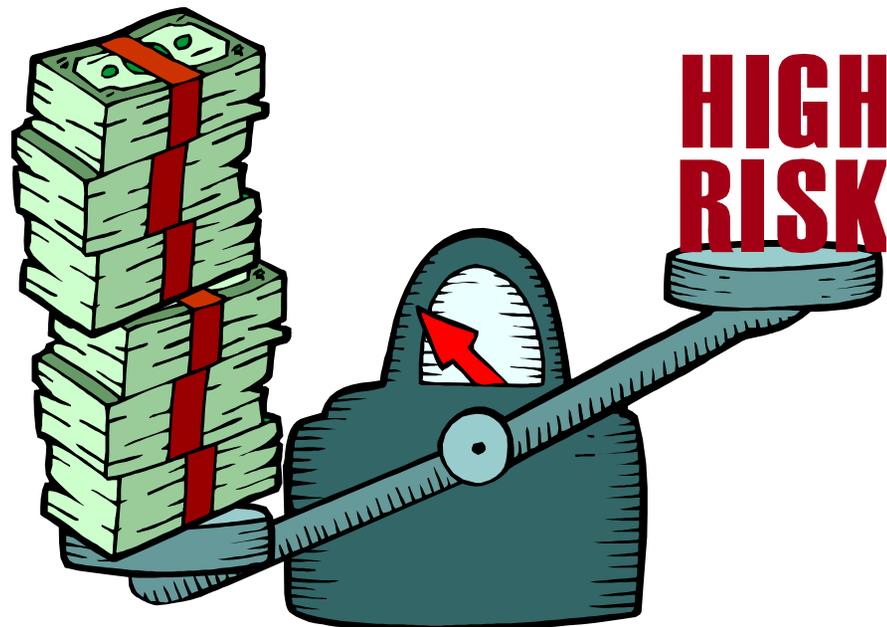
- Include the Fiscal Year Designation
  - FY10
  - Or
  - FY11
- If no date, will be treated as FY11

# Pulled Warrant Requests

- All requests for a pulled warrant must be thru the WWU
- Not made directly to Print/Mail
- WWU requires that agencies sign for these warrants and thus needs to ensure that they are tracked
- Request needs to be made by 10 am

# Changes to ACH Information

- DON'T take changes to ACH information over the phone
  - Several states have been victims of a bank fraud
  - Payments should have been made had proper invoice/approval for vendor
  - Payments directed to phony bank acct



Accounts to be Reviewed  
(Review of Internal Controls)

# Unusual Balance Queries

- MTGLAFSD\_1306\_2106B\_BALANCES
- MTGLAFSD\_BAD\_BAL\_NRML\_BAL
- MTGLAFSD\_FYE\_BAD\_BAL\_1104
- MTGLAFSD\_FYE\_BAD\_BAL\_4101
- MTGLAFSD\_FYE\_BAD\_BAL\_BALSHEET
- MTGLAFSD\_FYE\_BAD\_BAL\_OPSTMT

# Unusual Balances Reviewed

- Account balances that are not normal
  - Balance Sheet
    - Assets with Credit Balance
    - Liabilities with Debit Balance
    - Fund Balance with Debit Balance
  - Operating Statement
    - Revenues with a Debit Balance
    - Expenses with a Credit Balance
- **May be OK upon review**

# Example of OK Unusual's

- Assets – w/Credit Balance
  - 1212 Allowance for Doubtful Accounts
    - Used to offset A/R account balances
- Liabilities – w/Debit Balance
  - 2605 – Comp Abs Payable Non-Current
    - May be negative if the current year (2625) balance is greater than the liability in total for that fund
    - Negative will be taken care of by SAD during the CAFR, but will continue to remain on the trial balance until next year's comp ab entries are generated

# Ex – OK Unusual's (cont.)

- Fund Balance – w/Debit Balance
  - May be negative depending on the fund
  - May be negative depending on the ledger
  - Level of fund being reviewed
    - Subagency Report vs. All Agencies
  - Internal Service Funds
    - Based on reporting OPEB Liabilities/Expenses

# Ex – OK Unusual's (cont.)

- Revenues – w/Debit Balances
  - One account used to primarily record revenue
  - Another account to record refunds of revenue
    - Within the same range as primary revenue account
    - Will have negative balance
  - Revenue positive in total

## Ex – OK Unusual's (cont.)

- Expenses/Expenditures – w/Credit Balance
  - It may be negative if the expense was recorded last year and this year you recorded a correction to that expense and is more than current year's recorded expense

# Other things to look at ...

- Compare the balance from this year to last
  - What is the variance? Is it reasonable?
- Did the balance remain the same as last year?
- Is it a new account/fund and should it have been used?
- Is it a fund or account that was normally used in the past and not used this year? Why?

# Consolidated Vendor File



# Reasons for Consolidated Vendor File

- 21 different files
- Not possible to report consolidated payment info by vendor (transparency)
  - Different Names
  - Different TIN's
- Complex 1099 consolidation process
- IRS 3% WH Requirement (1/1/12)
- OFAC requirements (SABHRS 9.1 upgrade)

# Consolidate Vendor File

- Vendor linked by TIN
- All vendors will be under STATE
- Agencies retain subsystems/processes
- Coordinated effort  
(Agencies/SABHRS/SAB)
- Interfaces to SABHRS may need to be changed

# IRS 3% Withholding

- Will require Montana to withhold 3% of applicable vendor payments
  - Payments over \$10,000 (Do not break pymts up)
  - Starting January 1, 2012
  - If not made, Montana will be liable
  - Will require changes to:
    - SABHRS
    - Policies
    - Agencies interface files

# Proposed 3% Exceptions ...

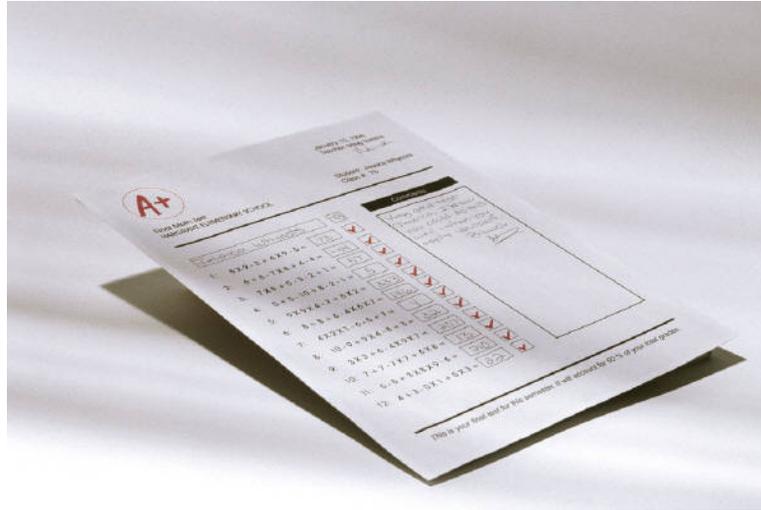
- Payments otherwise subject to WH (wages)
- Benefits (Retirement, UI, Social Security)
- Payments subject to backup WH (if done)
- Real property or interest
- Other govt entities, Indian Tribes, tax-exempt orgs

# Proposed Exceptions (cont.)

- Public Assistance payment based on need or income
  - Those based on age (Medicare) are subject to 3%
- Employee reimbursements under an accountable plan

# **NEW - TIN Required for ALL Vendors**

- Beginning September 1, 2010
- All State vendors
  - Including payments for Refunds and Exempt Payments
- Will be required to have a valid TIN
- See draft MOM 2-1660.00
- Interface vendor files with conversion to Consolidated Vendor File



# 1099 Reporting Issues

# Upcoming 1099-MISC Issues

- Beginning 1/1/2013
- 1099-MISC corporate exempt eliminated
- Will apply to goods, not just services
- Stricter IRS W-9 requirements
- Penalties will double
  - Name/TIN Matches

# W-9/W-8 Required

- On all new vendors (including interface)
  - Unless for refund or exempt from 1099-MISC requirements
  - Is independent from the TIN requirement
- Completed by vendor not agency
- If not received, invoice not considered properly completed until receipt (17-8-242)
- W-9 US Persons
- W-8 Non US Persons

# Substitute W-9

- Recommend use Montana Substitute W-9
- Can use agency developed forms
  - Must request
    - TIN
    - Entity Type (Corporation vs P/S vs Individual)

# Substitute W-9's (cont.)

- Per IRS, Substitute W-9's Must include the following language:
  - Being signed under penalties of perjury
  - Must certify all the following –
    - TIN is correct
    - Not subject to backup withholding
    - US Person

# Substitute W-9 (cont)

- If previous payment was for refund/exempt
  - TIN would have been required but not W-9
- Later payment is deemed 1099 applicable
  - A W-9 must be obtained prior to 1099 payment
- Draft MOM 2-1660.11

# W-9 vs W-8 Acceptance

- W-9's can be:
  - Faxed
  - Emailed
  - Original
- W-8's can only be original



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### Account Management

- Bills & Payments
  - > [Manage and pay your invoices online](#)
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  - > [View account balance](#)
  - > [Change billing address](#)
  - > [How to read my invoice](#)
  - > [Contact Xerox about an invoice or payment](#)
  - > [Electronic Data Interchange](#)
  - > [W-9 form: Xerox tax ID for expense claims](#)
- ⊕ [Contact Xerox](#)



Use Account Management to access Xerox customer service online.



### Account Management

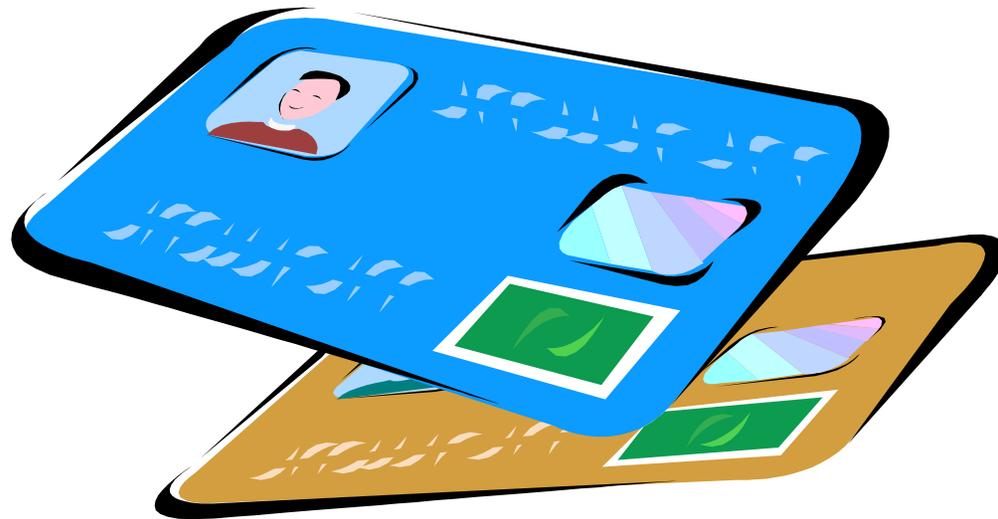
Simplify ownership and administration of your Xerox equipment with Account Management. Our easy, online tools help you do things like submit meter readings, pay invoices, view your account balance and buy supplies.

#### Featured links:

# IRS Circular 230 Notice

To ensure compliance with requirements imposed by the IRS, any tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the IRS code.

# P Card Reminders



Devin Garrity 444-3366

# Increase you P Card use...

- State (including the University System) earned **\$892,364.21** in rebate last cycle
- State Procurement strongly encourages the increased use of the state P Card
- Pay regular payments (leases)
- Pay large payments

# Travel Benefits

- Traveler's Insurance
- Auto Rental Insurance
- Secondary Baggage Insurance
- Travel and Emergency Services
- Lost Luggage Assistance

# Traveler's Insurance

- \$500,000 in Common Carrier Travel Accident Insurance
- Primary coverage, protecting against losses caused by (a) a common carrier accident, or (b) an accident incurred on the way to or from the terminal in a common carrier (i.e., taxi, bus, or airport limousine),
- Ticket charged on Corporate Card

# Auto Rental Insurance

- Collision, theft, vandalism, appraisal fees, and loss of use when the rental is paid with the Contractor's Corporate Card
- Can apply to US travel or overseas
- Agencies don't need to pay for rental car insurance/Also recommendation of Risk Management

# Secondary Baggage Insurance

- Cardholder eligible up to \$1,250 coverage
- When common carrier ticket is purchased with Corporate Card
- Individual can receive reimbursement for cost of replacement of luggage/contents
- Reimbursement is made only if common carrier makes a monetary reimbursement, not for other consideration

# Travel and Emergency Services

- The Contractor provides Cardholders around the world toll-free, around-the-clock access to travel and emergency services through the Visa Assistance Center (VAC)
  - 1-800-VISA-911 domestic;
  - 1-410-581-9994 worldwide collect.

# Lost Luggage Assistance

- The Cardholder may receive immediate shipment of replacement items, a cash advance required as a result of the loss of luggage, and claims assistance when luggage is lost while traveling and the carrier is unable to locate it. (Note: this is not lost luggage insurance.)



