

SCEIS USER GROUP MEETING – JULY 24, 2019

COMPTROLLER GENERAL'S OFFICE

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SCEIS User Group Meeting – Comptroller General’s Office

Agenda

- I. Capital Lease Accounting: FY2020 versus FY2021
- II. General Ledger Changes for FY2020
- III. Recovery Audits
- IV. NIGP Code Mapping
- V. Questions



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I. Capital Lease Accounting: FY2020 versus FY2021



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Capital Lease Accounting: FY2020 versus FY2021

1. NO changes for FY2020
2. Presidio leases – continue to account for as a capital lease (bargain purchase option)
3. Overview of capital lease accounting
4. Submitting a copy of all current leases to CAFR group?
5. How will current operating leases be converted to capital leases in SCEIS?
6. Capital lease training classes
7. G/L name changes – operating leases



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Capital Lease Accounting: FY2020 versus FY2021

1. NO changes for FY2020

- ✓ Winter is coming for operating leases – but not yet!
- ✓ GASB 87 will be implemented for South Carolina beginning 7/1/2020 (FY2021)
- ✓ No early implementing!
- ✓ ALL leases entered into during FY2020 must be accounted for under current GASB standards
- ✓ Beginning in FY2021 almost ALL leases will be classified as capital leases per GASB 87
- ✓ Capital leases are essentially treated as a financing arrangement and the leased items as assets.



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Capital Lease Accounting: FY2020 versus FY2021

2. Leases from vendor Presidio Technology LLC

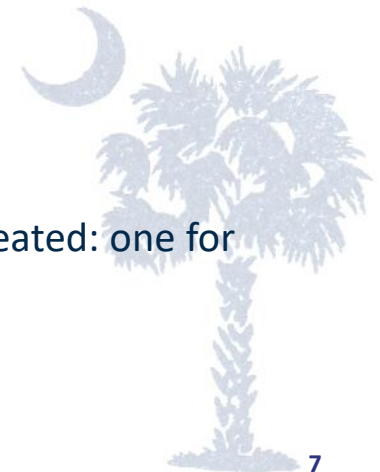
- ✓ Under current GASB requirements, all leases containing a bargain purchase option must be accounted for as a capital lease as opposed to an operating lease.
- ✓ The current statewide procurement contract with Presidio Technology Capital LLC to provide IT and copier equipment contains a bargain purchase option, therefore **ALL** IT and copier equipment leased under this contract/vendor must be accounted for as a capital lease.
- ✓ The state contract with Presidio began on 2/8/2017 and runs through 2/7/2024.



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Capital Lease Accounting: FY2020 versus FY2021

3. Overview of Capital Lease Accounting – high level example showing the steps for the accounting of a capital lease from Presidio:
 1. Enter into a copier lease with Presidio.
 2. Create an amortization schedule showing the monthly split between principle and interest or a copy can be found within the Presidio contract.
 - A copy should be attached to the PO as well to the vendor invoice payments
 3. Create an asset for the copier in SCEIS using transaction code AS01
 - Make sure to complete the Leasing tab
 4. Capitalize that asset using SCEIS transaction ABZON
 5. Create the shopping cart
 - In the Account Assignment tab, at least two lines should be created: one for principle and one for interest
 - G/L 5041820000 – CAP LEASE PRINCIPLE PAY-EQUIP
 - G/L 5041830000 – CAP LEASE INTEREST PAY-EQUIP



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Capital Lease Accounting: FY2020 versus FY2021

6. Create the purchase order
 - Note: the asset is not on capital lease PO’s
 - Important: select PO document type ZCAP – Capital Lease PO
 - ZCAP PO’s follow the same methodology as blanket PO’s
 - Again, the PO will have at least two lines: one for principle and one for interest
7. Pay monthly lease invoices from Presidio
 - While the periodic payment remains the same, the split between principle and interest will change with each payment based on the amortization schedule.
 - A/P approvers should be ensuring that there are at least two lines for each Presidio lease invoice – one for principle and one for interest:
 - G/L 5041820000 – CAP LEASE PRINCIPLE PAY-EQUIP
 - G/L 5041830000 – CAP LEASE INTEREST PAY-EQUIP
 - A copy of the amortization schedule should be attached as supporting documentation



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Capital Lease Accounting: FY2020 versus FY2021

Additional Notes for Presidio Leases

- Unless you are purchasing equipment outright from Presidio (not common), the PO document type used should be **ZCAP – Capital Lease PO**. This allows the agency to change the split between principle and interest for each payment (similar to a blanket PO).
- This may seem like a hassle to go through all of this extra work for one particular vendor but this is actually very good practice for agencies to prepare for the implementation of GASB 87 – LEASES which for South Carolina will begin for FY2021 i.e. starting July 1, 2020.
- As noted above, under GASB 87 almost all leases will be considered capital leases. It will be uncommon for an agency to have an operating lease once this new pronouncement goes into effect. This will impact ALL state agencies.



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Capital Lease Accounting: FY2020 versus FY2021

4. Submitting Copies of Lease Contracts to the CAFR Group

- ✓ Presidio leases are provided to the CAFR team monthly by MMO.
- ✓ Capital leases with vendors other than Presidio should be sent to the CAFR team and an asset created before the first payment is made.
- ✓ Copies of **ALL** contingent operating leases as well as leases with future payments should be submitted with your Operating Lease closing package on August 23rd



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Capital Lease Accounting: FY2020 versus FY2021

5. How will current operating leases be converted to capital leases in SCEIS?
 - ✓ This is still being researched.
 - ✓ It may be possible that one or a combination of upload templates can be used to create the assets.
 - ✓ Even if upload templates can be used agencies would have to complete all of the fields for each lease / asset.
 - ✓ Additional information and instructions will be sent out later in the fiscal year.



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Capital Lease Accounting: FY2020 versus FY2021

6. Capital lease training classes

- ✓ Information regarding training opportunities will be sent out soon.
- ✓ The CG’s Office will work with SCEIS and a combination of training classes, written guidance and meetings will likely be utilized.



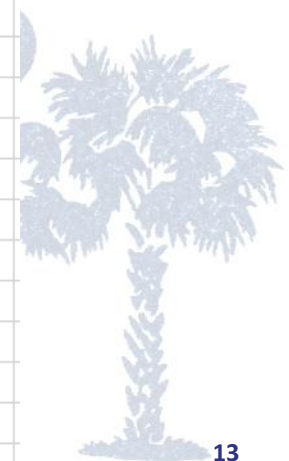
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Capital Lease Accounting: FY2020 versus FY2021

6. G/L name changes for operating leases

- ✓ We took all of the existing 504XXXXXXX G/L’s that are not capital lease related.....

Commt Item	Name	Description
5040010000	RENT-OFFICE EQUIP	RENT-OFFICE EQUIP
5040010001	RENT OFF EQ-NON-IT	RENT OFFICE EQUIPMENT - NON-IT PLAN RELATED
5040027000	IT-RENT COPYNG EQUIP	IT - RENT COPYING EQUIPMENT
5040037000	DP-RENT DATA PRC EQP	DP - RENT DATA PROC EQUIPMENT
5040040000	RENT-MED SCI LAB EQ	RENT-MED SCI LAB EQUIP
5040050000	NON IT-RENT-CONT RENT	NON IT - RENTAL-CONTINGENT RENTAL PAYMENTS
5040057000	IT- RENTAL-CONT RENT	IT - RENTAL-CONTINGENT RENTAL PAYMENTS
5040060000	RENT-NON ST OWN PROP	RENT - NON STATE OWNED REAL PROPERTY
5040070000	RENT-ST OWNED R PROP	RENT - STATE OWNED REAL PROPERTY
5040070001	RENT-ST OWN-EN/M&O	RENT STATE OWNED-FM EXCESS ENERGY/MAINT&OPERATIONS
5040490000	RENT-OTHER	RENT-OTHER
5040490001	RENT-OTH- NON-IT PL	RENT-OTHER- NON-IT PLAN RELATED
5040490002	RENT-OTH-MTG RM&VID	RENT-OTHER- MTG ROOMS & VIDEO EQPT
5040490003	RENT - PO BOX	RENT-OTHER- POST OFFICE BOX
5040490004	RENT - GAS TANKS	RENT-OTHER- ACETELYNE, OXY, ETC TANKS
5040490005	RENT - EQUIP	RENT-OTHER- HVY EQUIP
5040490006	RENT - RESCH VESSELS	RENT-OTHER- RESEARCH VESSELS
5040490007	RENT -OTH MOTOR POOL	RENT-OTHER- MOTOR POOL
5041469301	RENT/LEASE EQUIP-R&M	RENT/LEASE EQUIPMENT - REPAIRS & MAINTENANCE

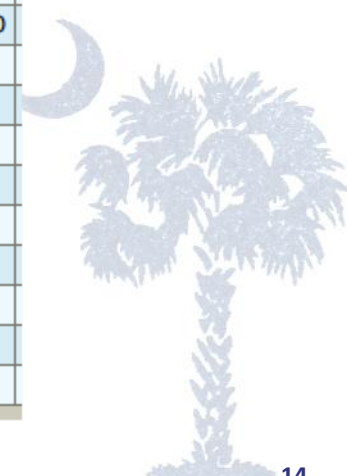


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Capital Lease Accounting: FY2020 versus FY2021

.....and renamed them to emphasize that these are operating leases:

Cmmt item	Name	Description
<u>5040010000</u>	OPER LSE-OFC EQ RENT	OPERATING LEASE - OFFICE EQUIP RENT
<u>5040010001</u>	OPER-RENT OFC-NON-IT	OPERATING LEASE - OFFICE EQUIP RENT-NON IT
<u>5040027000</u>	IT-OPER-CPY EQP RENT	IT-OPERATING LEASE - COPYING EQUIP RENT
<u>5040037000</u>	IT-OPER-DP EQP RENT	IT-OPERATING LEASE - DATA PROC EQUIP RENT
<u>5040040000</u>	OPER-RENT-MED LAB EQ	OPERATING LEASE - MED SCI LAB EQUIP RENT
<u>5040050000</u>	OPER-NON-IT CONT REN	OPERATING LEASE - NON-IT CONTINGENT RENT PMTS
<u>5040057000</u>	IT-OPER LS-CONT RENT	IT-OPERATING LEASE - CONTINGENT RENT PMTS
<u>5040060000</u>	OPER-RENT-NON ST OWN	OPERATING LEASE-RENT-NON STATE OWNED REAL PROPERTY
<u>5040070000</u>	OPER-RNT-ST OWN RL P	OPERATING LEASE - RENT-STATE OWNED REAL PROPERTY
<u>5040070001</u>	OPER-RENT-ST OWN-M&O	OPER LEASE-RENT STATE OWNED FM EXCESS ENERGY/MNT&O
<u>5040490000</u>	OPER LSE-RENT-OTHER	OPERATING LEASE - RENT-OTHER
<u>5040490001</u>	OPER-RENT-OTH-NON-IT	OPERATING LEASE - RENT-OTHER-NON-IT
<u>5040490002</u>	OPER-RENT-OTH-RM&VID	OPERATING LEASE - RENT-OTHER-MTG RMS & VIDEO EQUIP
<u>5040490003</u>	OPER LSE-RENT-PO BOX	OPERATING LEASE - RENT-OTHER-POST OFFICE BOX
<u>5040490004</u>	OPER-RENT-GAS TANKS	OPER LEASE - RENT-OTHER-ACETELYNE,OXY,ETC TANKS
<u>5040490005</u>	OPER LSE-RENT-EQUIP	OPERATING LEASE-RENT-OTHER-HVY EQUIP-NON REAL ESTA
<u>5040490006</u>	OPER-RENT-RSC VESSEL	OPERATING LEASE - RENT-OTHER-RESEARCH VESSELS
<u>5040490007</u>	OPER-RENT-OTH MOTOR	OPERATING LEASE - RENT-OTHER-MOTOR POOL
<u>5041469301</u>	OPER LSE-EQ RENT-R&M	OPERATING LEASE - EQUIP RENTAL FOR REPAIR & MAINT



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Capital Lease Accounting: FY2020 versus FY2021

Please note: these updated names do NOT change the way these G/L’s are used by the agencies. If you were already using one of these G/L’s you should continue to do so for FY2020. For FY2021 we will be changing all of these definitions as needed to account for the new leasing rules.

These name changes are a step to make a clear distinction between operating leases and capital leases. So high level – we will expect to see these G/L’s continue to be used in FY2020. It’s in FY2021 that there should be little to no activity in these G/L’s as just about all leases will be accounted for as capital leases once GASB 87 is implemented.



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II. General Ledger Changes for FY2020



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General Ledger Changes for FY2020

The four G/L’s to be blocked beginning in FY2020 are non-IT G/L’s that include expenditures that should instead be captured within the IT range of G/L accounts:

5020130000	DATA PROCESSING SVCS - STATE	This G/L to be blocked beginning in FY 2020. Agencies should be using IT G/L 5020077240.
5040020000	RENT-COPYING EQUIPMENT	This G/L to be blocked beginning in FY 2020. Agencies should be using IT G/L 5040027000.
5040020001	RENTAL-HIGH SPEED DUPLICATING EQPT	This G/L to be blocked beginning in FY 2020. Agencies should be using IT G/L 5040027000.
5040030000	RENT-DATA PROC EQUIPMENT	This G/L to be blocked beginning in FY 2020. Agencies should be using IT G/L 5040037000.



III. Recovery Audits



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Recovery Audits – Accounting for Vendor Credits

Updated guidance on CG website:

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

Accounting Guidance (Updated June 2019)

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

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

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

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

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

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

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



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Recovery Audits – Accounting for Vendor Credits

When the recovery is received as a check there are generally 3 steps:

- 1. Deposit:** the check is deposited and recorded to G/L 4530210000 – REFUND FROM RECOVERY AUDIT in Fund 38K80000
- 2. Invoice:** the agency will receive an invoice from the recovery audit vendor that will be paid using G/L 5021580000 – RECOVERY AUDIT SERVICES in Fund 38K80000
- 3. Remit/Retain:** depending on what fund the original expenses were recorded out of, the agency either retains the *net recovery* (recovery less amount paid to the recovery audit vendor) and transfers that cash to an agency fund OR it is remitted back to the State by transferring the remaining cash to Business Area F010 in Fund 38K80000



FY2019 Recovery Audit – Agency Accounting Guidance

Accounting for the Recovery If Received as a Vendor Credit Rather than a Check

The vendor credit would be entered into the system like normal and would be applied against current/future invoices. In order to account for that credit in the recovery audit fund a journal entry needs to then be recorded.

Example: \$1,000 vendor credit is issued and applied to outstanding vendor balance. The original invoice had been coded to G/L 5030010000 – OFFICE SUPPLIES with fund 10010000.

➤ Journal entry to account for that recovery in the recovery audit fund:

DR	5030010000 – OFFICE SUPPLIES (offsets credit memo)	Fund 10010000
CR	4530210000 – REFUND FROM RECOVERY AUDIT	Fund 38K80000

➤ The journal entry to remit that **net recovery*** would be recorded once the recovery audit vendor is paid their fee** (in this case the recovery goes back to the State since it was originally paid out of 10010000):

DR	6200010000 – TRANSFER OUT Business Area XXXX	Fund 38K80000
CR	6100010000 – TRANSFER IN Business Area F010	Fund 38K80000

* Net recovery = recovered amount less fee paid to the recovery audit vendor

** The invoice should be coded to G/L 5021580000 – RECOVERY AUDIT SERVICES to fund 38K80000



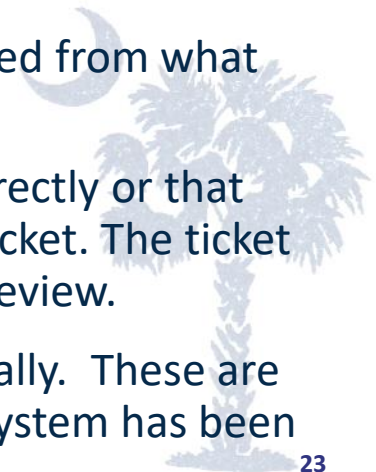
IV. NIGP Code Mapping



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NIGP Code Mapping

- The last time a full review of NIGP codes took place was right around the same time that the real estate and IT G/L’s were established (a few years ago). A lot has changed since then!
- Out of 8,717 NIGP codes, 5,587 are currently mapped to a G/L account in SCEIS.
- I recently checked and out of the 5,587 currently mapped in SCEIS, 1,366 are mapped to G/L’s that have been blocked for posting.
- A full review of all NIGP codes is very time consuming and requires the input and approval from several agencies. We’re not sure when another full review will be scheduled.
- Remember: when entering a shopping cart the G/L CAN be changed from what gets populated by the NIGP code.
- In the meantime, if you see a code that looks to be mapped incorrectly or that you feel should be unmapped, please submit a SCEIS Help Desk Ticket. The ticket will route to me and I will work with the SCEIS Logistics group to review.
- We’ll try to group these changes and push them through periodically. These are not simple changes. They have to be done after hours when the system has been taken down.



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QUESTIONS



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