



**TO:** Financial Managers and Accounting Personnel  
**FROM:** Calvin McKelvogue, COO, State Accounting Enterprise  
**DATE:** June 5, 2009  
**SUBJECT:** FY10 Accounting and Financial Reporting Changes

Over the past several months, the Department of Administrative Services – State Accounting Enterprise (DAS-SAE) has been required to review and comment on various requests relating to transparency. As part of this work, we have identified several areas where current practices could hinder the State's ability to meet anticipated reporting needs. To be in a better position to accommodate potential transparency requirements, and in conjunction with the Department of Management, the following changes will be implemented effective with BFY2010.

#### **Tracking Confidential Information**

There has been a significant amount of discussion surrounding transparency in Iowa State government and the potential posting of financial data on a public web site. Earlier this spring, I/3 conducted a survey to gauge how many confidential payments are made in State government and how they are recorded in I/3. The results of that survey indicate that numerous confidential payments are made and recorded by departments in many different ways. Because of the variations in reporting confidential information in I/3, there is not an efficient method to track these payments centrally without assistance from departments. In order to accurately and efficiently redact confidential information from data prior to providing it for publication, it has been determined it is necessary for departments to consistently identify these payments in I/3.

To best ensure confidential payments are identified for redaction, **effective with BFY 2010 transactions, all confidential payments must include a sub-object or sub-revenue of 99 in the accounting lines.** This coding must be used on the accounting lines for all confidential payments made through I/3. This requirement is not applicable to payments submitted through our pre-issue process. DAS-SAE will initially establish sub-object and sub-revenue codes based on information received in the survey. As additional sub-object or sub-revenue codes are needed, please contact Jay Cleveland at [jay.cleveland@iowa.gov](mailto:jay.cleveland@iowa.gov) or (515) 281-3725, so the codes can be established.

In addition to confidential payments, we learned through the survey that some departments are including confidential information in the line description or other free form text fields. We feel confident that we can redact confidential payments based on the use of the sub-object and sub-revenue code of 99. However, we do not believe this is possible in those instances when confidential information is included in the line description or other free form text fields. **We strongly encourage departments to discontinue the practice of entering confidential or sensitive information in free form text fields in I/3.**

Lastly, DAS-SAE is maintaining a file on confidential payments made through I/3. If new payments are designated as confidential, please contact [Jay Cleveland](mailto:jay.cleveland@iowa.gov) with this information so the file remains current.

#### **Discontinue Use of Sub-Object and Sub-Revenue Codes for Department Specific Usage**

Prior to the implementation of I/3, departments who needed additional detail related to specific object and revenue codes established sub-object and sub-revenue codes. With the implementation of I/3, new fields became available to meet this need, they are the department object and department revenue code fields. These fields are

department specific; whereas the sub-object and sub-revenue code fields are state-wide fields and not defined to specific departments.

**Effective with BFY2010, all department-specific sub-object and sub-revenue codes will be inactivated.** State-wide sub-object and sub-revenue codes will be established only on a state-wide basis, such as designating that a payment is confidential. Departments needing to further define activity related to object and revenue codes can establish department object and revenue codes.

### **Use of Department Revenue and Department Object Codes for Department Specific Use**

Effective with BFY2010, departments needing to further define activity related to object and revenue codes can establish department object and department revenue codes to meet this need. If departments want to utilize these codes, the Department Security Contact will need to contact Tricia Snyder at [tricia.snyder@iowa.gov](mailto:tricia.snyder@iowa.gov) or (515) 281-6616 to designate which users will establish these codes.

### **Proper Recording of Transfers**

In the late 1980s, when the State moved to GAAP accounting, departments were required to properly code internal transactions to distinguish transfers from purchases. Transfers are coded in revenue class 204 (revenue source 0301) and object class 407 (object code 3901). Chart of Account elements in the State's financial system at that time were limited, so departments were allowed to code transfers to non-transfer object code and revenue sources, and designate the transfer by entering AA in the sub-object and sub-revenue source fields.

Recording transfers two different ways has not only created inconsistencies over the years, but will also cause inconsistent information on financial statements that are published for transparency. Therefore, effective with BFY2010, all transfers must be coded as transfers (revenue class 204 and object class 407). True purchases should be coded using the appropriate non-transfer object and revenue codes. In addition to entering proper revenue/object codes on these transactions, please also remember to select the correct Event Type based on the type of transaction being processed.

The attached document titled "Interfund Transfers" provides guidance on the definition of transfers and purchases. For additional guidance and assistance, please contact Rich Schoeppner at [rich.schoeppner@iowa.gov](mailto:rich.schoeppner@iowa.gov) or (515) 281-4064.

### **GAAP Coding on Correction Documents During the Hold-Open Period**

Another practice that was implemented as a result of GAAP reporting is the requirement for departments to enter "GAAP coding" in the Reporting field on correction documents during the hold-open period so the GAAP team can properly classify these revenues and expenditures. I/3 Financial provided additional functionality that allows transactions to be classified based on the Event Type that is selected. Effective with the hold-open period that begins July 1, departments will no longer use "Reporting Codes" to classify transactions on accounting documents. Instead, new Event Types have been established to accomplish this requirement. These new Event Types and their definitions, an explanation of this new process, as well as guidelines, are detailed in the attachment to this e-mail titled "Correcting Documents."

Please review the "Correcting Documents" attachment as soon as possible as you may need to change the way information is accumulated to prepare correcting documents under this new process. For additional information related to these GAAP Event Types, please contact Lisa Dooly at [lisa.dooly@iowa.gov](mailto:lisa.dooly@iowa.gov) or (515) 281-4098.

Thank you in advance for your cooperation in implementing these changes. We do understand some of the changes are to long-standing practices. We appreciate your assistance in meeting the need to prepare for better and more accurate reporting in the future. We believe these changes improve the position of the State of Iowa to implement future reporting requirements as they arise.

If you have any questions, please contact the staff referenced above, [Jay Cleveland](mailto:Jay Cleveland) (515) 281-3725 or Lori McClannahan at [lori.mcclannahan@iowa.gov](mailto:lori.mcclannahan@iowa.gov) or (515) 281-3206.