

Items of Interest for Comptroller's Directive No. 2-15 Directive Compliance Guidelines for Higher Education Institutions

General:

- The Comptroller's Directive No. 2-15, Directive Compliance Guidelines for Higher Education Institutions, has been renumbered from the prior year's Comptroller's Directive No. 2-14. The directive is available on DOA's website at www.doa.virginia.gov. Click on the "Financial Statement Directives" link.
- Statement on Auditing Standards No. 122, *Clarification and Recodification*, AU-C Section 265 (paragraph .A11) states that the identification by the auditors of a material misstatement is an indicator of a material weakness in internal control. This includes prior year ending balance restatements due to errors. It is possible that significant errors resulting in financial statement template adjustments, including prior year ending balance restatements, could result in either material internal control weaknesses or even a modified opinion on the Commonwealth's Comprehensive Annual Financial Report (CAFR). **Institutions must ensure controls are in place to avoid material misstatements, restatements (due to errors), and/or misclassifications in the financial statement template for the institution and its foundations.**
- Institutions will be notified if DOA determines the information provided is unacceptable. The deficiency will be identified and a revised due date will be provided. The *Code of Virginia, §2.2-5004 A3*, identifies "substantial compliance with all financial reporting standards approved by the State Comptroller" as an integral part of the financial and administrative management standards. **DOA will evaluate both the timeliness and accuracy of submissions to DOA to help determine whether the higher education institutions have complied with this management standard.** In addition, failure to provide complete and accurate information by the required due dates may result in citation in the Comptroller's *Report on Statewide Financial Management and Compliance* (Quarterly Report).
- The following GASB statements are effective for the Commonwealth for fiscal year 2015:
 - **GASBS No. 68**, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*,
 - **GASBS No. 69**, *Government Combinations and Disposals of Government Operations*, and
 - **GASBS No. 71**, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.
- E-mail submissions are required for all submissions unless an individual submission indicates otherwise. DOA's e-mail submission address is as follows: finrept-HE@doa.virginia.gov. Institutions must copy the Auditor of Public Accounts (APA) on e-mail submissions to: APAFinRept@apa.virginia.gov.
- Only cells highlighted in yellow allow for data entry. If a cell requires an amount to be entered, only whole numbers are allowed. Messages that appear should provide

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assistance to individuals having trouble entering data when the established parameters are not being followed. **Failure to correct keying errors denoted by validation messages prior to submission will prohibit acceptance of the attachment.**

- DOA will notify institutions during the CAFR preparation and throughout the year if additional information is needed and provide a due date via e-mail correspondence. DOA will also notify institutions as needed of reporting issues. **Institutions must read and comply with separate communications from DOA.**

Attachment # & Due Date Changes:

Attachment Number	Attachment Name	Due Date
HE-1	FY 2014 Off-Balance Sheet Financial Obligations - Update	July 9
HE-2	Contact Survey	July 9
HE-2a	Survey	July 20
HE-3	Beginning Net Position Reconciliation	July 23
HE-4	On-Behalf Payments	August 6
HE-5	Optional Retirement Plans	August 6
HE-6	<u>GASBS No. 14 Checklist Modified to Reflect GASBS Nos. 39 & 61</u>	August 6
HE-7	Federal Schedules	August 20
HE-8	Appropriation Available and Appropriation Revenue	August 27
HE-9	Treasury's Reimbursement Programs	September 8
HE-10	Financial Statement Template	Various (Note *)
HE-11 (formerly HE-12)	Schedule of Cash, Cash Equivalents, and Investments as of June 30	Various (Note *)
HE-12 (formerly HE-11)	Adjustments	Various (Note *)
HE-13	Report of Financial Condition	Various (Note *)
HE-14	Subsequent Events	November 16
HE-15	FY 2015 Off-Balance Sheet Financial Obligations	January 14, 2016

Note*: See the **Staggered Due Dates** section that follows for the due dates.

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Staggered Due Dates:

Attachment HE-10 SNP & SRECNP (Supplemental Information Item 7) Supplemental Information Items 7a-7e, if applicable Data entered into Accounts Receivable System	Attachment HE-11 (formerly HE-12)	Attachment HE-12 (formerly HE-11) HE-13 Final Individually Published F/S (Supplemental Information Item 8)	HEI acronyms
September 17	September 22	October 1	IALR, IEIA, JMU, UMW, NCI, NSU, RU, RHEA, SVHEC, SWVHEC
September 21	September 24	October 5	CNU, CWM, GMU, LU, ODU, VMI, VPI&SU, VSU
September 23	September 28	October 7	UVA, VCU, VCCS

Supplemental Information & Due Dates:

Supplemental information requirements listed in the **Supplemental Information** section of the Comptroller's Directive 2-15 have item numbers. These requirements are primarily the same as last year except for Supplemental Information Item 8a is no longer required and there are new Supplemental Information Items 7c to 7e that apply to certain institutions. The following items are required by all institutions except as noted:

Item #	Applicable	Description	Due Date
4	All institutions	Information regarding rebates, vendor surcharges, and other information	July 27
7	All institutions*	Statement of Net Position (SNP) & Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)	HE-10 due date
8	All institutions*	Final Individually Published Financial Statements (F/S)	HE-13 due date

*If an institution does not issue individually published financial statements, Supplemental Information Items 7 and 8 are not required.

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Supplemental Information & Due Dates, *continued*:

The following items are required by certain institutions:

Item #	Applicable	Description	Due Date
1a, 1b, 2, 3	Tier III institutions	Cash basis data to be used for indirect cost statistics or quarterly reporting	July 27
5, 6	CWM & VCCS	Supporting schedules for template	HE-10 due date
7a	Applicable institutions	Receivable reconciliation (HEI only):	HE-10 due date
7b	Applicable institutions	Derivative instruments as of year-end (HEI only)	HE-10 due date
7c** New	UVA, VCU, VCUHSA	9d Bonds Payable (issued by Institution – Institutional debt) Information for all series	HE-10 due date
7d** New	UVA, VCU, VCUHSA, if applicable	9d Bonds Payable (issued by Institution – Institutional debt) Information for new issues only	HE-10 due date
7e** New	ODU	Adjusting Journal Entries – VCSFA & ODU Research Foundation	HE-10 due date
9	Only if requested by DOA: CWM, UVA, VCU, VPI&SU	Investment & Variable Rate Debt Subsequent Disclosures	November 16

**Supplemental Information Items 7c to 7e are new items listed in the Directive. Typically this information has been requested in the prior years through separate communications usually after the HE-10 was submitted. This information is now listed as Supplemental Information Items 7c to 7e and should be submitted along with the HE-10 submission.

Other Due Dates - ARMICS Certification:

The ARMICS certification is due **September 30, 2015**. Guidance for preparation and submission of this certification may be obtained from the following:

- Wave 1 Institutions: CAPP Topic No. 10305 – Cardinal, *Internal Control*, on DOA's website at http://www.doa.virginia.gov/Admin_Services/CAPP/CAPP_Topics_Cardinal/10305.pdf
- Wave 2 Institutions: CAPP Topic No. 10305 – CARS, *Internal Control*, on DOA's website at http://www.doa.virginia.gov/Admin_Services/CAPP/CAPP_Topics/10305.pdf

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Overall Information Regarding Directive & Attachments:

Directive attachment Excel files are in the Excel 2007 version (.xlsx). The Attachment HE-6 Word file is in the Word 2007 version (.docx). If an institution has an earlier version of Microsoft Excel or Microsoft Word and has problems opening a file, DOA can provide the file in an earlier version.

The wording in the **Certification** tab of the attachments has been revised; however, what is being certified has not changed. The following is an example of the revised wording: *By typing a name, the preparer is certifying that the attachment is complete and accurate; the reviewer is certifying that the attachment has been reviewed and is complete and accurate; the preparer and reviewer are certifying they were not the same individual for any tab; and the preparer and reviewer are certifying they have read and understood the instructions for the attachment. (Note: There should be a segregation of duties; therefore, the preparer and the reviewer should not be the same for any tab.)*

Each year the **directive, attachment instructions and any applicable documents on DOA's website should be read** to ensure the institution complies with the requirements of the directive. If applicable, the following documents provide information on certain parts of the Attachment HE-10 and are available on DOA's website along with the Attachment HE-10 instructions.

- **Additional Information: Attachment HE-10–TAB 3–Part 4 regarding GASBS No. 42:** This provides information regarding impairment of capital assets and insurance recoveries.
- **Additional Information: Attachment HE-10-TAB 7-Part 16 regarding GASBS No. 49:** This provides information regarding pollution remediation obligations.
- **Additional Information: Attachment HE-10 – TAB 3 & TAB 7 – Part 17 regarding GASBS No. 51:** This provides information regarding intangible assets.
- **Additional Information: Attachment HE-10 – TAB 7 – Part 18 & Supplemental Item 7b regarding GASBS No. 53:** This provides information regarding derivative instruments.
- **Additional Information: Attachments HE-6 & HE-10 – TAB 7 – Part 21 regarding GASBS No. 61:** This provides information regarding GASBS No. 61, *The Financial Reporting Entity: Omnibus*.
- **Additional Information: Attachment HE-10 TAB 7 – Parts 22 & 23 regarding GASBS No. 63 & GASBS No. 65:** This provides information regarding GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASBS No. 65, *Items Previously Reported as Assets and Liabilities*.
- **Higher Education Institution Reporting Procedures:** This provides financial statement template (FST) reporting guidance for certain programs.
- **Manual Leave Liability Calculation Guidelines:** This document includes guidance on calculating amounts to be reported on the long-term liabilities – compensated absences FST line items.

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Changes to Attachment HE-10, Financial Statement Template:

The following are some of the changes that have been made to the Attachment HE-10:

- **FST and Other Applicable Tabs for HEI:** There is a **new** “Due to External Parties (Fiduciary Funds)” line item. This line item is only to report amounts owed to the Virginia Retirement System (VRS) as of year-end.
- **FST and Other Applicable Tabs for HEI:** The “Pension Liability” line item has been renamed to “Net Pension Liability (GASBS No. 68).” This line item is to be used to report net pension liability amounts required by GASBS No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*.
- **Combining FST & Other Applicable Tabs for Foundations:** The “Net Pension Liability (GASBS No. 68)” line item is only to be used for GASB reporting. Pension liability amounts for foundations that follow FASB standards should be reported on the Long-Term Liabilities – Other Combining FST line item(s) and TAB F5 Part 5 should include a description of these amounts.
- **Checklist tab for HEI & Foundations:** The second question in Item 14 regarding significant fluctuation explanations has been **revised** to ensure explanations meet the following criteria:
 - Reasonable and make sense,
 - Include reasons why and not just what increased or decreased,
 - Not too general, and
 - Consistent or reasonable when compared to other information in the attachment.
- **Checklist tab for HEI & Foundations:** **New** Item 44 questions have been added regarding the Checklist tab to ensure completeness and reasonableness of answers.
- **TAB 7 Part 4 for HEI:** Part 4 regarding GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, has been **revised** to indicate if the financial statement template was prepared in accordance with GASBS No. 62 as amended by GASBS No. 63, GASBS No. 65, GASBS No. 66, GASBS No. 69, and GASBS No. 70.
- **TAB 7 Part 22 for HEI:** Parts 22a and 22b have been **revised** to include additional categories for deferred outflows of resources and deferred inflows of resources as required by GASBS No. 68, GASBS No. 69, and GASBS No. 71.
- **TAB 7 Part 23 for HEI:** The wording in Parts 23a and 23b has been **revised**. Prior year’s wording was to indicate if the institution had items previously reported as an asset or liability that must be reported as expenses and/or revenue in accordance with GASBS No. 65 and to

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provide amounts. This year's wording is to indicate if the institution has items that must be reported as expenses and/or revenue in accordance with GASBS No. 65 and to provide amounts.

- **TAB 7 Part 25 for HEI:** The **new** Part 25 has questions to obtain information regarding GASBS No. 69, *Government Combinations and Disposals of Government Operations*.
- **TAB F7 Part 1b for Foundations:** If audited financial statements for a foundation were not used to record amounts on the Attachment HE-10, the following question must be answered: When will the audit be completed and do you anticipate significant adjustments?

Changes to Other Attachments:

The following are some of the changes that have been made to other attachments:

Attachment HE-2a, Survey, GASBS 65-HEI: This tab has changed from the prior year's format and only has a question to identify any **new** deferred outflows of resources and/or deferred inflows of resources expected to be reported by the higher education institution, excluding foundations, on the financial statement template as required by GASBS No. 65 for FY 2015.

Attachment HE-3, Beginning Net Position Reconciliation, TAB 1, HEI: Since this is the second year of implementing GASBS No. 65, GASBS No. 66, and GASBS No. 70, these categories have been deleted. A **new** beginning net position restatement category for the implementation of GASBS No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, as amended by GASBS No. 71, has been added. If the institution has any restatements as a result of implementing these new GASB statements, the restatement should be provided in this new category.

Attachment HE-5, Optional Retirement Plans: This attachment has been **revised** to obtain GASBS No. 68 defined contribution plan footnote disclosures for the Optional Retirement Plan 1 and Plan 2, and general information regarding other optional retirement plans. The prior year's Part 1 that required separate amounts for employee and employer contributions for Plan 1 and Plan 2 and by TIAA-CREF and Fidelity is no longer required.

Attachment HE-7, Federal Schedules:

- The OMB revised federal regulations in December 2014, and a separate communication from DOA identifies DOA's responsibilities applicable to the revised guidance. Institution personnel must thoroughly review the new uniform guidance to ensure they understand the institution's specific responsibilities. These modifications and institution responsibilities are more thoroughly outlined in the Attachment HE-7 instructions.
- Added an item to the Questionnaire file regarding the agency's election to use the 10% de minimus cost rate per Section 200.414 of the new regulations in 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

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- Clarified the question regarding disbursements to subrecipients and added a new tab to the Questionnaire file labeled **Disbursements** tab to capture any differences between amounts reported on the disbursements tabs and the SEFA tab.
- Revised the **Certification** tab to include additional required questions and a checkbox to certify that questions have been reviewed with every submission.

Attachment HE-11, Schedule of Cash, Cash Equivalents, and Investments as of June 30: A Revision Control Log tab has been added to this attachment. Institutions must ensure that all efforts have been made to submit a complete and accurate Attachment HE-11. However, if the institution discovers an unexpected error and attachment revisions need to be made to the attachment subsequent to DOA acknowledgement of receipt and acceptance of the original attachment submission, revise the attachment, complete the Revision Control Log tab, and resubmit the attachment.

Attachment HE-12, Adjustments: This attachment is due two weeks later than in prior years. There is a **new** Part 2 to request information regarding the Attachment HE-10. Institutions must ensure that all efforts have been made to submit a complete and accurate Attachment HE-10. However, if the institution discovers an unexpected error in the attachment after the submission, an e-mail must be sent to DOA to notify DOA of the errors and corrections needed. If the institution identified required changes to the Attachment HE-10 after DOA's initial acceptance of the attachment, the date the "Error discovered after template submission" e-mail was sent to DOA must be provided.

Online Training:

DOA will offer online training to cover directive changes and other topics thus avoiding travel time and costs. It is anticipated that the sessions will be available in June and can be accessed at anytime. DOA will notify the institution's directive contacts when the sessions are available. Participation **is strongly encouraged** for individuals that must complete information contained in this directive. To register for any of the training modules, login to the **Knowledge Center** at <https://covkc.virginia.gov>, click on the "Learning Center" link, and then click the "Course Catalog" link. Search using the keyword "Directive" and click the higher education course/reference you wish to access. If you have difficulty accessing the training, contact doatraining@doa.virginia.gov for guidance.

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Contact Information:

You can contact any of the individuals listed below to answer questions regarding the directive*. In addition, if you would like to schedule a meeting at DOA to meet one-on-one with individuals from DOA to discuss any specific topics and ask questions regarding the directive, contact any of the individuals listed below.

- Christy Tuck, Senior Lead Financial Reporting Analyst,
Christy.Tuck@doa.virginia.gov or (804) 225-3180,
- John Sotos, Assistant Director – Financial Statements,
John.Sotos@doa.virginia.gov or (804) 225-2111, or
- Sharon Lawrence, Director of Financial Reporting,
Sharon.Lawrence@doa.virginia.gov or (804) 225-2414.

*For questions regarding Attachment HE-7, contact the following:

- Penny Williams, Indirect Cost Coordinator,
Penny.Williams@doa.virginia.gov or (804) 225-3804.

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