

# Items of Interest for Comptroller's Directive No. 2-17 Directive Compliance Guidelines for Higher Education Institutions

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## General:

- The Comptroller's Directive No. 2-17, Directive Compliance Guidelines for Higher Education Institutions, has been renumbered from the prior year's Comptroller's Directive No. 2-16. The directive is available on DOA's website at [www.doa.virginia.gov](http://www.doa.virginia.gov). Click on the "Financial Statement Directives" link.
- Statement on Auditing Standards No. 122, *Statements on Auditing Standards: Clarification and Recodification (SAS 122)* and AU-C 265 *Communicating Internal Control Related Matters Identified in an Audit*, state that the identification by the auditors of a material misstatement, identification of fraud by senior management, and ineffective oversight of an entity's financial reporting are indicators of a material weakness in internal control. This also includes restatements of previously issued financial statements to reflect a correction of a material misstatement. This applies regardless of whether the auditors or the institution discovers the restatement. **Note:** This does not apply to a change in accounting principle to comply with a new accounting principle or a justifiable voluntary change from one GAAP to another. **Institutions must ensure controls are in place to avoid material misstatements and/or misclassifications in the attachments and other financial information submitted to DOA.**
- 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. An integral part of the financial and administrative management standards include "substantial compliance with all financial reporting standards approved by the State Comptroller." **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 2017 and thereafter:
  - **GASBS No. 73**, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68\**,
  - **GASBS No. 74**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*,
  - **GASBS No. 77**, *Tax Abatement Disclosures*,
  - **GASBS No. 78**, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*,
  - **GASBS No. 79**, *Certain External Investment Pools and Pool Participants\**, and
  - **GASBS No. 80**, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*.

Note\*: Portions of **GASBS No. 73** and **GASBS No. 79** were effective starting in fiscal year 2016.

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- 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](mailto:finrept-HE@doa.virginia.gov). Institutions must copy the Auditor of Public Accounts (APA) on e-mail submissions to: [APAFinRept@apa.virginia.gov](mailto: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 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.**
- For attachment # and due date changes refer to the Comptroller's Directive No. 2-17, Directive Compliance Guidelines for Higher Education Institutions.

**Prior Year Separate Communications Regarding Various Topics:**

In the prior year, separate communications were sent to provide guidance on the topics listed below. Guidance regarding these topics has been included in the instructions to the Attachment HE-8 and the Attachment HE-10 rather than providing guidance in separate communications for FY 2017.

- Estimated interest/rebates & fund 0322 GLA 101 balances (sent 8-5-16),
- Central Capital Planning Fund (sent 8-8-16),
- Attachment HE-8 TAB 2 transfers (sent 8-15-16),
- CARS Funds 0100/0965 & GLA 101 offset to GLA 510 (sent 8-15-16),
- eVA sole source procurement rebates (sent 8-22-16), and
- Attachment HE-10 (sent 9/15/16) (Since the Attachment HE-10's Checklist tab Items 1 to 5 are to confirm agreement of certain amounts to the Attachments HE-3, HE-8, and HE-9, this separate communication is not needed.)

Last year a separate communication was sent to institutions that use CIPPS regarding Plan 1 and Plan 2 ORP information (Optional Retirement Plan Costs – FY 2016 sent 7/29/16). If institutions that use CIPPS would like this information for FY 2017, send an email request to [pavroll@doa.virginia.gov](mailto:pavroll@doa.virginia.gov).

**All Attachments and Supplemental Items 7a and 7b**

**Institution Number-Institution Acronym:** Institution number-institution acronym has been added in the first row of each attachment. The institution should select the applicable institution number-institution acronym from the drop-down list and the institution name will automatically

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populate. This change was not made to the Attachment HE-7 because a row for institution number was already included in the files.

**Answer Required:** To facilitate completion of the attachments, certain yellow input cells are prepopulated with “Answer Required” or a formula to populate “Answer Required” or “N/A” based on answers to prior questions. The “Answer Required” messages must be cleared before submission. If you cannot determine why there is an “Answer Required” message in a cell, contact DOA.

**Certification Tabs:** Certification tabs have been revised to include questions regarding completeness, reasonableness, and accuracy. All preparers must certify that all questions have been completed and are accurate by typing their name and checking the applicable boxes. All reviewers must certify that the attachment has been reviewed and is complete and accurate by typing their name and checking the applicable boxes.

**Summary of Attachment Changes:** A summary of attachment changes can be found in this document rather than in the instructions to the individual attachments.

**Changes to Attachment HE-10, Financial Statement Template:**

**Overall Changes:**

**Derivative instruments reported by Foundations (excludes HEI):** Revised guidance is included in the instructions to the Attachment HE-10 regarding interest rate swaps reported by foundations. For consistency in the CAFR, interest rate swaps in a negative position should be reported for foundations on the Attachment HE-10’s Combining FST as “Other Liabilities” rather than “Long-Term Liabilities – Other.” In addition, the negative or positive changes in fair value should be reported on the “Investment Earnings” Combining FST line item.

Below are some additional changes to Attachment HE-10 tabs:

**FST and Other Applicable Tabs for HEI:** Reduced the restricted net position nonexpendable and expendable detail categories from seven and eleven categories, respectively, to the following two categories:

- Restricted for: Nonexpendable: HEI
- Restricted for: Expendable: HEI

**FST and Other Applicable Tabs for Foundations:** Renamed the restricted net position nonexpendable and expendable categories from Permanently Restricted and Temporarily Restricted, respectively, to the following two categories:

- Restricted for: Nonexpendable: Foundation(s)
- Restricted for: Expendable: Foundation(s)

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**FST and Other Applicable Tabs for HEI:** Renamed the following two transfer line items to the line items listed below: E&G Transfers (GLAs 969/970) and General Fund Transfers (GLAs 996/997):

- E&G Transfers
- E&G Reversions

Renamed the Nongeneral Fund Transfers (GLAs 982/983) line item to the following:

- Payments to Treas. Bd – VCBA 21<sup>st</sup> Cent. & Eq. Pgms.

This line item should only include payments to the Treasury Board for a portion of the debt service costs on VCBA 21<sup>st</sup> Century and Equipment Programs as required by the Appropriation Act.

Removed the following transfer line items: Gen./Nongen. Fund Transfers (GLAs 984/985) and Appropriation Act Part 3 Transfers (GLAs 986/987). Refer to the instructions to the Attachment HE-8 regarding transfers. Institutions should determine the appropriate classification of these transfers.

**FST tab for HEI & Foundations:** Revised the scopes for the fluctuation analysis to provide explanations for the following:

- Increases or decreases greater than \$3.9 million and 10 percent, or
- Increases or decreases greater than \$15.6 million, regardless of percentage change.

**Checklist tab:** Reduced Checklist from 37 questions to 13 questions.

**TAB 1A, GASBS 3, for HEI:** Changed Part 1 to reflect Cardinal account 101010 in total less Cardinal funds 01000, 03220, and 09650 and added guidance for consistent CAFR reporting.

**TAB 3, Capital Assets, for HEI:** Removed the Part 3 questions regarding works of art/historical treasures.

**TAB 5, LT Liabilities, for HEI:** Removed the Part 3a question regarding subleases.

**TAB 6, Commitments, for HEI:** Removed the Part 3a question regarding subleases.

**TAB 7, Miscellaneous, for HEI:**

- Removed the following: Part 4 regarding GASBS No. 62, Part 9 regarding Flow Assumption for Restricted Resources, Part 19 regarding GASBS No. 58, Part 20 regarding GASBS No. 65, and Part 26 regarding GASBS No. 52.
- Revised Part 16 (formerly Part 18) regarding GASBS No. 53, Accounting and Financial Reporting for Derivative Instruments, to only have one question. In addition, Supplemental Item 7b must be completed if the HEI has derivative instrument activity/balances during FY 2017 and/or as of June 30, 2017.

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- Revised Part 22 (formerly Part 27) regarding GASBS No. 72, Fair Value Measurement and Application, to only ask for information regarding fair value items that will not be reported on the Attachment HE-11, and additional questions regarding change in valuation techniques and recurring and nonrecurring measurements.
- Added Part 23 to indicate if demand bonds and callable bonds because of debt violations are properly reported on the financial statement template.

**TAB F1, Cash, Cash Eqv &Inv, for Foundations:** Removed Part 1a regarding the definition of cash equivalents.

**TAB F5, LT Liabilities, for Foundations:** Revised Parts 2a and 2b regarding demand bonds and callable bonds because of debt violations.

**TAB F5.1, LT Liabilities, for Foundations:** Added a space in Part 3b to provide the other types of capital assets acquired with a capital lease, if any.

**TAB F7, Miscellaneous, for Foundations:** Removed Part 9 regarding intangible assets and Part 10 regarding derivative instruments.

**Foundation-Assets, Foundations-Liabilities, Foundations-Net Position, and Foundations-Rev, Exp, and Chgs tabs:** Added formulas to display an “Error” message if a column total does not agree to the applicable Combining FST column.

**Changes to Other Attachments:**

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

**Attachment HE-1, Attachments and Survey:**

**TAB 1, Attachments:**

- Added question 4a regarding GASBS No. 80.
- Added question 7 to verify the Cardinal business units that will be included in the Attachment HE-10, Financial Statement Template.

**TAB 2, Survey:**

- Deleted Part 2 regarding GASBS No. 72 since this is the second year of implementation.

**HEI Cardinal Business Units:**

- Added tab with Cardinal business units and names.

**Attachment HE-3, Beginning Net Position Reconciliation, TAB 2, Foundations:** Added Part 2a regarding the beginning net position amount to be reported on the Elimination Entries to FST tab in the current year’s Attachment HE-10.

**Attachment HE-4, On-Behalf Payments:** Removed Part 2 regarding reasonableness due to the Certification tab revisions.

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**Attachment HE-5, GASBS No. 14 Checklist Modified to Reflect GASBS Nos. 39, 61, and 80**: Renumbered (formerly Attachment HE-6) and renamed this attachment. In addition, the section J, Component Unit Presentation, includes an additional blended component unit criterion based on the implementation of GASBS No. 80.

**Attachment HE-6, Optional Retirement Plans**: Renumbered this attachment (formerly Attachment HE-5) and the due date is later (August 15). Removed Part 4 regarding reasonableness due to the Certification tab revisions.

**Attachment HE-7, Federal Schedules**:

- On the **Questionnaire**, a question was added to determine whether other identifying numbers assigned by the pass-through entity have been provided on the **DISBURSED TO NONSTATE** and/or **RECEIVED FROM NONSTATE** tabs of the Federal Schedules template.
- On the **Certification** tab, an “Answer required” question was added to ensure the applicable other identifying numbers have been provided.
- A new column has been added to the **DISBURSED TO NONSTATE AND RECEIVED FROM NONSTATE** tabs. Institutions should report any other identifying numbers assigned by the pass-through entity in this column. If there are multiple other identifying numbers, please report each number in this column. Do not use this column to report identifying numbers assigned by the federal grantor agency. Institutions must contact pass-through entities prior to leaving these columns blank.
- If an unknown CFDA number is used, you must provide a program name and an identifying number associated with the grant. You will be contacted by DOA if an identifier is not supplied.
- Please ensure pass-through amounts reported on the SEFA and **RECEIVED FROM NONSTATE** tabs do not exceed the total direct and/or indirect amounts reported by CFDA number. Amounts provided to subrecipients are now reported on the face of the Final SEFA schedule and pass-through amounts cannot exceed the total of direct and indirect expenditures reported. DOA will contact you if the pass-through amounts exceed the total of direct and indirect costs.

**Attachment HE-8, Appropriation Available and Appropriation Revenue**: Revised to include information regarding the Central Capital Planning Fund (Fund 09650) and changes in transfer line items.

**Attachment HE-9, Treasury's Reimbursement Programs**: Removed Part 1a regarding reimbursements to the Central Capital Planning Fund (fund 09650).

**Attachment HE-10a, GASBS No. 68 Entries**: Revised Part 2 Ending Net Position FST Line Item categories to reflect the Attachment HE-10 FST line item changes. Removed Part 3 regarding the Schedule of Changes in Long-Term Liabilities for Net Pension Liability since this information will be reflected in the Attachment HE-10 TAB 5 Part 1.

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**Attachment HE-11, Schedule of Cash, Cash Equivalents, and Investments as of June 30:**

Below are some changes to this attachment:

- **Detail** tab: Part 3 was expanded to include a new sub-question Part 3b related to investment derivative instruments. Part 9a and Part 9c were revised to obtain certain information in accordance with GASBS No. 72. Prior year Part 10 and Part 11 have been deleted.
- **Cash Equiv. & Inv. Not w Tr** tab: A new debt investment type category "Supranational and Non-U.S. Government Bonds and Notes" was added to allow institutions to classify debt investment holdings of supranational or non-U.S. government entities. A new column was added to ensure both Rating Agency and Credit Rating columns are completed as applicable.
- **Foreign Currency** tab: A new question was added to obtain information related to foreign deposit or investment policy in accordance with GASBS No. 40.
- **Recordation** tab: New questions Part 1g and Part 1h were added related to investments that are reported at other than fair value.

**Attachment HE-12, Adjustments:** Revised Part 1 to reflect the change in Attachment HE-5 and HE-6 numbers. Revised Part 3 to have a separate question to indicate if the institution identified any required changes to supplemental information and/or other information requested by DOA (other than in an Attachment) subsequent to DOA's initial acceptance.

**Changes to Supplemental Information Items:**

**Supplemental Item 7b, Derivative instruments, (HEI only):** This must be completed if the HEI had derivative instrument activity/balances during FY 2017 and/or as of June 30, 2017. In addition the following changes were made:

- Revised Part 1a investment derivative instrument – ineffective hedge into two categories to indicate when it became ineffective (i.e., during or prior to FY 2017)
- Removed the question in Part 1a regarding GASBS No. 72 implementation.
- Added Part 2 to indicate if there was a termination of hedge accounting during FY 2017.
- Added Part 3 to indicate if there was derivative instrument activity during FY 2017 not described in the other parts.
- Added tabs to update the prior year CAFR footnote for the current year.

**Supplemental Item 7d – 9d Bonds Payable (issued by Institution – Institutional Debt)**

**Information for new issues only:** If institutional debt is issued during the current year, the Offering Statement (pdf format) or link to where Offering Statement is available online if not available on EMMA's website, must accompany the HE-10 submission.

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### 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 **Learning Center** (COVLC) at <https://covlc.virginia.gov>, click on the "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 your institution COVLC site administrator, or email [doatraining@doa.virginia.gov](mailto:doatraining@doa.virginia.gov) for guidance.

Note: Some institutions are not members of the Learning Center and will be unable to access this online training. In these instances, please contact DOA. The training can be provided as a PDF document for those nonmember institutions.

### 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, CAFR Project Lead  
[Christy.Tuck@doa.virginia.gov](mailto:Christy.Tuck@doa.virginia.gov) or (804) 225-3180,
- John Sotos, Assistant Director – Financial Statements,  
[John.Sotos@doa.virginia.gov](mailto:John.Sotos@doa.virginia.gov) or (804) 225-2111, or
- Sharon Lawrence, Director of Financial Reporting,  
[Sharon.Lawrence@doa.virginia.gov](mailto: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](mailto:Penny.Williams@doa.virginia.gov) or (804) 225-3804.