FISCAL ★ FACTS

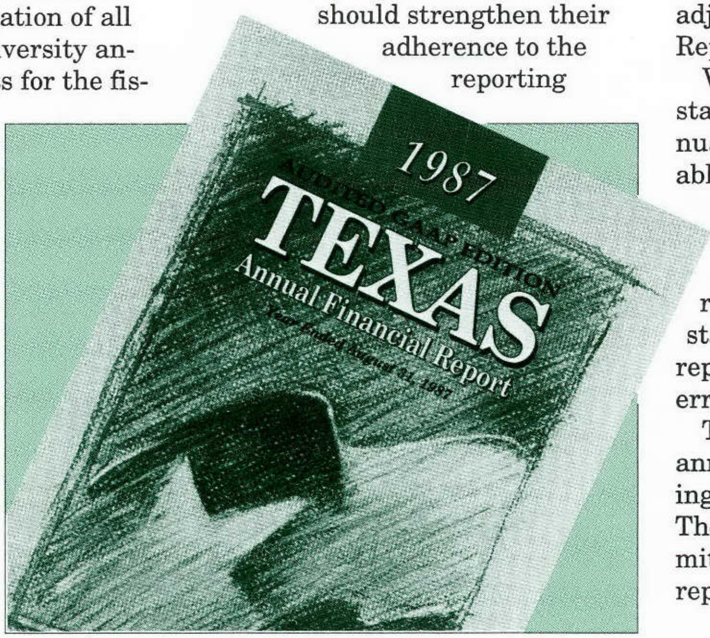
Bob Bullock, Texas Comptroller of Public Accounts *October 1988*

1987 Annual GAAP Report Audit Complete

Texas' milestone 1987 Annual Financial Report, based on Generally Accepted Accounting Principles (GAAP), accurately reflected the state's financial condition, according to the first statewide audit conducted by the State Auditor's Office.

The GAAP Report, using modified-accrual (not cash-basis) accounting, is a compilation of all state agency and university annual financial reports for the fiscal year ending August 31, 1987. It provides the most complete picture of the state's financial health ever published. Now information is available on revenue due the state not yet received, as well as debts owed by the state not yet paid, investments, claims and judgements against the state and capital lease obligations.

While the reliability of the 1987 GAAP Report was confirmed, the State Auditor's Management Letter noted, "twenty-one agencies and universities could improve their reporting process through increased attention to accuracy, consistency and completeness." The letter disclosed that "over a third of those should strengthen their adherence to the reporting requirements prescribed by the State Comptroller's Office and Generally Accepted Accounting Principles."



For example, the statewide audit revealed that some agencies had reported incorrect information to the Comptroller or had inconsistently categorized their assets and expenditures. As a result, the State Auditor made adjustments to the 1987 GAAP Report.

While the vast majority of state agency and university annual financial reports are reliable, the audit pointed out the need to make them even better in the future. Since any inaccuracy in an agency's report affects the quality of the statewide GAAP Report, each report must be free of material error.

The GAAP Report will be an annual cooperative effort involving every agency and university. The Comptroller's staff is committed to ensure timely financial reports that accurately reflect the

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Straight FACTS By Bob Bullock

When people are asked their opinion of government, their responses frequently sound irritated. It's no wonder. The public's requests for help or simple information are all too often answered with bureaucratic gobbledygook.

To make sure the Comptroller's Office is part of the solution and not part of the problem, we have published a *Texas Taxpayer Bill of Rights*.

While portions of this landmark document primarily concern the agency's tax collection activities, others are examples of simple fair play.

For example, at the top of the list is that taxpayers have a right to freedom from red tape. Another is the right to expect prompt and accurate responses to all questions and requests.

This 24-point document, the first of its kind in the nation, explains what rights taxpayers have. It is a pledge and guarantee that Comptroller employees will do their best to ensure these rights are respected.

Clear answers and plain language are at the heart of good government.

As state employees we must remember our real bosses are the people of Texas and they deserve to be treated with fairness, uniformity, courtesy and common sense. Nothing less will do.✪

Audited GAAP Report Complete

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financial condition of the state and ultimately can be certified without adjustments.

With that in mind, the Statewide Financial Reporting Section of the Comptroller's Fund Accounting Division is making every effort to assist state agencies in preparing their financial reports.

The section has revised its *Reporting Requirements for Annual Financial Reports* to make them as clear as possible. Training sessions have been provided and analysts assigned to each agency to provide individual technical assistance as needed.

For information, call the Fund Accounting Division's Financial Reporting Section at (512) 463-4992.✪

Notices to State Agencies

Following is a list of recent Notices to State Agencies from the Comptroller's Office. For further information, contact the Claims Division at (512) 463-4850, the State Government Accounting Division at (512) 322-5400 or the Fund Accounting Division at (512) 463-4992.

Notice	Division	Date
Occupation Tax on Attorneys Employed by the State	Claims	July 27, 1988
Payroll Conversion Procedures	Claims	August 1, 1988
Satisfying Tax Code Requirements for Deferred Compensation and Texa$aver—A Payroll Function	Claims	August 8, 1988
Fiscal Year 1989 Start-Up Requirements	Fund Acct.	August 19, 1988
Accounting Policy Statement No. 031—Salary Increases for Fiscal Year 1989	Fund Acct.	August 25, 1988
Duplicate Warrant Affidavit	Claims	August 29, 1988
Annual Financial Report—Agency Training	Fund Acct.	August 30, 1988
Updates to FACTS Manual of Accounts	Fund Acct.	Sept. 1, 1988
Human Resources Information System Agency Conversion Specifications	State Acct.	Sept. 12, 1988
Questionnaire–Points of Contact	Claims	Sept. 15, 1988
Reporting Requirements for Annual Financial Reports	Fund Acct.	Sept. 16, 1988
Presentation on the Uniform Statewide Accounting System Project	State Acct.	Sept. 16, 1988

Timely Cash Management Essential for Tax Deposits

State agencies should make their local bank deposits of federal Social Security taxes and income tax withholding payments on the due date—not before and not after.

While a warrant can be issued before the due date, if the payments are deposited early, the state loses interest payments. If deposited late, the Internal Revenue Service may assess penalties.

The State Auditor's Office recently completed a review of the employer taxes deposited by state agencies. The study revealed that for the months of June, July and August 1987, a minimum of $121,415 was lost in interest and a potential liability of $8,607 for IRS late payment penalties was incurred.

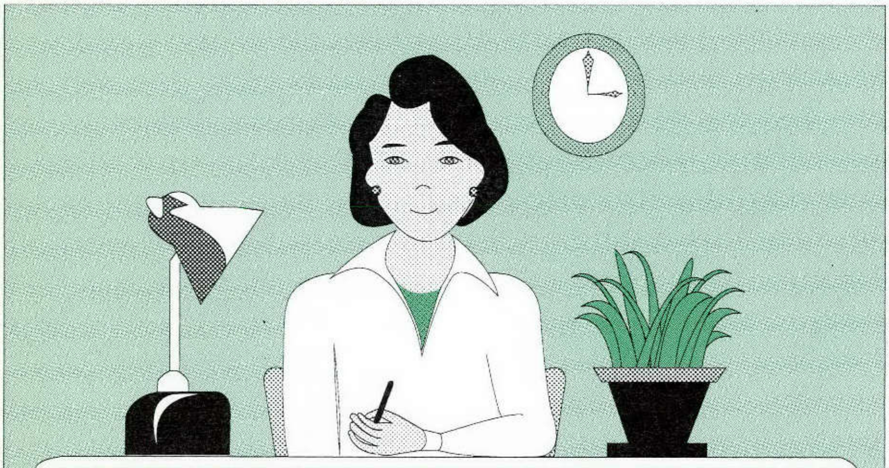
A letter to state agencies from State Treasurer Ann Richards and State Auditor Lawrence Alwin noted that projecting these test results annually shows the state could save a minimum of $520,088 a year.

To comply with federal law, the 1987 Legislature passed S.B. 149, requiring state agencies to deposit Social Security taxes in financial institutions on the same schedule as federal income tax withholding.

For income tax withholding purposes, federal law has divided each month into eight monthly tax periods ending on the 3rd, 7th, 11th, 15th, 19th, 22nd, 25th and the last day of the month.

Agencies are required to make their withholding deposits within three banking days after each deposit period ends. For example, for a payroll warrant dated the first day of the month, the deposit period closes on the third. The bank deposit must be made within three banking days after the third of the month.

Since January 1, 1987, state agencies have had a transition period during which the prescribed deposit dates for Social Security taxes have varied. But beginning on October 1, 1988, Social Security tax deposits also must be made within three banking days after each deposit period ends.✪



Personnel System Requires Agency Info

The Human Resources Information System (HRIS) staff of the Comptroller's Statewide Accounting Division sent *Agency Conversion Specifications* on September 12, 1988, to the Personnel and Data Processing sections of all state agencies. The publication explains the information that agencies must submit to the Comptroller to implement the new statewide personnel system.

If the specifications have not arrived, contact Mariano Camarillo in the Statewide Accounting Division at (512) 322-5195.

REPLAYS... Out-Of-State Travel Schedule Lists Reimbursements

When state employees travel outside Texas on official business, meals and lodging reimbursements are based on allowances set out in the *Federal Travel Regulations*.

The Comptroller provides the latest federal meals and lodging schedule to state agencies after it is adopted by the federal government. It lists local reimbursement rates for key cities and surrounding counties all across the country.

If employees travel to a city not specified, they should check the county in which the city is located because they will be eligible for reimbursement at the county rate.

If neither the city nor the county is listed, the meals and lodging allowance will be based on the lowest rate set for the state to which employees traveled.

To expedite reimbursement, employees should always note the city and county on their travel vouchers.

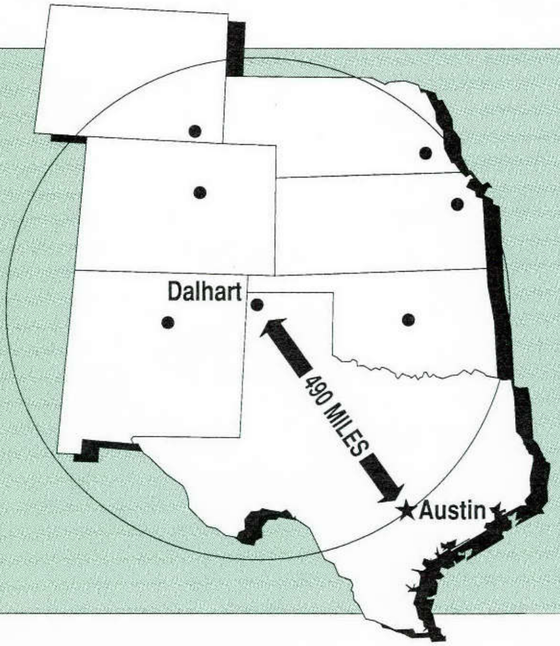
Out-of-state travel reimbursement rates are not per diem rates but only the maximums established for a specific geographical area. All reimbursements are based on the actual expenses but they cannot exceed the schedule's rates. For example, if the meal allowance for travel to a city is $33 and the employee spends $22, the claim is limited to the amount spent, not the $33 maximum in the schedule.

Employees can claim a lodging reimbursement greater than the schedule's rate if the claim for meals is reduced by the amount requested for lodging.

For example, the reimbursement rate to an area may be $90 ($57 for lodging; $33 for meals). If the lowest available lodging for a trip is $65, the employee may claim this amount if the meal claim is not more than $25.

These rates apply only to travel within the continental U.S. But if an agency head gives written approval, employees traveling to Alaska, Hawaii, Canada, Mexico or any U.S. possession may be reimbursed for actual meals and lodging costs. If approval is withheld, a maximum of $15 for meals and $55 for lodging applies.

Lodging receipts are required for out-of-state travel.✪



Miles and Miles To Dalhart

Compared to most other states, state agencies in Texas have to go to greater lengths to serve the public. For example, the city of Dalhart in the northwest corner of the Texas Panhandle is closer to the capitals of New Mexico, Colorado, Wyoming, Oklahoma, Kansas and Nebraska than to Austin.✪

Statewide Accounting Update

After more than a year's research and investigation, the Comptroller of Public Accounts, at the direction of the 1987 Legislature, has completed a comprehensive plan for implementing an automated Uniform Statewide Accounting System (USAS) for all state agencies, including institutions of higher education.

USAS will integrate the state's accounting, reporting, budgeting and program cost/performance measurement systems into a new centralized financial network. This new organization will provide the state's decision makers accurate, consistent and up-to-date financial management information.

The Comptroller's preliminary cost-benefit analysis estimates the total net benefit of the new system will reach nearly $26 million by fiscal year 1995.

Part of the benefits can be attributed to improved efficiency. For example, USAS will reduce the cost of issuing state checks. Under the current system, it is not uncommon for a vendor to get more than one check from the state on the same day, even from the same agency.

USAS will allow these checks to be combined. A 10 percent reduction in the number of checks written is expected. And since Texas issues more than seven million checks annually, a reduction of 70,000 will save about $1 million in processing and postage costs each year.

Increased efficiency in reporting, spending, voucher processing, auditing and financial management also will be possible.

If approved and funded by the 1989 Legislature, USAS implementation is projected to begin September 1, 1989, with conversion at the agency level to occur in September 1991, to coincide with the start of the fiscal year.✪

Q&A... *Two Percent Salary Hike*

Q. How and when should agencies transfer spending authority for the two percent employee salary increase from the Comptroller to their own payroll appropriations?

A. Accounting Policy Statement 031, issued August 24, 1988, contains the dates and procedures for transferring authority. The first transfer should be made February 1, 1989.

Q. Why isn't authority transferred earlier?

A. Most agencies will not need transfers earlier since they have sufficient authority to pay salary increases for at least six months. And since the first transfer is based on estimated fiscal 1989 salaries, by February 1, 1989, agencies will have had enough time to accurately predict their ultimate payroll needs.

Q. What if agencies need authority before February to meet their payrolls?

A. They should contact their Appropriation Control Officer in the Fund Accounting Division at (512) 463-4992 or STS 255-4992.

Q. When are final transfer adjustments due to the Comptroller?

A. November 1, 1989, is the deadline for submitting final adjustments to the Fund Accounting Division.✪

HOW TO... Choose a Supplemental Retirement Plan

Besides the state's mandatory employee pension plan administered by the Employees Retirement System of Texas, the state offers its employees two voluntary supplemental retirement plans: (1) the State of Texas Deferred Compensation Plan (DCP) and (2) Texa$aver, a 401(k) plan.

The Comptroller administers both programs which offer immediate tax deferral on all employee contributions and allow state workers to accumulate retirement income by payroll deduction.

Each state agency has designated a DCP administrator who can provide plan literature, enrollment forms and a list of approved companies from which employees can choose. The administrator usually can be found in either the personnel or payroll office.

The Holden Group is under contract with the Comptroller's Office to assist and enroll state employees in Texa$aver. Information can be obtained by contacting Holden's Austin office at 1-800-634-5091 or (512) 477-3010.

How do employees decide which plan is best for them? It depends on their own personal and financial circumstances.

How much do they want to contribute? How much time can they spend researching investments? How much access to the money do they need while still working? How near to retirement are they? Are they interested in special tax treatment at retirement? The answers to these questions have a major impact on employees' choices.

If employees want their money in a financial institution or insurance company with which they have previously done business, the DCP might be best because they can choose from more than 150 companies.

Or if employees are interested in a tax-free rollover to an Individual Retirement Account or would benefit from five-year forward averaging at retirement, they may want to consider the Texa$aver 401(k) plan.

If employees want the greatest possible access to their money while they are still employed, they may want to look at the Texa$aver 401(k) plan which has a loan provision and allows withdrawals after employees reach 59 and one-half.

Or if employees started saving for retirement late in their careers, they may be interested in the Deferred Compensation Plan, the only plan that allows members to defer up to a total of $45,000 the last three years before retirement.

Both supplemental plans should be considered because each offers distinct advantages.

If further information is required, call Deborah Powers, the Comptroller's Plan Administrator at any of the following numbers: 1-800-531-5441, Extension 3-4939; (512) 463-4939; or STS 255-4939.✪

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