



2020 Tennessee Emergency Number Association Conference

# Financial Updates

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# TOPICS

- 2020 TECB and ECD Status
- Change Alerts
- 2020 Chart of Accounts
- Best Practices

# 2020 TECB and ECD Status

As of July 31, 2020

**FY2020 TECB Revenue: \$110m**

**FY2020 payments to ECDs:**

- Section 303 Base amount - \$82m
- Section 130 revenue distribution - \$4m
- Controller Subsidy distribution - \$3m
- ANI/ALI lines and other - \$.1m
- **TOTAL** Payments to ECDs - \$89m

# 2020 TECB and ECD Status

## FY2020 TECB other expenses:

- NG911 support & Implementation - \$10.2m
- TRA TRS/TDAP - \$1.3m
- Administration - \$3.7m

**TOTAL TECB Expenditures – \$105m**

Percentage paid to ECDs	<u>85%</u>
Percentage for Administration	<u>3.5%</u>
Percentage for NG911	<u>9.7%</u>
Percentage for TRA/TDAP	<u>1.2%</u>

# 2020 TECB and ECD Status

## Changes in net Position from FY2019 Audits

- 9 districts had a first year of negative change in net position
- 5 districts had a second consecutive year of negative change in net position
- 3 districts had three years of negative change, but all have depreciation expense greater than the negative change
- 1 district had a fourth consecutive year of negative change

# 2020 TECB and ECD Status

- On August 15, 2020 due date, 75 ECDs had FY2021 budgets filed with TECB. 96 were on file 9/1
- As of August 15, twenty-two (22) districts are fully on-line for CHaaS with a total of 127 CTPs
- In FY2019 the average expenditure by ECDs for each person on the 2010 census per month was \$1.54

# Change Alerts

## Operating Revenues:

GASB standards have redefined revenue from operations as the income generated from daily core business operations. The new chart of accounts provides these revenue codes.

- TCA Section 7-86-303 Receipts
- TCA Section 7-86-130 Receipts
- Local Government Contracts
- Contracted Services
- Sales & Fees

# Change Alerts

## **Non-operating Revenues:**

Non-operating income is the portion of an ECD's income that is derived from activities not related to its core business operations and includes:

- Subsidies - defined as resources provided by another to keep rates lower than otherwise would be necessary for the level of goods and services to be provided
- Revenues and expenses related to financing
- Resources from the disposal of capital assets
- Investment income and expenses

# Change Alerts

## LEASE ACCOUNTABILITY

Major changes in determining cost of leases as assets or expenditures. Sample worksheet attached to apply to every item being leased. Considerations include:

1. Agreement and effective date
2. Control of the right to obtain the present service capacity from use of the asset and control of the right to determine the nature and manner of use of the asset
3. Lease term greater than 12 months, including extension options
4. Exchange values
5. Termination options

# Change Alerts

## BUDGET COMPARISON SCHEDULES

A new GASB requirement for audits is that two different budget comparison schedules are to be presented.

1. One schedule to compare the original approved budget to final actual expenditures (*the one currently required*)
2. Another schedule to compare the final **amended** budget to final actual expenditures

# Change Alerts

## **FRAUD, WASTE AND ABUSE**

Auditors are not required to perform specific procedures to detect waste or abuse in financial audits or performance audits, **HOWEVER**, auditors should report known or likely fraud directly to appropriate parties inside and outside the audited entity if they become aware of them

Auditor considerations related to waste and abuse are intended to be consistent

Evaluating internal control in a government environment may include consideration of internal control deficiencies that result in waste or abuse

# Change Alerts

## **FRAUD, WASTE AND ABUSE**

**FRAUD** Involves obtaining something of value through willful misrepresentation

Whether an act is, in fact, fraud is determined through the judicial or other adjudicative system and is beyond an auditors' professional responsibility

Examples of Fraud:

- Receiving mileage reimbursement for a trip not made
- Receiving an advance payment for a trip and not returning unused funds
- Making a purchase for personal use
- Receiving pay or overtime pay for hours not worked

# Change Alerts

## FRAUD, WASTE AND ABUSE

**WASTE** is the act of using or expending resources carelessly, extravagantly, or to no purpose

Waste can include activities that do not include abuse and does not necessarily involve a violation of law

Examples of waste:

- Making travel choices that are contrary to existing travel policies or are unnecessarily extravagant or expensive
- Making procurement or vendor selections for district use that are contrary to existing policies or are unnecessarily extravagant or expensive

# Change Alerts

## **FRAUD, WASTE AND ABUSE**

**ABUSE** is behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary business practice given the facts and circumstances, but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements

Examples of abuse:

- Creating unneeded overtime
- Supervisor requesting staff to perform personal errands
- Misusing office position for personal gain

# Change Alerts

## **FRAUD, WASTE AND ABUSE**

Blurred lines exist. The following are not necessarily fraud, waste, or abuse, but could be, depending on personal gain, willful misrepresentation, unnecessary extravagance, imprudent behavior, etc.:

- when funds go to the wrong recipient
- when a recipient receives an incorrect amount of funds
- when documentation is not available to support a payment
- when the recipient uses funds in an improper manner

“Materiality” in determining fraud, waste, or abuse has a different meaning to taxpayers who don’t really differentiate between “fraud, waste, or abuse” and mismanagement

# Change Alerts

## **P Cards (Purchasing/Credit Cards)**

- P-Card programs are expanding because they:
  - Promote efficiency in purchasing process
  - Reduce cost
  - Can provide rebates and save money
- Are difficult to monitor and control
- Review & monitoring resources may be lacking
- Promote Fraud, Waste, & Abuse opportunities

Appropriate use policies and internal controls must be adopted

- to restrict access
- to be used for authorized purchases by authorized individuals
- to provide for adequate documentation and monitoring

# Change Alerts

## P Cards (Purchasing Cards)

Testing and analysis of P Card activity should include:

- Identification of unusual activity or types of purchase
- Identification of over/underutilization
- Identification of opportunities to circumvent purchasing rules
- Identification of split purchases to avoid limits
- Identification of days and times when purchases are made
- Identification of potential budget abuse
- Purchases made when Cardholder is not working
- Analysis on fuel purchases
- Usage by Cardholder
- Vendors used and Vendor locations
- Monthly, quarterly, and yearly comparisons of use

# Change Alerts

## P Cards (Purchasing/Credit Cards)

To paraphrase the MODEL FINANCIAL POLICY FOR SCHOOL SUPPORT ORGANIZATIONS procedures manual, Item #6, page 9, disbursements can be made by any legal method (e.g., issuance of an official prenumbered check, debit card, credit card, PayPal type accounts, wire transfers, ACH type transactions, etc.) **over which adequate internal controls can be established.**

A credit card use policy must be established and use of these accounts must be authorized by the officers and/or board of directors on an annual basis.

# 2020 CHART OF ACCOUNTS

## 2020 CHART OF ACCOUNTS AND BEST PRACTICES

At its August 7, 2019 meeting, TECB authorized presentation of a revised chart of accounts and best practices model to the Comptroller's Office and negotiation of changes on behalf of the board

On April 30, 2020 the Comptroller's Office released a new chart of accounts to be effective July 1, 2020. Revised budget forms and budget conversion forms were placed on the TECB website for ECD use

You are required to use the new chart of accounts to record transactions beginning on July 1, 2020

# 2020 CHART OF ACCOUNTS

## 2020 CHART OF ACCOUNTS AND BEST PRACTICES

The revised chart of accounts will more logically identify and allow collection of costs in line with ECD operations. The emphasis is switched **from who** is getting paid **to what** is being purchased

A big difference in the new chart of accounts is that the same title of cost category may be in two different major activities. For instance, training and travel may be either administrative or operational. You have the choice to identify costs specific to each code, or record all the training and travel costs in the code which receives the major benefit of the cost.

# 2020 CHART OF ACCOUNTS

## SUB-ACCOUNTS

The new chart of accounts is basic. If you need more detailed codes to collect specific transaction data, you may use sub-accounts that will roll up into the basic data fields. Some examples follow, but use any numbering system that would allow your accounting software to accumulate the cost into the basic account code.

*Sub-account code use suggestion – once a sub-account number is established, use the same sub-account code for the same cost, everywhere. Set up a chart assigning a number to each cost category. Different sub-account charts for revenue, payroll, and operating expenditures could be developed.*

# 2020 CHART OF ACCOUNTS

## SUB-ACCOUNTS

### Revenue Sub-accounts Example

3060 Local Government Contracts

3060.1 – Fictitious County

3060.2 – Fictitious City Number One

3070 Contracted Services

3070.1 – XYZ Ambulance Service

3070.2 – ABC Ambulance Service

3080 Sales & Fees

3080.1 – Map Sales

3080.2 – Addressing Permits

3080.3 – 911 Recordings/Tapes



# 2020 CHART OF ACCOUNTS

## SUB-ACCOUNTS

### Payroll Sub-accounts Examples

- |                        |                        |
|------------------------|------------------------|
| .1 = Parttime          | .12 = Holiday Pay      |
| .2 = Regular Overtime  | .13 = Vacation Pay     |
| .3 = Premium Overtime  | .14 = Sick Pay         |
| .4 = Janitor/Custodian | .21 – Life Insurance   |
| .5 = Maintenance Staff | .22 – Dental Insurance |
| .10 = Longevity Pay    | .23 – Vision Insurance |
| .11 = Bonus Pay        |                        |

*Note: Separate sub-account codes could be listed under other titles, like Assistant Director or IT Personnel. It just depends on how much detail you wish to collect and track.*

# 2020 CHART OF ACCOUNTS

## SUB-ACCOUNTS

### Payroll Sub-accounts Examples

4004 Telecommunicators

4004.1 – Parttime

4004.2 - Regular Overtime

4004.3 – Premium Overtime

4007 Other Salaries & Wages

4007.1 – Parttime

4007.2 - Regular Overtime

4007.3 – Premium Overtime

4007.4 – Janitor/Custodian

4007.5 – Maintenance Staff



# 2020 CHART OF ACCOUNTS

## SUB-ACCOUNTS

### Payroll Sub-accounts Examples

4013 Compensated Absences

4013.10 – Longevity Pay

4013.11 – Bonus Pay

4013.12 – Holiday Pay

4013.13 – Vacation Pay

4013.14 – Sick Pay

### Payroll Sub-accounts - Benefits Examples

4106 Other Insurance

4106.21 – Life Insurance

4106.22 – Dental Insurance

4106.23 – Vision Insurance

# BEST PRACTICES

Best Practices are recommended uses for recording transactions in the ECD chart of accounts to:

- provide guidance in posting transactions
- provide consistency for comparisons of cost among districts

The Best Practices document is basic and cannot be definitive for every transaction for every ECD

*Adjustments, clarifications, and examples are added as issues arise and updated versions are posted on TECB website. If you have trouble finding an appropriate code, please contact TECB to agree on an appropriate coding location and to be shared with others, if needed.*

# BEST PRACTICES

Some basic changes are:

1. Overtime and parttime costs are no longer tracked as separate costs, but should be included as costs of the payroll for the job function incurring the cost by use of sub-accounts or congregated in 4007 – Other Salaries & Wages.
2. Travel, training, insurance, non-capitalized equipment, software, vehicles, supplies and many other costs are separated into Administrative, Building & Facilities, & Operations major activities.
3. Some minor cost categories, like postage, janitorial supplies, pest control contracts, and bank fees have been moved into purpose related cost codes.

# BEST PRACTICES

## Simple Financial Statement

In an effort to streamline ECD board meetings and financial updates, a concept from Frank Crawford, CPA, training was used to develop a simple financial statement form (attached) which summarizes a district's financial status with little direct input. This form should provide a quick synopsis of the ECD's status for your board and summarize the financial statements. To generate the synopsis, you need only enter highlighted summary numbers for:

1. The year-to-date month (1 to 12)
2. Beginning Cash and Cash Equivalents
3. Budget and Actual Revenues, Expenditures, Depreciation, and Adjustments

# Contact

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## Websites

**TECB Home Page:** <http://tn.gov/commerce/section/e911>

**TECB Chart of Accounts and Best Practices:**

<https://www.tn.gov/commerce/e911/district-resources/e911-management-information.html>

**Comptroller ECD Accounting and Financial Reporting, Audit, and Internal Control Manuals:**

<https://www.comptroller.tn.gov/office-functions/la/resources/manuals.html>

**Comptroller Investment criteria:**

<https://comptroller.tn.gov/office-functions/state-and-local-finance/local-government/investments/municipalities.html>

