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What we can do together

Heinfeld, Meech & Co., P.C. is an Arizona based CPA firm who specializes in governmental accounting and auditing. We are recognized leaders in this field and are active members of GFOA and the AICPA's Governmental Audit Quality Center.

Nationally recognized in the "Best Small Companies to Work for in America" list, our core purpose is to be the best at everything we do. Since we opened our firm in 1986, providing quality service to governmental and non-profit clients has been our primary objective.

Our dedicated top-quality talent and substantial resources ensure that we stay abreast of emerging issues to serve our clients better. We remain dedicated to our Firm philosophy of "clients first."

Imagine What We Can Do Together is a quick-read digest of information that brings valuable news to you and your organization. If at any time you would like additional information, please contact us to discuss your questions.

For more about Heinfeld, Meech & Co., P.C., please visit our web site at www.heinfeldmeech.com.



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Preparing the Schedule of Expenditures of Federal Awards (SEFA)

By Cherie R. Roberts, CPA, Partner

In our [September 2008 newsletter](#), we talked about the criteria for determining whether your municipality is subject to a Single Audit. If a Single Audit is required, a Schedule of Expenditures of Federal Awards (SEFA) must be prepared. In some cases, the auditors may prepare the SEFA on behalf of the entity; however, the proper preparation of this schedule is always the responsibility of the auditee. In this issue, we will discuss the required components of the SEFA and some of the hurdles to getting the correct information.

The basic requirements include the following:

- The SEFA must be prepared for the same period as the financial statements.
- Each individual Federal program must be grouped by Federal agency.
- Within each Federal agency grouping, each program must be identified as either directly funded by the Federal agency or passed-through other entities.
- For pass-through grants, the name of the pass-through entity must be identified.

- The Catalog of Federal Domestic Assistance (CFDA) number must be listed.
- Notes that describe the significant accounting policies used in preparing the schedule must be included.

A *pass-through entity* is a non-Federal entity that provides a Federal award to a subrecipient to carry out a Federal program. A *subrecipient* is a non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program but does not include an individual who is a beneficiary of the program.

The *CFDA* is an annual publication of all Federal programs and is available online at www.cfda.gov.

(Continued on page 2)

August 2009

Role of Member Contributions in the ASRS	3
Record Retention Issues for Accounts Payable	4
AICPA Online Resources for Governmental Accounting.	4
Creating Work/Life Balance ..	5
HMU Workshops.....	5

Preparing the SEFA (Cont'd from page 1)

Please be aware that the CFDA number is not same as the contract number. The contract number is specific to the contract while the CFDA number identifies the Federal program. The CFDA number is usually formatted as XX.XXX.

When determining the CFDA number for a particular program, the CFDA may not be the easiest place to start. When looking up programs in the CFDA, there can be many obstacles in finding the right program. There are thousands of programs and frequently you will find several programs that may be very similar yet have different CFDA numbers. For instance, type in CDBG in the search box, and eleven programs pop up. Issues can also arise when searching for pass-through programs because the name of the program as you know it may not be the official program name listed in the CFDA.

When identifying CFDA numbers, the easiest place to start is the grant/program documents. It is quite common for the CFDA number to be disclosed. If the CFDA number is not in the grant/program documents, you may want to call the awarding agency next. Keep in mind that they may not know what a CFDA number is and you may need to explain it to them. If the CFDA number is not available, an identifying number such as contract number should be used. For pass-through programs, the contract number or other identifying number assigned by the pass-through entity must be listed in addition to the CFDA number.

It is quite common to see entities list Federal programs in order by CFDA number; however, it is not required. The only required order is that programs are grouped by Federal agency and by cluster. Some Federal programs may be part of a *cluster of programs* that share common compliance requirements. The clusters are defined by the Office of Management and Budget (OMB), and in those cases, each individual Federal program should be listed within the cluster of programs. You may wish to discuss the requirements for clusters with your auditors.

The amount expended during the fiscal year for each program should only include the Federal portion; matching amounts and/or portions paid by State grants should not be included. At times, a Federal award can be mistaken as a State grant and erroneously

excluded. It is important to determine the nature of the monies received from all sources, including funding from the County or other municipalities. The determination can be made by reviewing the grant documents or calling the awarding entity.

Some of the more complicated requirements include the following:

- Identification of amounts passed through to other subrecipients; and
- Inclusion of the value of Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end.

You may wish to discuss proper presentation of these items with your auditors. If it is the first time preparing a SEFA for your municipality, your auditors will likely provide a sample format for the SEFA and notes.

For further information regarding SEFA preparation or Single Audits, please contact Cherie Roberts at (602) 277-9449, ext 376 or Scott Kies at (602) 277-9449, ext 308. **H&M**

H&M Announcements

H&M Named to 2009 List of Best Companies to Work for in America

For the third consecutive year, our firm has been named #4 on the list of the Best Small Companies to Work for in America, a recognition by the Society for Human Resource Management and the Great Place to Work Institute, Inc.

Staff Promotions and CPA Certifications

Heinfeld, Meech & Co., P.C. extends congratulations to our staff for achieving these recent promotions: CW Payne, CPA, and Cherie R. Roberts, CPA, to Partner; Meghan Doherty, CPA, Michael Lauzon, Marydel Speidell, and Brittney Williams to Manager; Randena P. Darpli, CPA, Donna Peterson, Chulssang Ham and Christopher Heinfeld to Senior; and Melanie Askew, Belinda Castillo, Travis Zander, and Jon Beckham to Staff II.

In addition, the following staff recently received their CPA certifications: Meghan Doherty, Audit Manager, Matthew Reams, Staff Consultant II, and Joshua Jumper, Staff Auditor.

The Role of Member Contributions in the Arizona State Retirement System

By Neil S. Galassi, CPA, Audit Manager

Most governments within the State of Arizona contribute to the Arizona State Retirement system (ASRS). Those member governments will withhold a percentage portion known as the contribution from the periodic paycheck of each qualifying employee. What many may not know is exactly what happens to their contributions once received by ASRS, and what role do they play in the overall financial health of the ASRS.

Once contributions are received and processed and recorded by the Member Contributions Department, they are put into the Master Cash Pool of the ASRS for subsequent investment consistent with the established investment goals of the ASRS and provisions dictated by Arizona Revised Statutes. The statutes authorize the ASRS to make investments in accordance with the "Prudent Expert" rule. Section 38-719 (B) of the Arizona Revised Statutes interprets the rule to be that investment management shall discharge the duties of their position with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting in enterprise of a like character and with like aims as that of the system, subject to certain statutory limitations and restrictions.

Those restrictions mandate an asset portfolio of the following composition:


- No more than 80% of ASRS' total assets may be invested at any given time in corporate stocks or equity equivalents;
- No more than 5% of the ASRS' assets may be invested in securities issued by any one institution, agency or corporation;
- No more than 5% of the voting stock of any one corporation may be owned;
- No more than 20% of the ASRS' assets may be invested in foreign equity securities, and those investments shall be made only by investment managers with demonstrated expertise in such investments;
- No more than 10% of the ASRS' assets may be invested in bonds or other evidences of indebtedness of those multinational development banks in which the United States is a member nation; and
- No more than 1% of ASRS' assets may be invested in economic development projects authorized as eligible for such investment by the Arizona State Department of Commerce.

Aside from these statutes, the ASRS has instituted certain investment goals as a part of their strategic plan over investments. These goals dictate the ASRS will strive to:

- Achieve a total fund rate equal to or greater than the actuarial assumed interest rate (currently 8%);
- Achieve a total fund rate of return equal to or greater than the actuarial assumed interest rate;
- Achieve a total fund rate of return equal to or greater than the assets allocation benchmark;
- Achieve a total fund rate of return equal to or greater than the amount projected in the most recent asset allocation study;
- Achieve asset class net rates of return equal to or greater than their respective broad asset class benchmarks; Achieve portfolio-level net rates of return equal to or greater than their respective portfolio benchmarks; and
- Ensure sufficient monies are available to meet cash flow requirements for member benefits which is the predominant purpose of the ASRS.

In order to meet these goals and comply with statutes, ASRS employs an entire department of investment personnel with respective expertise in retirement system investing and portfolio segments. In addition, the work of an actuary is used to determine the appropriateness of the current portfolio balances in relation to what the ASRS will require to continue to pay benefits and remain continuously liquid. The results of the study are used in the determination of the contribution rates charged to members, which will fluctuate based on not only investment performance but on a whole range of factors to include disability rates, age of member population, mortality rates and so on.

In conclusion, the contributions by members of the ASRS are the key element in the overall financial health of the system. When the factors mentioned above dictate, this rate can be adjusted to ensure the system remains liquid and able to pay all of its future obligations to members. More information regarding ASRS investments and the actuarial process can be obtained from the ASRS' website

www.azasrs.gov. 

Record Retention Issues for Accounts Payable

By Cherie R. Roberts, CPA, Partner

According to the retention schedules published by the Records Management Division of the Arizona State Library, Archives and Public Records, accounts payable (A/P) invoices should be retained for three years after the fiscal year received. It is quite common to see our clients box together all A/P invoices for the year with one common destruction date. However, municipalities may want to reconsider this practice.

The retention schedules also state that invoices for capital assets should be retained for three years after the fiscal year in which the asset was disposed. If an asset is disposed fifteen years later and the boxes of A/P invoices were destroyed after three years, what happened to that capital asset invoice? Did someone go through the box to search for any capital asset invoices that should not have been destroyed? Typically, the answer is no.

Another exception is expenditures of bond proceeds. IRS Regulations require bond records (which includes those invoices for expenditures paid from bond proceeds) to be retained for three years after the final redemption date of the bonds.

As more and more municipalities convert to document imaging systems, the record retention requirements may be easier to follow. For those municipalities retaining hard copy files, here are a couple of suggestions:

- 1) Make copies of those invoices requiring longer retention periods, and place the copies in the A/P files. Retain the originals in separate capital asset or bond files in accordance with the required retention schedules.
- 2) Alternatively, create a list in the front of the A/P file for "missing" invoices and reference to the capital asset or bond file where the original is located.

In either case, this involves staff time to pull those invoices; however, if handled up front, compliance with retention requirements for capital asset and bond files can be much more manageable.

While bond records can simply be boxed with the appropriate destruction date, the capital asset invoices are not as straightforward. Each fiscal year, the list of disposed capital assets from three years prior should be reviewed

for invoices to be destroyed. If capital asset invoices are filed by asset number, they can be quickly pulled for destruction.

For questions or assistance with record retention procedures, please contact Cherie Roberts at (602) 277-9449, ext 376 or cherier@heinfeldmeech.com. 

AICPA Online Resources

The AICPA's Governmental Audit Quality Center (GAQC) has many free online resources to assist with current and upcoming changes affecting governmental accounting and auditing. You can access these resources at the GAQC's website at <http://gaqc.aicpa.org/>.

Preparing for Your Single Audit: An Auditee Perspective

This archived GAQC conference call was intended to help entities better understand the requirements of the Single Audit Act and OMB Circular A-133. You can listen to (or download) a copy of this conference call at <http://gaqc.aicpa.org/Resources/Preparing+for+Your+Single+Audit+Conference+Call.htm>

The Recovery Act and Its Potential Impact on 2009 Single Audits

This archived conference call was presented by the U.S. Federal Representatives and moderated by Mary Foelster of the AICPA. Its purpose was to provide entities and auditors with a federal perspective on the Recovery Act. A copy of this call can be downloaded at <http://gaqc.aicpa.org/Resources/The+Recovery+Act+and+Its+Potential+Impact+on+2009+Single+Audits.htm>

Upcoming H&M Presentations

AICPA Governmental Accounting and Auditing Update Conference (Denver, CO)

Reporting Issues in a Single Audit

Corey Arvizu, CPA, Partner

Session #31: Sept. 22 - 2:00-3:15 pm

Miscellaneous Audit Practice Issues

Corey Arvizu, CPA, Partner

Session #17: Sept. 22 - 7:00-7:50 am

"An In-Depth Look at Single Audits"

Jennifer Shields, CPA, CGFM, Partner

Value-Added Workshop on Sept. 20 (#102 & 104)

Creating Work/Life Balance with Alternative Work Environments

By Kimberly A. Robinson, CPA, Partner

Whether you are trying to retain or attract talent, we all know that times are changing and so is the work environment. Not everyone wants or needs to work a "normal", full-time 8 to 5 job. As the working population continues to shrink, you may need to offer options beyond the one-size-fits-all approach. Changes in demographics, attitudes, and family structures are individual expectations from employers. Even the government sector may need to consider new ways to address the greater demand for alternative schedules or fewer hours.

While employers need their workforce to be efficient and effective, technology has created numerous opportunities for employees to work remotely. While not a viable option for every position, telecommuting (for all or some of the work week) has benefits for both the employer and the employee. Employees save time and money by eliminating a daily commute and can maintain a better work-life balance with more opportunities to meet personal obligations. On the other hand, employers save money by reducing on-site office space requirements, overhead costs, and employee absenteeism. Telecommuting with flexible work hours can also help employees meet conflicting needs without compromising the number of hours worked. Employees that are able to work schedules or telecommute occasionally are happier at work and home, thereby increasing staff retention rates and decreasing costs associated with replacing a trained employee.

Another retention tool to consider for valuable employees is creating positions with less than full-time work schedules. Again, this benefits both the employee who wishes to reduce work time and the employer who will not lose the time and money spent on recruiting and developing that staff member. No one wants to lose a high-performing, knowledgeable employee simply because he/she wants to work 10 less hours a week. In addition, happy workers are more efficient and increase morale. It's better to continue to retain access to the employee's knowledge and skills some of the time than none.

Remember, work/life balance initiatives can only be successful if they are embraced and supported from the top levels of the organization. Even the smallest effort in providing flexibility to your employees can demonstrate your dedication and respect. **H&M**

H&M University Workshops

Information on our workshops, including links to online registration, can be found at www.heinfeldmeech.com/hmu.

For more help, contact Susan at 520-742-2611, x107 or hmu@heinfeldmeech.com.

Monitoring Internal Controls (webinar)

Course Content: This session will discuss how monitoring is an important part to internal controls. Effective monitoring applied to the internal control process can lead to identifying and correcting internal control problems in a timely manner and make an organization more effective and efficient in the reporting process. We will also discuss the variety of monitoring procedures that an entity can perform and give examples of effective monitoring.

Date/Time: Fri., 8/21/09 – 10am to 12pm

Cost: Client - \$100 per site; Non-clients: \$125 per site (*unlimited participants per site*)

CPE: 2 hours for 1 person is included with site registration; CPE is available for additional participants for \$20 per person.

Accounting Skills for Governments and Nonprofits

Course Content: This is a new series of three one-day workshops designed specifically to teach basic accounting skills to personnel of governmental entities and nonprofit organizations. Classes are designed as a sequence, but can also be taken individually. For course content details for each day, visit www.heinfeldmeech.com/hmu

Location: Mesa, AZ (EVIT)

Dates: Day 1: Friday, September 11th
Day 2: Friday, October 9th
Day 3: Friday, November 13th

Cost: Clients - \$75; Non-clients - \$95

Students completing all three workshops in the series will also receive a (non-transferable) coupon for a free H&M workshop to be used by 11/15/2010.

CPE credit: 6 hours (each day)