

Department of Administrative Services - State Accounting Enterprise

Section	Procedure Number	Page Number	Effective Date
PRE-AUDIT	235.600	1 of 2	July 1, 2003 Revised 7/1/11
Subject	YEAR-END PROCEDURES UNUSUAL EXPENSES		

Listed below are explanations on how to process some expenses that occur infrequently.

1. Construction/Specialized Equipment Expenses

Section 8.33 of the Code of Iowa allows monies encumbered for capital expenditures for the purchase of land or the erection of buildings or new construction to continue in force until the project is completed. This is further defined as "repair projects, purchase of specialized equipment and furnishings, and other contracts for service and capital expenditures for the purchase of land or the erection of buildings or new construction or remodeling, which were committed and in progress prior to the end of the fiscal year." It is recognized that some purchases of specialized equipment might not necessarily be associated with the purchase of land or the erection or remodeling of facilities. In these cases, exceptions will be reviewed and approved by the Department of Management (DOM) on a case-by-case basis.

Documentation supporting the encumbrance prior to June 30 must be attached to the claim for payment. These expenses are adjustments for Generally Accepted Accounting Principles (GAAP).

If these projects are not completed by the last working day of August, the appropriation will have to be carried forward to the current fiscal year. In these instances, departments need to contact their Budget Analyst in DOM, who will notify DAS-SAE.

2. Court-Ordered Claims

Occasionally, a vendor will incur an expense even though the source of funding has not been determined. Later, possibly in a different fiscal year, the court will order the expense paid by the State.

According to GAAP, an expense is charged to the year in which is probable and measurable. In the case detailed above, the court-ordered expense is charged to the fiscal year in which the court orders the payment.

Departments should work with the Clerk of Courts to ensure all expenses pending a court order are resolved by the last working day of June.

3. Expenses Related to Grievance Settlements

a. Grievances Settled in the Same Fiscal Year as Filed

- 1) If a grievance is settled in the same fiscal year it is filed, it must be paid out of the year in which it was settled.
- 2) All payroll related expenses incurred as the result of a grievance settlement must be paid through the payroll system, and the proper JV1 / CDE processed to pay the expenses out of the appropriate funding sources.

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- b. Grievance Settled in a Different Year as Filed
 - 1) If a grievance is settled in a year different from when it was filed, expenses incurred as the result of the settlement must be paid by the State Appeal Board if the source of funding was appropriated monies and the appropriation has been closed. If the source of funding is non-appropriated monies or the appropriation is still open the payment must be paid in the current fiscal year by the department.
 - 2) All payroll related expenses incurred as the result of a grievance settlement must be paid through the payroll system, and a JV1 / CDE processed to charge the expenses back to the State Appeal Board when necessary.

4. Questioned Audit Costs

- a. Audit Determination Made in the Same Fiscal Year as the Expenses Were Incurred
If an audit determination of questioned costs is made in the same fiscal year as the expenses were originally incurred, the repayment must be made in the fiscal year the determination was made.
- b. Audit Determination Made in a Year Different from When the Expenses Were Incurred
If an audit determination of questioned costs is made in a different fiscal year from when the original expenses were incurred, and general fund monies are involved, the repayment must be made from the State Appeal Board. If non-general funds are involved, the repayment must be charged to the current fiscal year and paid by the department.