



## MEETING MINUTES

<b>Date</b>	02/08/2021	<b>Time</b>	1:00 PM
<b>Subject</b>	Agency Session #4	<b>Location</b>	WebEx
<b>Agenda Prepared by</b>	OSC/BFR	<b>Minutes Prepared by</b>	OSC/ASK

### QUESTIONS

#### Question/Answer

**Question:** Is there anywhere that we need to report the term and expected payments for GASB 96 items yet?

**Answer:** No. On the toolkit, we are only looking for term and expected payments for 87 leases. We recognize as you go through you may run into agreements that fall into other standards, so you should report them and include the contract identifier. We will start creating a population of SBITA and PPP as you submit them.

**Question:** Should we be noting any maintenance agreements on software?

**Answer:** If strictly on maintenance and not paying a subscription for software, then maintenance agreements will not be included. If you are looking at an agreement to maintain software then it's not included in SBITA.

**Question:** Should we be including SBITA items that have only a few months left in their agreement in 2021 (but the overall term was longer than 12 months)? In this instance they will not be renewed.

**Answer:** Yes. For any 87, 94, or 96 agreement, even if it's going to cancel or the term will end 2/28/21, include it now because auditors will be looking at something like that and they want everything in existence. It will help with materiality going forward.

**Question:** Stock photography subscriptions - has a decision been made to include in GASB 96?

**Answer:** Not included. Falls under the decision made on databases, journals, and news sources. You pay to access the pictures (because the underlying agreement is for photography). The fact that you are accessing it online is incidental.

**Question:** Is that the same for lexis nexus?

**Answer:** Yes, LexisNexis not included. Westlaw not included.



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## NOTES

- Great News!
  - Set materiality threshold for only 87 leases of \$20,000.
  - This means \$20,000 being spent a year for a lease. But there are caveats:
    - If you have a group of agreements that were entered into or around the same time with the same vendor there is a chance you need to view as one lease.
    - If you have several groups with the same vendor, they may need to be considered as one lease?
      - Example: Water cooler – you need to look in aggregate if you have them across the state
    - Do not slice and dice agreements to get them below \$20,000.
    - State agencies and cell towers --- right now, all cell towers should be reported regardless of threshold.
    - If rent starts below \$20,000 then goes beyond that threshold due to rent increase throughout the years, please report to OSC/BFR.
  - An email will be sent with this information to everyone working on this project.
- Reminder – **Reporting tool and memo due by February 19<sup>th</sup>** (end of next week!)
  - Please reach out if you think you can't reach deadline.
  - Two agencies already submitted.
- After submission – Next Steps
  - OSC/BFR will review the toolkits of what agencies have submitted and will perform an analysis. This may include follow up questions and requests for supporting documentation.
  - Once BFR is finished we will email your agency with an all-clear message.
  - OSC/BFR's review process may take a while.
  - If you have a relationship with Internal Audit and you think they might be interested in assisting OSC/BFR, then please have them reach out to us.
  - Once BFR is complete KPMG will before their audit of the completeness of the population and may reach out to your agency
  - Once the review of all agreements is complete, we will work to set a materiality threshold. (Once we get a complete population we can probably set a much higher threshold.)
  - When the threshold is established, OSC/BFR will analyze lease agreements that are above the threshold.
  - 94 and 96 agreements will be reviewed by OSC/BFR at a later date; please include a note if any fall under 94 or 96.
- Remember to track new agreements\*\*\*
  - Once an agency submits the toolkit, keep track of any new agreements that get approved from the date you submit the kit going forward. Make sure you have a clear audit trail of what you're looking at and what you're not.
- GASB 96 - Establish an initial threshold - \$1,000 annual
  - Do not need to report to us any SBITA contracts under this amount.
  - Look at aggregate agreement with that vendor for that dollar amount.
  - Auditors come across many agreements where they start off low and increase as the years go on.
- GASB 96 - Technical Questions Submitted to GASB
  - Agreements for Databases, Journals, and News Sources are to be excluded; the software function is insubstantial/incidental (LexisNexis, Westlaw).
  - Agreements with indefinite renewals (i.e. Zoom) – enter into for 12 months but somewhere in there is the possibility to renew monthly or yearly; if this is the case they would be considered SBITA,.
- 12 month agreements
  - Agreements on purchase orders (PO) related to an agreement that OGS has... if the 12 months is truly 12 months with no renewal options and that is the underlying facts of the agreement either with OGS or PO, then they can be



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excluded. If it's, however, the business process of the agency to go out for a new RFQ or purchase order every 12 months then those would be considered long term leases/SBITAS.

- Completeness Steps
  - Insurance and maintenance records
    - Maintenance: If you have staff members that perform routine maintenance on a capital asset, look at the log as a whole (or a sample if a large agency) and see what they are looking on and see if that is owned or leased.
    - Insurance: Look at the log as a whole (or a sample) and look what the underlying asset is and see if it's owned or leased.
- Reporting Tool
  - Report any [handful of] agreements on the toolkit that you aren't sure about, and make a note on the right side that you think it is 87 but you need clarification.