

COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE BUDGET, COMPTROLLER OPERATIONS
USING ESTIMATES IN THE 2005 CAFR

The following outline establishes guidance on the development of estimates within Fund/Business Area and program for the 2005 CAFR. Offices should use a top-down approach in identifying areas where estimates are needed, i.e., when developing estimates, offices should keep in mind the opinion units on which the auditors opine and the materiality of the fund, amount being estimated, and variance in the estimate.

Use of the below outline should assist in providing a logical approach to the development of estimates and is intended to provide consistency in approach and documentation format from office to office. This will enable the auditors to better develop their audit approach for our estimates. Offices should work with respective agencies to develop estimates. Estimate methodology and procedures should be documented and submitted to BFM as soon as possible. BFM will review the documentation and advise if any improvements are needed. Estimates should also be shared with the auditors as soon as possible to obtain their acceptance of the methodology.

Efforts should be made to finalize all estimate methodologies and provide to the auditors with this information by no later than Friday, July 29nd.

1. Program/Fund Description
2. Nature of Expenses – (expense streams) – involve program personnel
 - Description
 - Unique characteristics
 - Spending patterns
 - Prior year payables
 - i. Elements
 - ii. Amount
3. Availability of Historical Data (preferably 5 years)
 - Annual accrual payables (July/August post open commitments, open POs)
 - By year, quarter, month
 - Analyze trends, rhythms, variances
 - Annual FY available balance and rollover amounts
4. Year-to-Year Analyses
 - Payables as % of expenditures
 - Payables as % of last quarters expenditures
 - Payables as % of last months expenditures
 - Available balance and rollover vs. actual payables.
5. Recent Program Activities – involve program personnel
 - Legislation
 - Regulation
 - Program changes
 - Process changes