Executive Office for Administration and Finance

COMPTROLLER'S DIVISION

1984

Fiscal Year Closing Procedures

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Comptroller
The Commonwealth of Massachusetts
Executive Office for
Administration and Finance
1 Ashburton Place
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May 4, 1984

To: Executive Secretariats, Constitutional Offices, Department Heads, Institutions, and Spending Agencies' Fiscal Managers

From: Ellen M. O'Connor, Comptroller

Subject: Important Instructions for Closing of the Books, June 30, 1984

Attached please find general instructions for the closing of the Commonwealth's Books (Yours and the Comptroller's Division) on June 30, 1984.

Closing the books of any major organization is an enormously important task as it provides the foundation to produce the final status of all accounts and measures the financial performance of an organization during a given period of time. The closing of the Commonwealth's books is an arduous and labor-intensive effort, compounded by the processing of a significant number of transactions, submitted documents and numerous activities generated to opening the 1985 Fiscal Year.

Closing the books is an activity which recommends itself to solid planning, organizing meetings for designations of roles and responsibilities, and the setting of performance objectives.

It is the goal of the Division to operate a closing which:

- closes the books for the fiscal year ended June 30, 1984
- closes the State Treasurer's Cash Book for revenue received and recorded by July 6, for the 1984 fiscal year
- continues to process bills during the Accounts Payable period such that bills are paid within 45 days of receipt at the agency level.
- provides a sound basis for the production of the Massachusetts Financial Report, a yearly report which influences the Commonwealth's bond rating, and the GAAP reporting practices.
The closing of agencies' accounts at the end of the fiscal year will be accomplished in three phases:

Phase 1. This is the first closing of agencies' accounts. The encumbrances will be brought forward to the 1985 fiscal year. The 1984 accounts payable file will be established. This phase will be accomplished by June 30.

Phase 2. This is the interim period in which documents are corrected and adjustments are made to agencies' account balances prior to the final closing of the books. This phase will be accomplished by July 15.

Phase 3. This is the final adjustment period in which all accounts will be checked and verified prior to final closing. This phase should be accomplished by July 31.

Your full cooperation with this Division is requested in order that the work of the fiscal year closing may be accomplished without delay.

Please review this material closely and use it as the foundation for your own closing procedures.

Should you have any questions do not hesitate to call me or any of the staff listed in the attached.

Thank you.
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I. Closing Instructions

It is extremely important that the Treasurer's cash book be closed as soon as possible following June 30. This can be accomplished by agencies complying with the dates and schedules as set forth for the submission of specific documents:

a. Final Income or Revenue Receipt Vouchers.......................July 6
b. Repayment of Advance Vouchers.................................July 6
c. Repayment of Cash Advances for encumbrance purposes.......June 15
d. Current Year Refunds...........................................June 15

1. Income or Revenue Receipts

Receipt Vouchers and deposit slips pertaining to the 1984 Fiscal Year and transmitted to the Treasurer's Office must be actual 1984 fiscal year receipts. Mark them plainly 1984 Fiscal Year and date them June 30.

Receipt Vouchers representing 1985 Fiscal year and submitted during July must be stamped 1985 FISCAL YEAR, to avoid any confusion by the Treasurer's Office as to what fiscal year the monies should be recorded.

Note: At the bottom of the Receipt Voucher there is a "Notice Section" to the Treasurer indicating the period of time revenues were collected. Revenues collected and deposited through June 30, 1984 are 1984 Fiscal Year revenues. Revenues collected after June 30, 1984 are 1985 Fiscal Year revenues.

Do not mix fiscal years' receipts!

2. Accounting for Advances

All 1984 fiscal year advances must be returned no later than July 6, 1984. No advance funds may be carried forward to the 1985 fiscal year. Requests for advances needed during the remainder of the 1984 fiscal year must be received in this office by May 25, 1984.

Agencies requesting 1985 fiscal year advances should submit them to this Division no later than June 8, 1984. Mark them plainly 1985 FISCAL YEAR ADVANCES.

1984 Fiscal Year Returns of Advances (Forms CD21, CD 21A) must be received in this Division no later than July 6, 1984.

1984 Returns of Advances received after July 6, 1984 should be marked plainly 1984 ADVANCES UNACCOUNTED FOR.

1985 Advances must not be used in any way to return 1984 Advances nor pay 1984 Accounts Payable.

Necessary action should be taken by Agencies to clear suspended and disallowed items immediately. When the items have been cleared they should be transmitted promptly to this Division plainly marked 19xx ADVANCES UNACCOUNTED FOR using form CD 21 or CD 21A.
2. Accounting for Advances (cont.)

Agencies requiring additional funds for encumbrance purposes and have 1984 cash advance balances outstanding must submit a Cash Repayment of Advance to the State Treasurer no later than June 15, 1984.

3. Expenditure Documents

Standard Invoices, Travel Vouchers, Invoice Warrants, Departmental Payment Vouchers and Refund of Receipts requiring payment by the State Treasurer prior to the close of the 1984 fiscal year should be received in this Division no later than June 22, 1984.

All documents pertaining to Maintenance Appropriations expiring June 30, 1984 to be submitted after June 22, 1984 must be encumbered and plainly marked 1984 ACCOUNTS PAYABLE. They will be recorded on the Agency’s records for the 1985 Fiscal Year as 1984 Accounts Payable items.

Documents pertaining to the 1985 Fiscal Year must be plainly stamped 1985 Fiscal Year.

4. Encumbrance Documents

All encumbrance documents affecting accounts which expire June 30, 1984 should be received in this Division no later than 5:00 p.m., Friday June 22, 1984.

Reservation of Funds form can not be used to encumber funds for equipment nor should it be used for materials and supplies. Requisitions to the Purchasing Agents Division and Departmental Orders should be used for this purpose.

Please indicate on any documents submitted during the month of June if availability of funds is contingent upon a refund, return of cash advance, transfer or an allotment etc.

Make certain that encumbrances issued in June for items to be delivered in July, August etc. are stamped 1985 FISCAL YEAR in the body of the form. Items, likewise, pertaining to the 1984 fiscal year should be stamped 1984 FISCAL YEAR to avoid being encumbered in the wrong year.

Where Type Code 876 (Other) is used to encumber accounts which have no subsidiaries, the Reservation of Funds and/or Change in Reservation of Funds forms reserving funds at the close of the fiscal year must include a list of the items, the amounts and the object codes applicable to each item.

Account numbers appearing on all encumbrance documents must be activity accounts, not appropriation accounts.

Note: These encumbrances will be reviewed to determine if the amount requested to be reserved represents actual expenses incurred prior to June 30.
5. Accounts Payable and Prior Year Deficiencies

During the 1985 fiscal year, 1984 Accounts Payable Transmittal and/or Summary Forms, and the accompanying expenditure documents, submitted to the Comptroller's Division after June 22, 1984 should be plainly marked in large letters 1984 ACCOUNTS PAYABLE.

For 1984 Accounts Payable Payroll Expenditures submitted in the 1985 fiscal year on Standard Invoices, the Batch Transmittal Sheet must be plainly marked PAYROLL in large letters. The Vendor Code on the Standard Invoice must be the same as used on an Advance Request.

The amount to be liquidated on all expenditure documents representing an Accounts Payable must not be less than the amount of the payment, nor greater than the balance of an encumbrance.

After the close of the Fiscal Year, the amount reserved for payment of an Accounts Payable can not be increased for any reason.

If an invoice is received for which there were no funds reserved in Accounts Payable, the following must be observed:

**Sufficient funds reverted under the subsidiary account**

Where there were sufficient funds reverted in the particular subsidiary account to which the invoice was to be charged, the transmittal forms, or summaries and invoices must be submitted to the Comptroller's Division marked DEFICIENCY in large letters.

A letter on top of the transmittal must accompany them addressed to the Comptroller explaining the failure to reserve sufficient funds for the same.

**Insufficient funds reverted under the subsidiary account**

The Budget Director requests agencies to submit an SB 1 indicating the need for the requested funds and an explanation of why the agency is overspending its appropriation.

Please send all" Deficiency Documents" to the Comptroller's Division for processing. New instructions will be issued to describe the methods and procedures to be used in processing documents.

The Budget Director calls your attention to Section 26 of Chapter 29 of the General Laws (Ter. Ed.) as amended, which states the following:

**Section 26. Expenses in excess of appropriations or allotments**

"Expenses of offices and departments for compensation of officers, members and employees and for other purposes shall not exceed the appropriations made therefore by the general court or the allotments made therefore by the governor. No obligation incurred by any officer or servant of the commonwealth for any purpose in excess of the appropriation or allotment for such purpose for the office, department or institution which he represents, shall impose any liability upon the commonwealth."
During the 1985 fiscal year, Accounts Payable which will not be liquidated by voucher payment must be cancelled as soon as it is determined that the amounts reserved at the close of the 1984 fiscal year are no longer needed. Documents representing such cancellations must be marked "1984 Accounts Payable" in large letters. These documents will not require entries in your General Ledger.

6. **Journal Entry Transfers**

Request by letter for transfers to be effected by Journal Entries on the records of the Comptroller's Division must be submitted not later than June 29, 1984.

7. **June Payrolls**

Monthly payrolls for June, 1984 (not paid from an Advance) must be filed with the Comptroller's Division by June 1, 1984. Payrolls, paid from Advance Funds, should not be in excess of funds available in Advance Accounts. PMIS payrolls for the last week in June, which are paid in July must be charged to 1984 Fiscal Year.

8. **Statement of Receipts**

During the month of July 1984 a preliminary Statement of Receipts for the 1984 fiscal year will be submitted to those agencies concerned. This statement must be checked immediately and this Division notified promptly of any corrections necessary prior to the June Financial Report. These corrections will be made by this Division and an adjusted Final Statement of Receipts will be submitted to the agencies.

9. **Approved Transfers between Subsidiary Accounts and Requests for Additional Allotments; Encumbrance Requests for Accounts Payable**

It is necessary to expedite the processing of transfers and allotments well in advance of June 30, 1984 thereby eliminating a factor which seriously impedes the closing of the books as well as delaying a clear picture of the June 30th status of the various state funds. Therefore, the following instructions are issued and must be followed:

a. All Request for Transfers between subsidiaries and for additional allotments for the fiscal year 1984 must be received in the Budget Bureau no later than June 15, 1984.

b. The Budget Bureau has advised this Division that they will process only those requests which are in compliance with spending plans approved by the Secretary of Administration and Finance and which adequately establish the need for funds to meet payments for goods to be delivered and/or services to be rendered prior to the close of the fiscal year.

c. All encumbrance requests for Accounts Payable must be received in the Comptroller's Office by June 22, 1984. Requests must include detailed documentation, justifying the nature and amount of each projected encumbrance (by account and by subsidiary). Historical trends in expenditures should be provided where applicable. Blanket reservations must contain detailed backup information.
10. **Reversions and Account Balances to be Forwarded**

Closing the accounts of the Spending Agencies on the records of the Comptroller's Division will be done in phases. In the first phase unencumbered balances and encumbrances in continuing accounts will be carried forward. The 1984 Accounts Payable file will also be established. In a later phase(s), these will be adjusted by 1984 fiscal year transactions occurring subsequent to the first phase. A Final Statement of Balances will be furnished to each Agency showing final amounts reverted and reserved for the fiscal year 1984. Outstanding Maintenance Encumbrances and Advances will be included in the total charges column.

11. **Inventory**

   a. A complete physical inventory of those materials and supplies which are controlled by a Materials and Supplies Account should be taken as of June 30, 1984.

   b. In accordance with Rule 12 of the Rules and Regulations Governing Purchasing established in accordance with G.L. (Ter. Ed.) Chapter 7, Section 22, the Comptroller has determined that an inventory of physical property must be taken as of June 30. Such inventory will indicate all items of property that are unsuitable or in excess of requirements.

   c. In compliance with Chapter 191, Section 28, Acts of 1982 as amended by Chapter 289 Section 24, Acts 1983 all agencies are required to submit an Inventory Valuation of non-real property to the Comptroller. This reporting should be made on form CD 98 (Annual Physical Property Report). Instructions for the form's completion are given on Page 62 of the Physical Property Inventory and Control Manual, Appendix B. This report should be submitted with the three digit agency code to the Comptroller by September 4, 1984, signed by agency head or other authorized persons.

   Agencies are advised to start planning for these Inventories prior to June 30 so that Annual Physical Property Report (CD 98) will be filed with the Comptroller no later than September 4, 1984.

12. **Implementation of Generally Accepted Accounting Principles (G.A.A.P)**

    **In The Financial Reporting of the Commonwealth**

Other communications and meetings have described the Commonwealth's efforts to implement GAAP reporting. The foundation of this effort is a successful closing of the state accounting system. In addition, certain other information pertaining to accruals must be collected. G.A.A.P data-gathering forms will be issued to state agencies shortly. Kindly complete and forward the G.A.A.P. forms to this Division by August 31, 1984.
INDIVIDUALS TO CONTACT DURING YEAR-END CLOSING

1. Revenue Reports - Receipts Vouchers and All Cash Book Transactions
   Contact: Edward Drea) Tel No. 727-2928
             Roger Whear) 4317
   Contact: Edward Drea) Tel No. 727-2928
             Roger Whear) 4317

2. Appropriations or Allotment Letters and Any Reserve Transfers Via Letters
   From Agencies, Budget Bureau or Administration and Finance Office
   Contact: Thomas Ogata) Tel No. 727-2928
             Bill Kulik) 4317

3. Status of Budgetary and Bond Fund Accounts, Expiring Accounts and
   Continuing Accounts
   Contact: James Cadorette) Tel No. 727-2928
             Dave Koukol) 4317

4. Agencies Requests for Transfers, Corrections, Via Communication by Letters
   or Telephone Conversations
   Contact: James Copemann) Tel No. 727-2928
             John O'Connor) 4317

5. Tracking Documents such as Expenditure Documents, Purchase Orders and
   Other Encumbrances
   Contact: John O'Connor) Tel No. 727-2931
             John Majenski)

6. Federal Grant Accounts - Applications Forms and Request for Receipt
   Accounts Numbers, Transfer of Funds, Etc.
   Contact: Ralph Venezia) Tel No. 727-4317
             2928

7. General Accounting Information
   Contact: John Hartmann) Tel No. 727-2942
             James Cadorette) Tel No. 727-2928

8. Monthly Payroll Inquiries - June 1984
   Contact: Tony Abbruzzi) Tel No. 727-2949

9. G.A.A.P Data Gathering
   Contact: Vinnie Hoefling) Tel No. 727-2104
             Charlie Beard) Tel No. 727-8573
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<td>* Current Year Refunds - Other than Payroll</td>
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* These documents should be received at the earliest possible date if you are considering encumbering the funds for accounts payable (incurred) expenses.

MONTHLY PAYROLLS

June 1 Payrolls for June 1984 Payroll Letter
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<td>July 6</td>
<td>Return of Advance Documents for the 1984 Fiscal Year must be received in the Controllers Division by July 6, 1984, also the unused cash balance of all 1984 Fiscal Year Advance Funds must be returned to the State Treasurer by July 6, 1984. Any document received after July 6 must be plainly marked &quot;1984 Advances Unaccounted For&quot;.</td>
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