
INTEROFFICE MEMORANDUM

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REBECCA WYKE, COMMISSIONER

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TO: **ALL DEPARTMENTS AND AGENCIES**

FROM: EDWARD A. KARASS, STATE CONTROLLER
RYAN LOW, STATE BUDGET OFFICER
BETTY M. LAMOREAU, STATE PURCHASING AGENT
RICHARD THOMPSON, CHIEF INFORMATION OFFICER

SUBJECT: FISCAL YEAR 2006 YEAR END GUIDELINES

DATE: APRIL 7, 2006

CC: REBECCA WYKE, COMMISSIONER
JOHN BALDACCI, GOVERNOR
COMMITTEE ON APPROPRIATIONS & FINANCIAL AFFAIRS

As this fiscal year is drawing to a close, the State Controller, State Budget Officer, the Director of Purchases, and the Chief Information Officer are jointly providing departments and agencies with guidelines related to expending money for the purchase of goods and services at year end. These guidelines are intended to apply to all funding sources. All requests for purchase orders, requisitions, contracts, and open market purchases must meet the requirements of essentiality.

Procurement of Capital Items:

The purchase and related encumbrances of funds for capital items will only be processed in the fourth quarter where the test of essentiality is met. Agencies must scrutinize these purchases carefully before submitting purchase requests.

Procurement of All Other Items:

Encumbrance of purchase orders and contract releases will be limited only to purchases that are immediately necessary. Agencies must scrutinize these requests for purchase carefully and, where possible, postpone the purchase to FY07. Non-emergency purchases requested after May 26th will not be processed in FY06.

Contracts and Grants for Services:

Contracts and grants whose services will be executed in FY07 must be encumbered on or after July 1, 2006.

New contracts or grants whose services span all or a portion of the fourth quarter but continue into the new fiscal year must be prorated and the encumbrance limited to the amount necessary to cover work to be completed through June 30th, 2006. Agencies must plan for the balance of the encumbrance to be processed on July 5th, for the balance of the contract amount. Work programs should be developed to accommodate these requirements.

Agencies that believe that they may require a waiver of these requirements must notify the Director of Purchasing by May 15th to provide the Director of Purchasing, the State Controller, and State Budget Officer enough lead time to fully consider the request.

Prepayments for Goods and Services:

Prepayments for services or goods will not be permitted at year end. In accordance with Title 5, section 1552, all payments must be made from proper invoices for services rendered. As such, the practice of overpaying or prepaying any of the various Internal Service Funds or outside vendors is not allowed. All payments must be made against invoices for completed services and any payments to the Internal Services Funds or other vendors with the intent of having that fund or vendor hold the payment for future projects or services, once identified, shall be returned to the funding account through Office of the State Controller. If that account is a non-carrying account, the funds shall lapse.

Payroll Insufficiencies

Agencies must ensure that sufficient Personal Services allotment exists to process June payrolls by proactively resolving funding issues with the appropriate Analyst in the Bureau of the Budget in time to process any Budget Orders or Financial orders in advance of the payroll to be paid. These Orders must be posted in the MFASIS Accounting System in advance of the payroll payment. All allotment and cash insufficiencies must be resolved before the final payroll of the fiscal year

is paid. For the Cycle B payroll, there must be sufficient allotment by the close of business on June 21st and for Cycle A, there must be sufficient Personal Services allotment by the close of business on June 14th. Payrolls will be held until there is adequate allotment to cover the cost.

Fiscal Year 06 Journal Transfers

The Controller's Office is presently preparing the journal vouchers to move account balances in accordance with the various laws. Unlike previous years when the journals have been posted in June, the process of posting the journals will begin May 3rd. Please ensure that any funds identified to be transferred are available in the accounts by that date. If your agency posted a journal related to a State Controller law reference, please notify Terry Brann in the Office of the State Controller. Please reference the JV number and the date accepted by MFASIS.

We have enclosed a calendar showing critical dates for processing various transactions, a Fiscal Year 06 Closing Schedule and Notes, and a form developed by the Director of Purchasing for encumbering contracts. Please refer to these documents for guidance.

State of Maine
Department of Administrative and Financial Services
OFFICE OF THE STATE CONTROLLER

FISCAL YEAR 2006 CLOSING SCHEDULE AND NOTES

PAYMENT VOUCHERS

Over \$2,500

Hard copy documentation for these FY 2006 transactions should be received in Pre-Audit, properly coded and approved, no later than 12:00 P.M. on Friday, June 30th.

\$2,500 and under

As part of the standard procedures for processing payment vouchers, original documents supporting payments below the \$2,500 threshold are due in the Records Section within 15 days of processing. This is also true at year-end.

ENCUMBERED PAYMENTS

All FY 2006 payments over \$2,500, that reference encumbrances, must be received in Pre-Audit no later than 12:00 PM on Friday, June 30th. These documents must be clearly marked "Encumbered Invoices".

Please note that you will not be able to make payments against old year (FY 2006) encumbrances after June 29th. An "N" at the beginning of the encumbrance number indicates that it is an old year encumbrance; these funds will lapse on June 30th.

ACCRUAL INDICATOR FLAG

In order to report all expenditures and related accounts payable accurately at the end of the fiscal year, we must rely on data from MFASIS during the beginning of the next fiscal year. The output we obtain from MFASIS is based on the "accrual indicator" field. This field identifies which payments in July and August are actually liabilities of the prior fiscal year. Likewise, this data is only reliable if the input is accurate and complete. Consequently, we have established procedures for entering payments, online and via external interface, during July and August. Additionally, we are providing these detailed

instructions to help you determine the appropriate treatment of expenditures during those months.

PROCESSING PROCEDURES

During July and August *only*, agencies will be **required** to enter either an 'A' for accrual or an 'N' for non-accrual on Payment Vouchers entered online and on payments processed via external interface (ftp files, tapes, etc.). The MFASIS system will not accept PV's during July and August unless the accrual indicator field is completed. No default entry will apply if the field is left blank. The MFASIS system will reject payments entered with a blank accrual indicator field. Therefore, it is imperative for agencies to determine whether or not a payment should be accrued before entering it into MFASIS.

CRITERIA FOR APPLYING THE ACCRUAL INDICATOR

According to generally accepted accounting principles, the dollar amount of expenditures can be determined, and should be recorded, when the liability is incurred. For example, if you have received services or goods by the end of the day on June 30th, you have a liability (accounts payable) and expenditure that should be reported. Most often, the bills that are processed in the next fiscal year will determine these amounts. For example, a vendor provides goods or services to a State Agency prior to June 30th, but the State Agency does not process the invoice for payment until July 1st or later. In these instances, the agency should enter an "A" in the accrual indicator field, to indicate that the expenditure and related liability should be accrued as accounts payable at June 30th.

In contrast, if an invoice is for office supplies that were delivered in July, regardless of when they were ordered, the agency should enter an "N" to indicate that the expenditure should not be accrued as accounts payable at June 30th. This applies to travel vouchers as well. If the dates of travel are before June 30th but the travel voucher is not processed until July 1st or later, the agency should code the payment with an "A" for accrual. If the dates of travel are July 1st or later, the agency should code the payment with an "N" so it is not accrued. This holds true even when a travel advance was issued for the trip.

Care must be taken to separate billings that span two fiscal years into the two time periods and to report them correctly. For example, a contractor bills a State Agency for work performed over a two-week period, the last week of June and the first week of July. In this case, the agency *should* accrue the services provided in June, and the agency *should not* accrue the services provided in July. The best way to handle this situation is to request separate invoices. However, this is not always possible. When a single invoice spans two fiscal years, agencies should code each amount separately and assign two separate PV numbers to the document, one for each amount. Code each amount by the fund and expenditure type where the payable must be recorded. In these circumstances, enter an "A" in the accrual field for the PV that refers to the June amount, and enter an "N" in the accrual field for the PV that refers to the July amount.

PURCHASE REQUISITIONS

The Division of Purchases will process non-emergency requisitions in FY06 if the hard copy documentation is received in Purchases by Tuesday, May 23rd. All non-emergency encumbrance requests received after this date will be FY07 transactions.

CASH RECEIPTS

Every effort should be made to prepare cash receipts for all Bank Transactions Requiring Agencies must deposit all cash and checks received in FY 2006 by June 30th. The Treasurer's Office must receive validated electronic cash receipt statements through TAMI for FY 2006 no later than 2:00 PM on Friday, June 30th, in order to recognize FY 2006 revenues. TAMI will determine posting to the previous or new fiscal year based on the Cash Receipts' validation date.

Attention and to process any adjustments for Open Reconciliation items as requested by the Treasurer's Office.

RECORDS SECTION – SCANNING

In order to ensure that all documents are scanned, and to minimize the number of exceptions on edit reports, it is extremely important that agencies submit all payment vouchers, journal vouchers, and cash receipts statements that are processed in June, to Maine Revenue Services Records Section no later than July 10th.

PAYROLL INSUFFICIENCIES

Agencies must ensure that sufficient Personal Services allotment exists to process June payrolls by proactively resolving funding issues with the appropriate Analyst in the Bureau of the Budget. All Personal Services allotment insufficiencies must be resolved before the final payroll of the fiscal year is paid. For the Cycle A payroll, there must be sufficient allotment by the close of business on June 14th and for Cycle B, there must be sufficient Personal Services allotment by the close of business on June 21st. Payrolls will be held until there is adequate allotment to cover the cost.

PAYROLL ACCRUALS

Payrolls will be charged to the fiscal year in which the payment is made. If you accrue payroll for Cycle A, please include all working days from June 11th through

June 30th. If you accrue payroll for Cycle B please include all working days from June 18th through June 30th.

Fixed Assets

Fixed asset shells should be cleared out of SUSF before year-end. If any of the shells relate to an item that is not a capital asset, notify the Controller's Office so we can delete the shell.

Carrying Accounts

Please provide a list of accounts/appropriations that carry by law to the Office of the State Controller and the Division of Purchases no later than Wednesday, June 1, 2006. This includes any partial account balances that carry by law. You should indicate which law authorizes the appropriation to carry.