State Accounting Office of Georgia — Fiscal Leadership for Georgia	**Statewide Accounting Directive**

Subject File Reference: AD_200905_ *Statewide Expenditure Controls to Comply with Allotment Reductions*	**Authoritative References:** See Authority Section Below	**Effective Date:** 06/30/2009 **Revision Date:** 06/30/2009

Statewide Expenditure Controls to Comply with Allotment Reductions

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Event Description:
The purpose of this Accounting Directive is to provide agencies with year-end closing guidance as it relates to reductions in state general funds allotments and general cutoff instructions for recognition of expenses and expenditures in the appropriate fiscal years.

Authority:
- OCGA 50-5B-3, *Duties of the State Accounting Officer*
- The following sections of the Accounting Procedures Manual (APM) for the State of Georgia:
  - APM page 3-2-1, *Accounts Payable, Intergovernmental Payables, Contracts Payable, Payroll/Withholdings Payable and Benefits Payable*
  - APM page 3-8-1, *Expenditures and Operating Expenses*

Background and Discussion:
On May 28, 2009, Governor Perdue revised the revenue estimate for state general funds for the Amended Fiscal Year 2009 Budget due to declines in revenue collections. To meet this revision, the Governor directed OPB to withhold 25 percent of allotment requests for the month of June.

Therefore, agencies should only record state funds revenue equal to the allotments approved by OPB. If an agency recorded its allotments as it received the state general funds, no adjustment should be necessary. If agencies have recorded more than the approved allotment, an entry should be made to reduce the applicable receivable and revenue accounts.

Additionally, a memorandum dated June 19, 2009 from the OPB to all state agencies, emphasized agencies can only obligate and expend up to their Amended Fiscal Year 2009 state general funds appropriation less the 25 percent withheld.

All agencies should continue to monitor budgetary compliance by funding source within program and should expect to be audited at that level. SAO recommends PeopleSoft agencies closely monitor the

Program Budget Comparison Summary Report (PBCR – GLS4008X) to ensure compliance from both a budget and funds availability perspective. This report has been available for all of fiscal year 2009 and is an effective tool for monitoring current budget year program-based compliance.

Finally, in order to systematically ensure that PeopleSoft will not incur expenditures in excess of funds available, agencies may consider the following alternatives carry additional risks and require close monitoring:

- Create a simulated purchase order in the amount of the allotment reduction and cancel it prior to the close of period 12 to disencumber the funds.
- Create a simulated Department ID in the DeptSum ledger and reclassify funds from other programs in the amount of the allotment reduction.

<u>Related Policies and Procedures:</u>

Expenditures, Expenses, and Encumbrances at Year-end
This flowchart illustrates the appropriate cutoff for expense/expenditure recognition at year-end. The example reflects the basic encumbrance process flow with the assumption of one invoice applied to a purchase order. In practice, multiple invoices may be applied against a purchase order and consideration must be given to such implications.
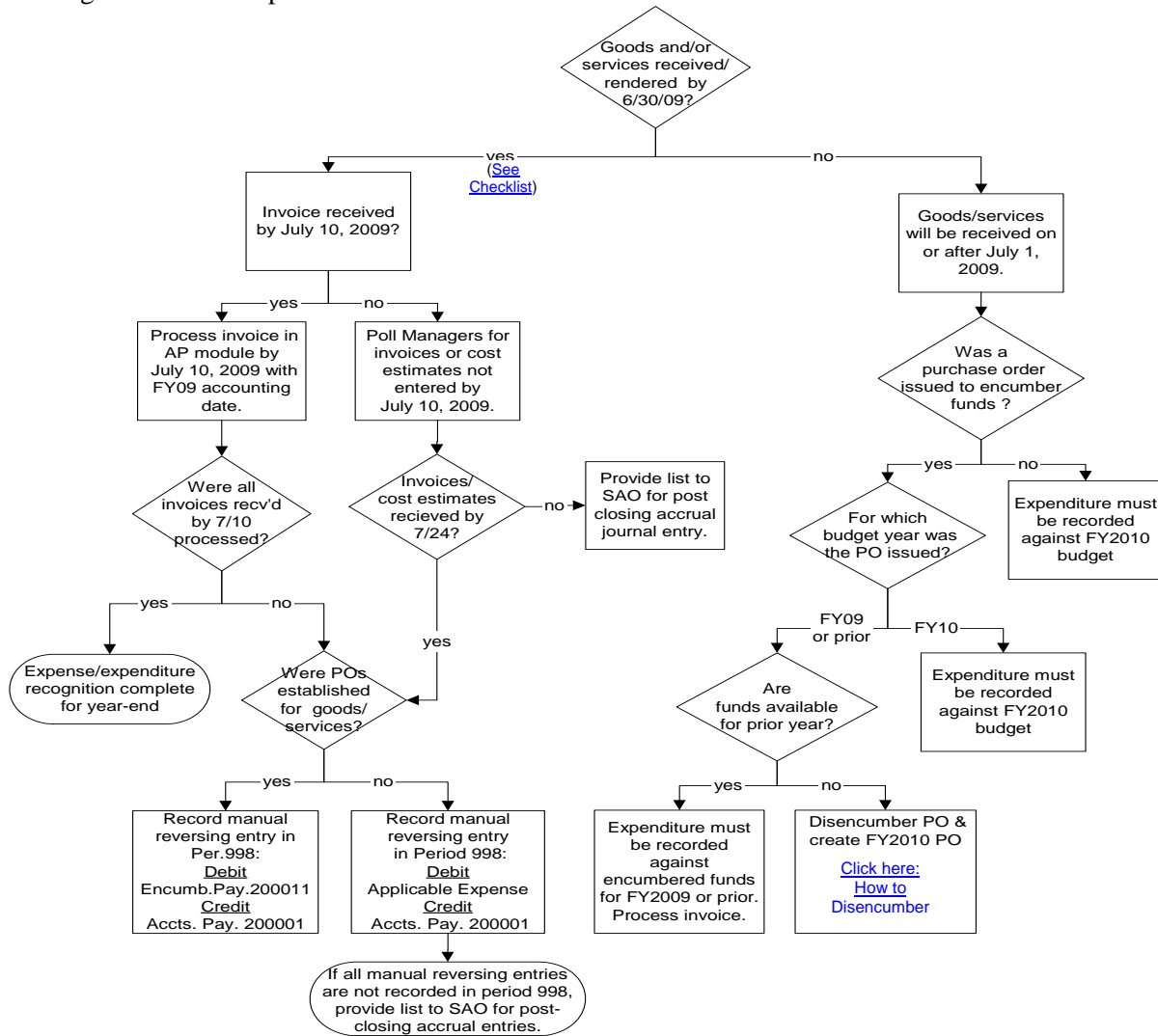
Recurring invoices which are typically processed when received do not need to be accrued, provided that they are handled in the same manner from year-to-year and that each year contains the appropriate number of periods (e.g., Utility invoices may be processed on a one month lag with 12 invoices reflected in each year).

Checklist for Confirming Appropriate Cutoff at Year-end
The following items are common activities which should be performed to assist an organization in closing the fiscal year-end. This checklist is not all-inclusive and additional procedures should be performed as applicable.

1. Review all edit reports and correct errors.
2. Ensure all purchase orders are budget checked.
3. Cancel requisitions and purchase orders which are no longer needed.
4. Request operational managers provide a list of invoices and amounts which have not been processed for goods and services that were received by year-end. If no invoice is available for these goods and services, then request estimated invoice amounts, with documentation for the estimates.
   a. Determine if purchase orders (POs) have been established for invoices received.
   b. If POs have been established, enter the invoices into payable system prior to July 10. In the event such invoices are not entered into payable system by July 10, record a manual journal voucher reversing entry in period 998 by July 24 with a debit to account 200011-Encumbrance Payable and a credit to account 200001-Accounts Payable.
   c. If POs have not been established, enter invoices into payable system or accrual estimates into general ledger system. These accrual entries should be reversed in period 1 of fiscal year 2010 and the actual expenditure recorded when applicable.
5. If these activities are not performed by July 24, provide post-closing entries to the SAO.

<u>**Additional Guidance for PeopleSoft System Users:**</u>

Budget Check Purchase Orders (PO) Prior to Fiscal Year 2009 Close
Confirm all fiscal year 2009 purchase orders are budget checked prior to the June 2009 close (which is July 10, 2009) using the following queries:
- 0PO040_POS_CURRENT_YR_NO_BCM (Current year POs Not Budget Checked)

All purchase orders and requisitions which will not be processed in the current fiscal year (2009) should be cancelled prior to year-end.

How to Cancel/Close Purchase Orders (PO)/Requisitions
Navigate to the Georgia Reconciliation Workbench within PeopleSoft to quickly cancel or close purchase orders using the following path:
> Purchasing > Purchase Orders > Reconciling POs > GA Reconciliation Workbench

For detailed instructions on the process for closing or cancelling a purchase order, click this hyperlink.

Purchase orders cannot be cancelled or closed if they have a Budget Control Module (BCM) error (e.g., "No Budget Exists", "Exceeds Budget Tolerance", etc.). If the purchase order containing a BCM error has previously passed budget checking, once the error is corrected, change the chartfields back to the original values that passed and budget check again.
- Determine original chartfields with query 0PO025B_PO_ACCOUNTING_HISTORY
- Cancel when the BCM status is "Valid".

If the purchase order containing a BCM error has never passed budget checking, resolve the error before continuing. Rerun budget check and cancel the PO when the BCM status is valid. Never change the

accounting and budget dates on a PO if it was incorrectly budget checked for the wrong budget/fiscal year. Instead cancel the PO with the original dates and re-enter with the correct dates.

Handling System Errors When Saving a PO or Accounts Payable (AP) Voucher
If a system error is received when saving a purchase order or AP voucher regarding the accounting and budget dates, verify both dates and make corrections as needed. The PO accounting date can be found on the Header Details page, and the PO budget date is located on the Details/Tax tab of each PO distribution. The voucher accounting date is located on the main voucher Invoice Information tab, and the budget date is located on the Distribution Line tab of each voucher distribution.

To easily view "Budget Dates" for all lines of a purchase order or voucher (as opposed to viewing them one at a time), please use the following queries:
- 0PO095_PO_DISTRIBUTIONS (PO Distributions), and
- 0AP061_VOUCHER_DISTRIBUTIONS (Voucher Distributions).

During June and July, purchase orders can be processed for both the current and new fiscal years as long as June "Accounting" and "Budget" dates are used for current fiscal year transactions, and July "Accounting" and "Budget Dates" are used for new fiscal year transactions. Accounts payable transactions cannot be processed for the new fiscal year until it begins (e.g., 7/1/09). June transactions can continue to be processed until the June close (e.g., 7/10/09).

Other Items for Consideration

Encumbrance Entries in Period 998

Encumbrance entries will not be recorded during period 998. If you need to establish an accrual for an expense which has not been entered into the Purchasing Module prior to the June month end close, create a journal entry in the General Ledger with a debit to the applicable expenditure account and a credit to account 200011 (Accounts Payable - Encumbrance Payable). Account 328001 has been deactivated to prevent entries from being posted to the account. The encumbrance balance reflected on the Trial Balance in the 328001 account is a calculated value.

Year-End Financial Reports
The fiscal year 2009 year end close processing will occur during the weekend of Saturday, July 25, 2009 and Sunday, July 26, 2009. Any reports requested to run after batch on Friday, July 24th will be run *before* SAO runs the year end close processes. This will give agencies a picture of their financial position before the close.