

May 2018

# **Fiscal Year-End Expenditures and Payables Workshop**

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**OFM**

OFFICE OF FINANCIAL MANAGEMENT

# EXPENDITURES/PAYABLES WORKSHOP AGENDA

- General information
- SAAM Chapter 90 – State reporting
- Exercises

## INTRODUCTIONS

# COURSE OBJECTIVES

## You will understand and know:

- Year end accounting for expenditures/expenses and payables (policy and process)
- Fiscal year closing schedule
- Common interagency payable/receivable problems and ideas on how to handle them
- Online resources that are available

**You will complete exercises related to the concepts presented in class**

# IMPORTANCE OF FISCAL YEAR END

- Each agency's closing data is combined into one state report called the CAFR (Comprehensive Annual Financial Report)
- CAFR is prepared using data from AFRS and disclosure forms:
  - To meet legal requirements of [RCW 43.88.027](#)
  - For bond-rating agencies
  - To provide financial information to decision makers
  - To demonstrate openness/transparency to citizens
- Legally, CAFR must be published by Dec. 31<sup>st</sup>, but goal for FY 18 is October 31<sup>st</sup>

# ONGOING ACTIVITIES

## DAILY

- Process batches: deposits, payments, JVs, cancellations, etc.
- Correct errors, release batches, clear in-process

## MONTHLY

- Monitor budgets
- Review exception reports & correct as needed
- Reconcile General Ledgers & correct identified errors timely

The more you keep things up-to-date throughout the year, the less to do at year-end.

# GENERAL REMINDERS

Starting July 1<sup>st</sup>, there are 3 fiscal months open:

- ❑ FM 12 (regular monthly activity through July 16<sup>th</sup>)
- ❑ FM 99 (FY 18 adjustment activity)
- ❑ FM 13 (FY 19 activity)

Analyze each document and post it to the appropriate fiscal year. Do it right the first time!

# GENERAL REMINDERS

June

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

July (FM12/99 & 13)

S	M	T	W	T	F	S
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>12</i>	<i>13</i>	<i>14</i>
<i>15</i>	<i>16</i>	<i>17</i>	<i>18</i>	<i>19</i>	<i>20</i>	<i>21</i>
<i>22</i>	<i>23</i>	<i>24</i>	<i>25</i>	<i>26</i>	<i>27</i>	<i>28</i>
<i>29</i>	<i>30</i>	<i>31</i>				

# GENERAL REMINDERS

July (FM **12/99** & **13**)

S	M	T	W	T	F	S
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>
<b>15</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>21</b>
<b>22</b>	<b>23</b>	<b>24</b>	<b>25</b>	<b>26</b>	<b>27</b>	<b>28</b>
<b>29</b>	<b>30</b>	<b>31</b>				

August (FM99 & **13/14**)

S	M	T	W	T	F	S
			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>
<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>17</b>	<b>18</b>
<b>19</b>	<b>20</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>24</b>	<b>25</b>
<b>26</b>	<b>27</b>	<b>28</b>	<b>29</b>	<b>30</b>	<b>31</b>	

# GENERAL REMINDERS

## Batch Type X\_ (in AFRS)



Do not use batch type X\_ for FY 18 accruals.  
Automatic reversals may error out in AFRS.

# GENERAL REMINDERS

FM	Batch Type	TC	GLs	Coding
11	X_	736	6505/5111	FY18 Expenditure Authority & Coding
12	Y_	736R	(6505/5111)	FY18 Expenditure Authority & Coding

FM	Batch Type	TC	GLs	Coding
12	X_	736	6505/5111	FY18 Expenditure Authority & Coding
13	Y_	736R	(6505/5111)	<b>FY19 Expenditure Authority &amp; Coding</b>

# IMPORTANT DATES TO REMEMBER

- June 30 – last day of FY 18, cash cutoff
  - July 13 – disclosure form application opens
  - July 20 – interagency billings must be mailed
  - July 31 – end of Phase 1 – agency accruals
  - Aug 17 – Phase 1B - certain state disclosure forms due
  - Aug 17 – Interagency receivable/payable balancing due\*
  - Aug 31 – end of Phase 2 – agency adjustments completed
  - Aug 31 – remaining disclosure forms are due
  - Sept 12 – state financial disclosure certification is due
  - Oct 31 – CAFR published (goal for 2018)
  - Jan 31 – federal assistance certification is due
- \* Prioritize interagency receivable/payable reconciliations as many agencies have early internal close dates.

# CASH CUTOFF – 90.20.10

Cash cut-off is the last working day in June  
**(FY18 = June 29<sup>th</sup>)**

After June 29<sup>th</sup>, cash activity is recorded  
in new fiscal year (FY19).

- If cash activity (disbursements or receipts) is posted by June 30<sup>th</sup>, there is no FY 18 accrual. For treasury accounts, “posted” means OST has posted cash activity to GL 4310 in AFRS.
- Through FM 12, continue using In-Process GLs (7120, 7140) to record disbursements. After FM 12, In-Process activity should be limited.

# CASH CUTOFF – 90.20.10

June (FY 18)

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

July (FY 19)

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

EFT must be processed by:	Warrants/IAP/IFT must be processed by:	Manual JVs must be processed by:
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All entries after June 30 are recorded in FY 19



# CASH DEADLINES FOR JUNE PAYMENTS

If cash cutoff is met, there is no FY 18 accrual

- AFRS EFT ..... June **27<sup>th</sup>**
- Warrants ..... June **28<sup>th</sup>**
- IAP/IFT ..... June **28<sup>th</sup>**

Transaction must be entered in AFRS by close of business on these dates and must post that night with no errors.

- JV, Warrant Cancellations,  
or Cash Receipt ..... June 29th

These documents must be received by OST by specified times.

Refer to [OST cash cutoff memo](#)

# GENERAL REMINDERS

Payment with wrap occurring **before** cash cutoff:

TC	GLs	Coding
210	<input type="text"/> / <input type="text"/>	Accrue expenditure/book payable
398	6510 / <input type="text"/>	Reclassify accrued expenditure to cash (actual) expenditure
	<input type="text"/> / <input type="text"/>	Liquidate payable/begin cash movement
OST	<input type="text"/> / 4310	OST moves cash and payment is made

# GENERAL REMINDERS

Payment with wrap occurring **after** cash cutoff:

TC	GLs	Coding
210	6505/ [ ]	Accrue expenditure/book payable
818	[ ] / [ ]	Liquidate payable/begin cash movement
OST	[ ] / 4310	OST moves cash and payment is made

# EXPENDITURE/EXPENSE RECOGNITION – 90.20.25

## General Rule:

The Expenditure/Expense is recognized in the period the goods or services are received.

Record expenditures/expenses incurred but not paid as of June 30<sup>th</sup> as an accrual in FM 12/99:

**Debit:** Expense/Expenditure (65xx)

**Credit:** Payable (51xx)

# EXPENDITURE/EXPENSE ACCRUALS FOR SINGLE YEAR OPERATING EXPENDITURE AUTHORITY - MID-BIENNIUM - 90.20.30

## Expenditure/Expense General Ledger Codes

- 6505 - **Accrued** expenditures/expenses
- 6510 - **Cash** expenditures/expenses
- 6560 - **Estimated accrued** expenditures/expenses

## Biennial Expenditure Authority

Permission that is good for two years and authorizes agency to spend certain amount of money.

## Mid-Biennium

Half-way through two year cycle.

## Single Year Operating Expenditure Authority

Expenditure Authority that is good for one year and authorizes agency to spend up to certain amount of money.

# EXPENDITURE/EXPENSE ACCRUALS FOR SINGLE YEAR OPERATING EXPENDITURE AUTHORITY - MID-BIENNIUM - 90.20.30

Expenditure/expense accruals when *amount is known* (use GL 6505)

- **Invoices → Payments**

In AFRS, generally, transaction codes that generate a payment record the accrual automatically per SAAM.

- **Corrections or distributions → JV**

These are generally movements of expenditures/ expenses within an agency and will be covered in the Interfund section

# EXPENDITURE/EXPENSE ACCRUALS FOR SINGLE YEAR OPERATING EXPENDITURE AUTHORITY - MID-BIENNIUM - 90.20.30

Expenditure/expense accruals when amount is not known but can be reasonably estimated

**Debit:** Estimated accrued expenditures/expenses (GL 6560)

**Credit:** Appropriate payable (GL 51xx)

## Purpose:

- Timing
- Budget Management

Do NOT make a payment based on an ESTIMATED invoice or statement!

# EXPENDITURE/EXPENSE ACCRUALS FOR SINGLE YEAR OPERATING EXPENDITURE AUTHORITY - MID-BIENNIUM – 90.20.30

Encumbrances (GL 6410) – Reservation of Expenditure Authority ([SAAM 85.30.10.a](#))

Use encumbrances for:

- Material obligations/contracts

Do **NOT** use encumbrances for:

- Routine costs
- Salaries/wages/employee benefits
- Taxes

# EXPENDITURE/EXPENSE ACCRUALS FOR SINGLE YEAR OPERATING EXPENDITURE AUTHORITY - MID-BIENNIUM – 90.20.30

Encumbrance balances must be zero at the end of the fiscal year for single year expenditure authority. To liquidate balances:

- Make a payment IF goods/services were received by June 30<sup>th</sup> AND you have received an invoice

Use TC 211 or 221 with modifier 'F'  
(6505/5xxx & 9510/6410)

- Manual liquidation if goods/services were NOT received by June 30<sup>th</sup> OR goods/services were received but you have not received an invoice

Use TC 207 with modifier 'F' (9510/6410)

# EXPENDITURES/PAYABLES WORKSHOP

## Exercise 1



Practice Handout – page 1

# EXERCISE 1 – RECORDING EXPENDITURE/EXPENSE ACCRUALS (NON-STATE AGENCY VENDORS) REVIEW

A. It is July 3<sup>rd</sup>. You have an invoice for rent for the month of July 2018 that is due on July 10<sup>th</sup>. There is no encumbrance.

FM: **13**      FY: **19**      TC: **210**      Payable (DR) GL: **5111**

B. It is July 6<sup>th</sup>. You received an invoice from Harold Lemay for waste management services for the month of June 2018. There is no encumbrance.

FM: **12**      FY: **18**      TC: **210**      Payable (DR) GL: **5111**

C. It is July 10<sup>th</sup>. You have an invoice from City of Seattle for contract work that was completed on June 29<sup>th</sup>. There is an encumbrance.

FM: **12**      FY: **18**      TC: **221**      Payable (DR) GL: **5152**

D. It is August 3<sup>rd</sup>. You have an invoice from Office Depot for items that were ordered and received on June 25<sup>th</sup>. There is an encumbrance.

FM: **99**      FY: **18**      TC: **211**      Payable (DR) GL: **5111**

E. It is July 20<sup>th</sup>. You have an invoice from the United States Post Office for an outstanding post office box rental fee from May 2018. There is no encumbrance.

FM: **99**      FY: **18**      TC: **237**      Payable (DR) GL: **5151**

# ACCOUNTING ESTIMATES – 90.20.55

Agencies are to establish a process for preparing accounting estimates.

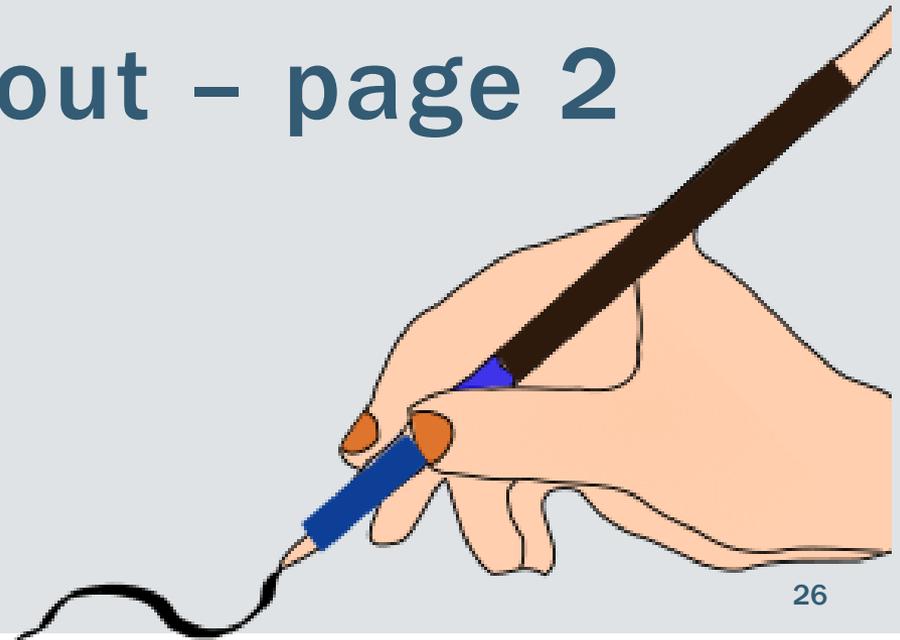
- Identify situations requiring estimates
- Identify relevant factors affecting estimates
- Gather data – sufficient and reliable
- Develop assumptions on most likely outcome
- Determine estimated amount based on data, assumptions, and relevant factors

Cooperation between fiscal, program staff, purchasing unit, contract unit, etc. is essential!

# EXPENDITURES/PAYABLES WORKSHOP

## Exercise 2

Practice Handout – page 2



# EXERCISE 2 – RECORDING ESTIMATED ACCRUED EXPENDITURES/EXPENSES REVIEW

A. It is July 31<sup>st</sup> (the last day of Phase 1). You have not received an invoice from Fixing Fun Contractors, but you know they completed work for the quarter ending June 30<sup>th</sup>. The contract manager estimates that the invoice for the quarter will be \$42,000.

FM: **99**      TC:: **830**      (DR) GL: **6560**      Amount: **\$42,000**

B. It is July 31<sup>st</sup> and, during a review of outstanding field orders, you discover that you have not received an invoice from 3 vendors for items received before June 30<sup>th</sup>. The amounts shown on the field orders are as follows:

Printers R Us	\$5,000
Pens R Us	\$1,000
Papers R Us	\$4,000

FM: **99**      TC: **830**      (DR) GL: **6560**      Amount: **\$10,000**  
 FM: -----      TC: -----      (DR) GL: -----      Amount: -----  
 FM: -----      TC: -----      (DR) GL: -----      Amount: -----

C. It is August 8<sup>th</sup>. You receive an invoice from Printers R Us related to question B (above). The invoice is for \$4,890.

FM: **99**      TC:: **830R**      (DR) GL: **(6560)**      Amount: **\$5,000**  
 FM: **99**      TC:: **210**      (DR) GL: **6505**      Amount: **\$4,890**

# ACCOUNTING ESTIMATES – 90.20.55

**Estimated accruals recorded in GL 6560 must be monitored at the account and expenditure authority level.**

- **Remove un-liquidate payable balances within twelve months (90.20.45)**

DR: Payable (51xx)

CR: Immaterial Adjustments to Prior Period (3215)

Source 0486-Recoveries of Prior Expenditure Authority Expenditures

- **Shortages in prior year estimates require belated claim\* (90.20.47)**

- Request and obtain approval from OFM
- Charge current year expenditure authority

\*applies to appropriated accounts only

# PRIOR PERIOD ADJUSTMENTS – 90.20.15

Prior period adjustments are corrections of errors discovered after a fiscal year has been closed. They can be material or immaterial.

- Material adjustments require OFM approval and OFM input. Agency must supply backup document and justification.
- Immaterial adjustments can be made by agencies using GL 3215 as the credit.
  - ❖ Source 0485 – Immaterial Prior Period Adjustments
  - ❖ Source 0486 – Recoveries of Prior Expenditure Authority Expenditures

**Debits to GL 3215 and debits to source 0485 and 0486 are generally not allowed and require OFM approval (before posting).**

# EXPENDITURES/PAYABLES WORKSHOP



## Exercise 3

Practice Handout – page 4

# EXERCISE 3 – MONITORING ESTIMATED ACCRUED EXPENDITURES/EXPENSES REVIEW

1. The agency receives an invoice from Worker Bees, Inc. for \$3,000 for work done in FY17. The correct coding for the invoice is Account/EA 108/250. Can the invoice be paid against the estimated accrual? If so, what would the transaction be? If not, explain why and what the agency should do.

TC: **955 or 828**      Account: **108**      Variable (DR) GL: **5199**      Amount: **\$3,000**

2. The agency receives an invoice from Papers R Us for \$500 for goods received in FY16. The correct coding for the invoice is Account/EA 001/012. Can the invoice be paid against the estimated accrual? If so, what would the transaction be? If not, explain why and what the agency should do.

TC: **955 or 828**      Account: **001**      Variable (DR) GL: **5199**      Amount: **\$56**

3. The agency receives an invoice from University of Washington (agency 360) for \$3,000 for services received in FY17. The correct coding for the invoice is Account/EA 001/020. Can the invoice be paid against the estimated accrual? If so, what would the transaction be? If not, explain why and what the agency should do.

TC: **955 or 828**      Account: **001**      Variable (DR) GL: **5199**      Amount: **\$3,000**

4. If the agency has determined that no further payments will be made on these prior year estimated accruals, what transactions would need to be recorded to remove the unliquidated payable balance?

DR/CR

TC: <b>588</b>	Account: <b>001</b>	Variable GL: <b>5199/3215</b>	Amount: <b>\$4,556</b>
TC: <b>588</b>	Account: <b>108</b>	Variable GL: <b>5199/3215</b>	Amount: <b>\$3,520</b>
TC: <b>588</b>	Account: <b>057</b>	Variable GL: <b>5199/3215</b>	Amount: <b>\$1,700</b>

# LET'S WORK TOGETHER



**“Sometimes you must put aside your differences and work together to achieve success.”**

**“Great things in business are never done by one person. They are done by a team of people.” - Steve Jobs**

# INTERAGENCY ACCRUALS – 90.20.50

**\*\*\*\*\* IMPORTANT\*\*\*\*\***

**Interagency receivables (GL 1354) and payables (GL 5154) are required to balance statewide at fiscal year-end.**

Follow same rules we just covered for recording the expenditure/expense, but use GL 5154 with appropriate subsidiary.

- **Actual invoice → record as accrued (GL 6505)**
- **Estimated invoice → record as estimated (GL 6560)**  
(single year expenditure authority only)

# INTERAGENCY ACCRUALS – 90.20.50

**\*\*\*\* SPECIAL HANDLING REQUIRED \*\*\*\***

## Subsidiary codes:

- Community & Technical Colleges (6990xx)
- State Board for Community and Technical Colleges (699000 – NOT 352000)
- SAAM 75.20.10 lists all agency codes

Focus on reconciling interagency receivable/  
payables early

# INTERAGENCY ACCRUALS – 90.20.50

**\*\*\*\* SPECIAL HANDLING REQUIRED \*\*\*\***

## Example:

Community/Tech College Subsidiary = 6990xx

Renton Tech College Agency# = 6930

Renton Tech College Subsidiary = 699093



# INTERAGENCY ACCRUALS – 90.20.50

## \*\*\*\* MORE SPECIAL HANDLING \*\*\*\*

Do NOT use GL 5154 for some interagency payments:

- Dept. of Revenue for sales and use tax → use GL 5158
- HCA, DRS (certain items), DOT (Good to Go!) → use GL 5152
- Dept. of Labor & Industries for medical aid deductions → use GL 5187 [note: if accrued by HRMS, pay in FY 19]
- State Treasurer for Certificates of Participation → use GL 5173/5273
- Discrete Component Units → use 5159

Complete list of exceptions to using GL 5154 and list of component units are in SAAM 90.20.50.b.

# INTERAGENCY ACCRUALS – 90.20.50

If you are the BILLING agency:

- Must have delivered goods or rendered services by June 30
- Invoices must be sent to other agency by July 20. Estimated invoices are OK, but should be clearly marked as estimates. Actual invoice is still required once amount is known.

You should be able to provide a listing of all invoices outstanding as of June 30 to support receivable balance for any agency requesting it.

# INTERAGENCY ACCRUALS – 90.20.50

## If you are the PAYING agency:

- Accruals are required if you received the goods or services by June 30, but did not make the payment by June 30\*.
- May record accruals based on estimated invoices, but do **not** pay from an estimated invoice. Wait until you receive the actual invoice and then pay.

\*Effective date of payment is the date OST posts cash (GL 4310) for IAP, EFT, and JV payments; and the date shown on the face of the warrant/check, regardless of when it is received by the agency.

# INTERAGENCY RECEIVABLE/PAYABLE



All Interagency Receivables and  
Payables must be balanced by  
**August 17<sup>th</sup>.**

# EXPENDITURES/PAYABLES WORKSHOP

## Exercise 4

Practice Handout – page 6

*State Agency Vendor Expenditures*



# EXERCISE 4 - EXPENDITURES/EXPENSE ACCRUALS (STATE AGENCY VENDORS)REVIEW

It is July 20<sup>th</sup>, You have the following invoices/paperwork to process today:

A. An invoice from Washington State University (agency 3650) for print jobs completed and received in June 2018. There is no encumbrance or accrual. Washington State University has a statewide vendor (SWV) number that indicates payment will be by EFT.

FM: 99      FY: 18      TC: 137      Payable (CR) GL: 5154      Subsidiary: 365000

B. Paperwork for use tax due to Dept. of Revenue (agency 1400) for April – June 2018. There is no encumbrance or accrual. Dept. of Revenue has an SWV number that indicates payment will be by IAP.

FM: 99      FY: 18      TC: 627      Payable (CR) GL: 5158      Subsidiary: n/a

C. An invoice from Dept. of Transportation (agency 4050) for work that was completed before June 30<sup>th</sup>. There is an encumbrance. Dept. of Transportation has an SWV number that indicates payment will be by IAP.

FM: 99      FY: 18      TC: 641      Payable (CR) GL: 5154      Subsidiary: 405000

# EXERCISE 4 - EXPENDITURES/EXPENSE ACCRUALS (STATE AGENCY VENDORS) REVIEW

It is July 20<sup>th</sup>, You have the following invoices/paperwork to process today:

D. An invoice from South Puget Sound Community College (SPSCC, agency 6750) for a meeting room rental charge on June 26<sup>th</sup>. There is no encumbrance or accrual. SPSCC has an SWV number that indicates payment will be by EFT.

FM: **99**    FY: **18**    TC: **137**    Payable (CR) GL: **5154**    Subsidiary: **699075**

E. Paperwork for the medical aid payment to Dept. of Labor and Industries (agency 2350) for April - June 2018. The payroll system accrued \$20,000 for regular employees. There is an additional \$500 due for volunteers, and it has not been accrued. Dept. of Labor and Industries has an SWV number that indicates payment will be by IAP.

Transaction for \$20,000:

FM: **13**    FY: **19**    TC: **642**    Payable (CR) GL: **5187**    Subsidiary: **n/a**

Transaction for \$500:

FM: **99**    FY: **18**    TC: **627**    Payable (CR) GL: **5187**    Subsidiary: **n/a**

# INTERAGENCY ACCRUALS – 90.20.50

## Disputes and dispute resolution

- General Ledger: *Should it be recorded in GL 1354/5154 or is it an exception? Was it recorded in GL 1354/5154?*
- Receipt date of goods/services: *Obtain copy of signed packing slip or other evidence of delivery date to determine if received in FY 18 or FY 19.*
- Amount recorded: *Request list of outstanding invoices and compare to your accruals. Communicate with other agency regarding reasons for disputing amount.*
- Payment date: *Check payment type; check In-Process to find date OST posted cash; provide documentation to other agency.*

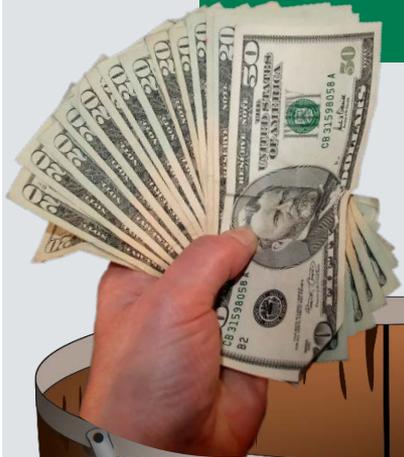
# INTERAGENCY ACCRUALS – 90.20.50

## Disputes and dispute resolution

- Check your records for mistakes before contacting the other agency
- Gather information and provide objective evidence
- Communicate with respect
- Respond timely to other agencies (or let them know when to expect a response)
- Try to work things out with the other agency

As a last resort, contact your OFM Accounting Consultant.

Office of the State Treasurer



# INTERFUND ACCRUALS – 90.20.60

Interfund receivables and payables are required to balance at the agency level at fiscal year-end.

Receivable GLs	Payable GLs
1353	5153
1653	5253
1355	5155
1350	5150

# INTERFUND ACCRUALS – 90.20.60

Record interfund receivables and payables when ALL the following are true:

- One account owes money to another account within the same agency AND
- It's for activities that occurred on or before June 30<sup>th</sup> AND
- Cash transfer is made after June 30<sup>th</sup>

# INTERFUND ACCRUALS – 90.20.60

Examples of situations when interfund accruals might be required:

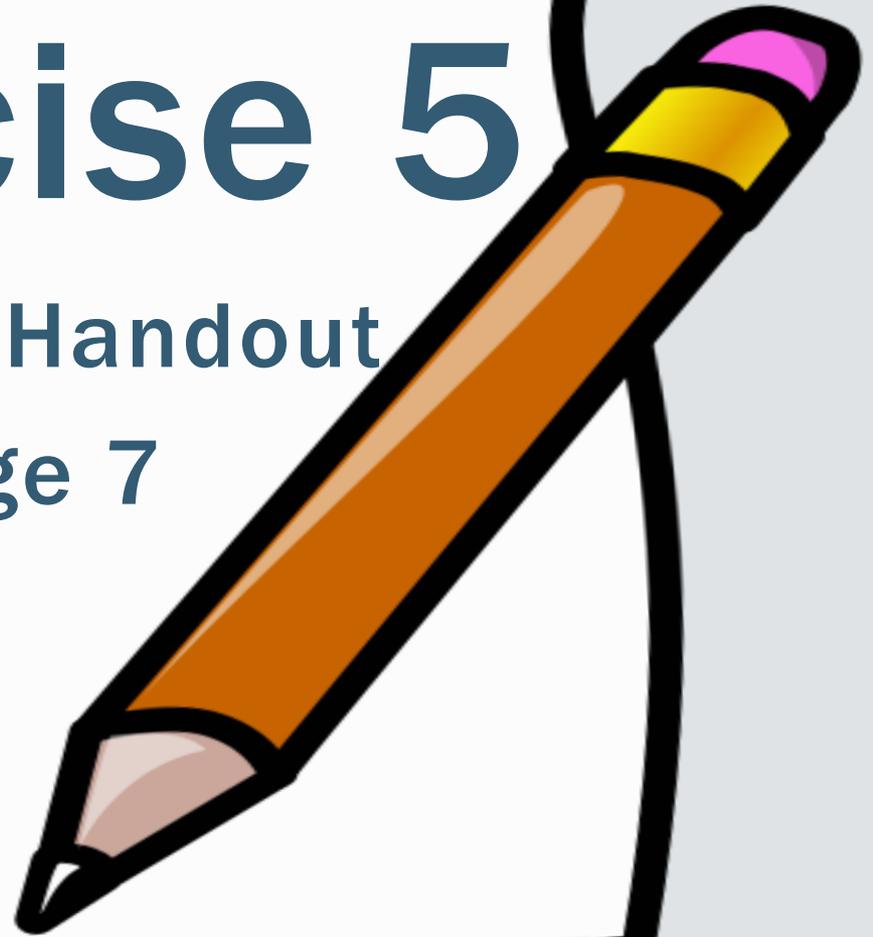
- Goods/services provided from an internal source
- Redistribution/allocation of costs or revenue
- Coding or data entry error

As a general rule, do **not** set up interfund or interagency accruals in agency type funds such as Account 01P– Suspense Account or 035–Payroll Revolving Account.

## Exercise 5

Practice Handout

page 7



# INTERFUND ACCRUALS - 90.20.60

Account	GL	Subsidiary	Description
001	5154	03K000	Account 001 owes money to Account 03K
03K	1354	001000	Account 03K is expecting money from Account 001

# EXERCISE 5 – INTERFUND ACCRUALS

## Question A

Account	TC	FM	DR/CR	GL-Subsidiary
001	271	99	DR	1353- <b>01B</b> 000
001	271	99	DR	1353- <b>057</b> 000
001	271	99	DR	1353- <b>216</b> 000
01B	253	99	CR	5153- <b>001</b> 000
057	253	99	CR	5153- <b>001</b> 000
216	253	99	CR	5153- <b>001</b> 000

# EXERCISE 5 – INTERFUND ACCRUALS

## Question B

Account	TC	FM	DR/CR	GL-Subsidiary
001	271	99	DR	1353- <b>108</b> 000
108	253	99	CR	5153- <b>001</b> 000
001	026	13	DR	1353- <b>108</b> 000
108	025	13	CR	5153- <b>001</b> 000

# EXPENDITURES/PAYABLES WORKSHOP



## Exercise 6

Practice Handout – page 8

# EXERCISE 6 – MISCELLANEOUS ADJUSTMENTS REVIEW

1. On July 20<sup>th</sup>, your agency receives an estimated invoice from another state agency for services performed in June. Choose one answer from below to indicate which action you should take:

- a. Enter a journal voucher (JV) in FM99 to record an accrual in GL 5154 – Due to Other Agencies [DR 6505/CR 5154]
- b. Recycle the invoice. After all, it's just an estimate and not the actual invoice.
- c. Pay the invoice in FM 99 to record the expense and enter a journal voucher (JV) to adjust the expense when the actual invoice comes in.
- d. Enter a journal voucher (JV) in FM99 to record an estimated accrual in GL 5154 – Due to Other Agencies. [DR 6560/CR 5154] If the actual invoice is received prior to Phase 2 cut-off, liquidate the estimated accrual [DR 5154/CR 6560] and record the actual accrual in FM99 [DR 6505/CR 5154], then pay the invoice in the current FY. [DR 5154/CR 7140]
- e. Give it to a coworker to do so you don't have to deal with it.

2. As you are balancing your interagency payables/receivables, you discover that another state agency has recorded \$1,200 more in receivables GL 1354 than your agency has recorded in payables GL 5154. Many of the invoices you pay to this agency are \$600 so you are having trouble figuring out which invoices make up the \$1,200 difference. What should you do?

Ask the agency's A/R Contact for a listing of invoices due as of June 30 that supports the amount they have recorded as a receivable.

# EXERCISE 6 – MISCELLANEOUS ADJUSTMENTS REVIEW

3. You discover that your agency made an FY 18 payment by JV to other state agency in early July for services in May using TC 263 [DR 6510/CR 7140] and a payable was not set up (oh my!). What should you do now to balance your interagency payables/receivables?

FM: 99            FY: 18            TC: 966            DR GL: 7140            CR GL: 5154  
FM: 13 or 14    FY: 19            TC: 966R            DR GL: (7140)            CR GL: (5154)

4. As you continue your interagency payables/receivables reconciliation, you discover that an expenditure of \$50,000 was incorrectly recorded in FY 18 as a payable using GL 5111 – Accounts Payable when it should have been GL 5154 – Due to Other Agencies. The payable liquidation has already posted in FY19. How will you correct this so your interagency payables/receivables are correct and in balance?

Reverse the incorrect payable GL code and enter the correct GL:

FM: 99            FY: 18            TC: 347R            DR GL: (9920)            CR GL: (5111)  
FM: 99            FY: 18            TC: 347            DR GL: 9920            CR GL: 5154

Correct the liquidation:

FM: 13            FY: 19            TC: 348R            DR GL: (5111)            CR GL: (9920)  
FM: 13            FY: 19            TC: 348            DR GL: 5154            CR GL: 9920

Circle the GLs above that would also require the community college subsidiary.

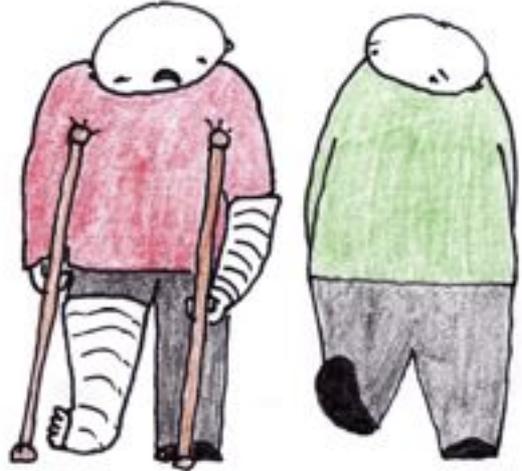
5. During Phase 2 (August), you discover that an expenditure of \$32,000 paid to an outside entity was incorrectly recorded in FY 18. It was for contract services received in July so it should be a FY 19 expenditure. How will you correct this?

FM: 99            FY: 18            TC: 736R            DR GL: (6505)            CR GL: (5111)  
FM: 13/14        FY: 19            TC: 736            DR GL: 6505            CR GL: 5111

GOD PLEEEASE  
GIVE ME A BREAK!



DON'T  
EVEN ASK!



©dhayward.

# OBJECT S - INTERAGENCY REIMBURSEMENTS – 85.90.60 & 85.95.60

For Budgeted Non-Proprietary type accounts:

## **Paying Agency:**

Account for expenditures for interagency materials supplied or services rendered as though they were purchased from an outside vendor.

# OBJECT S - INTERAGENCY REIMBURSEMENTS – 85.90.60 & 85.95.60

For Budgeted Non-Proprietary type accounts:

**Receiving Agency:**

Credits expenditures / expenses using Object S - Interagency Reimbursements.

Object S can only have a credit balance, and only in the receiving agency.

# OBJECT S JV DURING THE FISCAL YEAR:

## Paying Agency:

**Debit**: GL 65xx Expenditures/expenses (Object E)

**Credit**: GL 71xx Cash In-process

## Receiving Agency:

**Debit**: GL 71xx Cash In-process

**Credit**: GL 65xx Expenditures/expenses (Subobj. SE)

*At FY end use Due from/Due to Other Agencies GLs 1354/5154  
(instead of Cash as the offset)*

*ER Financial Reports/Accounting/Exceptions: Object S Debit Exceptions*

# BUDGETED NON-PROPRIETARY ACCOUNTS

Original purchase made:

Agency	Sub-object	GLs	Coding
Receiving	EA	 /71XX	Expenditure recorded when original purchase is made

Agency receives goods/reimburses for original purchase:

Paying	EA	6510/  /71XX	Expenditure recorded when agency reimburses for goods received
Receiving	SE	71XX, 	Original expense is offset by SE sub-object when expenditure recovery is recorded

# OBJECT S - INTERAGENCY REIMBURSEMENTS

## Budgeted Proprietary type accounts:

For Budgeted Proprietary fund type accounts, an additional entry is needed to meet GAAP reporting requirements.

**Debit:** GL 6525 Expense Adjust/Elimination (Object S)

**Credit:** GL 3225 Revenue Adjustments/  
Eliminations (Use appropriate revenue source  
code)

# BUDGETED PROPRIETARY ACCOUNTS

## Original purchase made:

Agency	Sub-object	GLs	Coding
Receiving	EA	[ ]/71XX	Expenditure recorded when original purchase is made

## Agency receives goods/reimburses for original purchase:

Paying	EA	6510/71XX	Expenditure recorded when agency reimburses for goods received
Receiving	SE	71XX/[ ]	Original expense is offset by SE sub-object when expenditure recovery is recorded

## Reclassify reimbursement as revenue for GAAP purposes:

Receiving	SE	6525/3225	Expenditure recorded when agency reimburses for goods received
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# INTERAGENCY REIMBURSEMENTS, NOT OBJECT S

## Non-Budgeted Proprietary accounts:

For **Non-budgeted Proprietary** type accounts, the interagency reimbursement is recorded as revenue (not Object S).

**Debit:** GL 71xx Cash In-Process

**Credit:** GL 3210 Cash Revenue with appropriate revenue source code

# OBJECT T – INTRA-AGENCY REIMBURSEMENTS 85.90.60 & 85.95.50

- Within the same agency, used to charge for services or supplies provided by one Budgeted Account to another Budgeted Account.
- The Paying Account debits Object T & the Reimbursed Account credits Object T.
- Object T is to equal zero for all Accounts in an agency at FY end at the subobject level.

(Exception: Budgeted Proprietary fund type accounts will not net to zero.)

ER Financial Reports/Accounting/Exceptions:  
*Object T Elimination*

# OBJECT T - INTRA-AGENCY REIMBURSEMENTS

JV during the FY:

- **Paying account:**

  - Debit:** GL 65xx – Expenditures (Object T)

  - Credit:** GL 71xx – In-Process/Cash

- **Receiving account:**

  - Debit:** GL 71xx – In-Process/Cash

  - Credit:** GL 65xx – Expenditures (Object T)

*At FY end use Due from/Due to Other Funds GLs 1353/5153 (instead of Cash as the offset)*

# OBJECT T – INTRA-AGENCY REIMBURSEMENTS

- There are differences in the accounting for Object T in Budgeted and Non-budgeted proprietary accounts.
- Refer to SAAM 85.90.60.a & 85.95.50 for details.

ER Financial Reports/Accounting/Exceptions:  
*Object T for Proprietary Accounts*

# SZ AND TZ – INTER/INTRA-AGENCY REIMBURSEMENT

- **SZ – Unidentified Interagency Reimbursements**
- **TZ – Unidentified Intra-agency Reimbursements**
  
- **Agencies are required to reallocate any SZ and TZ items to the appropriate subobject of expenditure within S and T respectively at least annually at fiscal year end.**

# EXPENDITURES/PAYABLES WORKSHOP

Questions  
or  
Comments

A 3D white figure stands in a thinking pose, with its hand on its chin, next to a large red question mark. To the right of the text are two speech bubbles, one red and one blue, both with a glowing effect.



**Please remember  
to:**

- Complete Evaluation*
- Pick Up Answer Sheet*

**Thank you!!!**

**OFM**

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