Chapter 12 - Month and Year End Processing

PURPOSE

In accounting systems, months and years represent discrete accounting periods which require special attention. This chapter addresses manual and automated processes that must be performed in order to close an accounting month or year. The accounting month is referred to as the 'fiscal month' and the accounting year is referred to as the 'fiscal year.' These processes include the analysis of accounting transactions, execution of key subsystems, maintenance of system profiles, and other supporting activities necessary to properly close one fiscal month or fiscal year and begin processing the new fiscal month or fiscal year.

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12.1 MONTH-END CLOSING

Accounting transactions are associated with fiscal months for the purposes of cash and GAAP (Generally Accepted Accounting Principles) reporting. The monthly accounting process involves the following steps:

- Enter All Remaining Accounting Activity for the Prior Fiscal Month
- Analyze Transactions on the Internal Transaction (IT) File
- Execute Month-End Subsystems **(Not used in Michigan~~Phase 2~~)**
- Post Final Month-End Adjustments and Correct Errors **(Not used in Michigan~~Phase 2~~)**
- Close the Fiscal Month

Each step is described below.

Enter All Remaining Accounting Activity for the Prior Fiscal Month

The entry of all accounting activity that affects the fiscal month being closed is critical to complete and accurate reporting. The effective date on each transaction identifies the fiscal month and fiscal year that is updated in the financial tables when the transaction is posted.

Normally, most transactions for a particular month are entered on a daily basis during that month. However, due to delays in processing paperwork and other general office activity, some transactions are entered after the fiscal month in which they occur. For example, transactions that occurred in July may not actually be entered until August. These transactions would be entered with a July effective date. These transactions may continue to occur until the fiscal month of July is closed.

Analyze Transactions on the Internal Transaction (IT) File

Even though transactions for a given fiscal month may be entered until that month is closed, they should be entered as early as possible to allow time for review and, if necessary, error correction. After a fiscal month is closed, any transaction remaining on the IT File with an edit mode of ‘0’ or ‘1’ and with an effective date that references the closed fiscal month must be changed to an effective date for the next month.

Transactions remaining on the IT File can be viewed by selecting the batch containing the transactions from the 530 View Batch Headers screen. Batches are listed in order by batch agency, batch date, batch type, and batch number. Usually transactions with effective dates for a given month will have batch dates within that month, but that is not always the case. It is, however, a good place to start.

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For example, if August is ready to be closed, batches with August batch dates should be reviewed first, assuming that there are no July batches on the IT. If there are batches with July batch dates, they should be reviewed also. To view the individual transactions, select the batch and access the 510 Recall a Batch for Correction screen. From this screen, you may view the transactions.

If transactions in the batch have effective dates falling within the month of August (11th fiscal month), the next step is to determine the condition of the transactions. The condition of the batch may be identified by examining the following elements on the 520 View a Batch screen or the 530 View Batch Headers screen:

- Status (STA)
- Edit Mode (MODE)
- Approvals Required (STA = 'A')

The batch status values are explained below.

- H (on Hold) the batch has not been released for processing. If the balance indicator is 'Y' (yes), the batch is balanced and released.
- A (awaiting Approval) the batch has been released; however, the required approvals for some or all of the documents within the batch have not occurred.
- P (Posted) this indicates that the batch count and amount match the computed count and amount; each document within the batch is balanced; and all required approvals have been processed.

A batch must be balanced before it can be successfully released for processing. If the balancing indicator (BAL) is not 'Y,' release the batch and review the results after the Input, Edit, Update (IEU) process.

If the batch has a status of 'H' and an edit mode of '0' or '1,' the transactions are not posted to the financial tables. These batches should be released in the proper fiscal month. If there is not enough time to release and post the transactions to the effective date that was coded on the transactions, the effective date should be changed to a fiscal month that is open for processing and the batch released.

If the batch has a status of 'H' and an edit mode of '2' or '4,' all of the transactions have already posted to the financial tables. These batches should be released (not remain on the IT File) before closing the month. If document approvals are required, the appropriate approvals should be processed before closing the month. After the fiscal month is closed, any documents with an edit mode of '2' or '4' must be approved. These transactions can not be rejected and/or deleted because they have already updated the financial tables.

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If the batch has a status of 'H' and an edit mode of '3,' it indicates that the batch has processed but at least one transaction within the batch contains a fatal error(s). There may be some transactions within the batch that have successfully posted to the financial tables; however, at least one transaction has not posted to the financial tables. The processing error(s) can be corrected through the 510 Recall a Batch for Correction screen for specific errors or through the 540 series screens. Refer to the Error Correction Chapter in this manual for specific instructions for correcting errors.

After the errors have been corrected, release the batch and review the results after the IEU process. Successfully posted transactions will print on the DAFR2251 Posted Transaction Detail Report. If the batch is fully approved and error-free, the transactions will print on the DAFR2261 Daily History Detail Reports, in addition to the DAFR2251.

A batch with a status of 'P' and an edit mode of '2' or '4,' indicates that every transaction has posted successfully to the financial tables and all document approvals have been obtained; however, the transactions are still on the IT file. Batches in this condition may be on the IT file because they may be waiting for a subsequent process, such as assignment of a warrant number. When the subsequent process occurs, these transactions will be removed from the IT File.

A batch with a status of 'A' indicates that at least one document within the batch is awaiting document approval. Ideally, the document(s) should be approved prior to the closing of the month in which the transactions have posted to the financial table. Generally, the transactions have all posted to the financial tables, the user's only choice is to approve the documents within the batch, assuming the document and batch are balanced. In the case of deposits, Treasury rejects them, agencies reverse and correct them, then Treasury approves them. Any other action requires intervention of Central Agency staff. This process is used to avoid situations where documents are deleted or changed after a month is closed and financial reports have been produced. After financial reports are produced for a month, the intent is to prevent any changes to the underlying data.

After reviewing all batches with August (the fiscal month being closed) batch dates, review the transactions with September batch dates in a normal fashion. Remember, transactions may be entered for a given month until that fiscal month is closed. Follow all the steps described above when closing the next fiscal month.

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Close the Fiscal Month

On a systemwide basis, R★STARS is closed by changing the Last Closed Month field in the 97 System Management Profile. The change is made five business days after the end of the month.

After the month has been closed, all transactions released with an effective date of the closed month and an edit mode of '0,' '1,' or '3' will not post to the financial tables. Any transactions with an edit mode of '2' or '4' that have posted to the financial tables with a closed month cannot be changed or deleted.

Note: The following process is not being used in Michigan at this time. After all transactions for the fiscal month are posted, an agency may close the month to prevent further posting to the financial tables. This is accomplished by changing the Last Month Closed field in the 25 Agency Control Profile.
~~After all transactions for the fiscal month are posted, an agency may close the month to prevent further posting to the financial tables. This is accomplished by changing the Last Month Closed field in the 25 Agency Control Profile.~~ The number entered should represent the fiscal month being closed. For example: To indicate that fiscal month '01' in fiscal year 1996 is closed, update the 25 Profile for FY96, by changing the Last Month /Year Closed field from 00 95 to 01 95. This would close the first fiscal month (October 1995) of FY96. The 95 (XX **95**) stands for the **last fiscal year closed**. The 01 (**01** XX) stands for the **last fiscal month closed**. Note that agencies may open, close, and re-open a month until R★STARS is closed on a systemwide basis. For more information on the 25 Profile, see Chapter 6, Non-Descriptive Profile Maintenance.

~~On a systemwide basis, R★STARS can be closed by changing the Last Month Closed field in the System Management Profile. Note that agencies may open, close, and re-open until R★STARS is closed on a systemwide basis.~~

~~After the month has been closed, all transactions released with an effective date of the closed month and an edit mode of '0,' '1,' or '3' will not post to the financial tables. Any transactions with an edit mode of '2' or '4' that have posted to the financial tables with a closed month cannot be changed or deleted.~~

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12.2 FISCAL YEAR-END CLOSING

This section describes the closing of the fiscal year in R★STARS. There are a number of automated processes which must be performed by the system, and each of these processes has certain procedural implications. Therefore, this section addresses the manual and automated procedures in the order that they should occur. The annual accounting process involves the following steps:

- Run Prior Fiscal Year Reports
- Review All GAAP Profile Roll-Ups
- Evaluate Financial Data Using R★STARS GAAP Roll-Up Reports
- Create New Year Profiles
- Update New Year Profiles
- Clear Transactions From the Internal Transaction File That are in Error
- Encumbrance Reporting at Year-End
- Adjustment Month Processing (Period 13)
- Record Final Prior Fiscal Year Transactions
- Liquidate Encumbrances
- Erroneously Liquidated Old Year Encumbrances
- Spending Close
- Year-End Cutoff of Manual Warrants for W-2 and 1099 Reportable Payments

Each step is described below.

Run Prior Fiscal Year Reports

Normally, prior fiscal year reports are generated multiple times throughout the year-end closing process. The System Manager controls when the reports are generated by changing specific (Y)es (N)o flags on the R★STARS 97 System Management Profile. Included on this profile are the financial closing dates and stages, which are used for posting and reporting purposes. The specific dates and stages used are outlined in the DMB (Department of Management and Budget)-Office of Financial Management (OFM) Year-End Closing Guide.

Also, ~~t~~This process can be ~~is~~ initiated by the agency in the 25 Agency Control Profile; however, this function is not being used in Michigan at this time. ~~and by the R★STARS System Manager in the System Management Profile.~~ The Year Reporting Indicator in both the 25 and 97 Profiles ~~of these profiles~~ support~~s~~ the generation of annual reports.

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DMB-OFM and agencies control the time period of the information reported. This is done by establishing a 91 Report Request Profile with the period setting for either **'PY'** (prior year) or **13** (month 13) which covers all year-end adjustment transactions.

The timing schedule for when Prior Fiscal Year Reports are to run is established by DMB-OFM. The System Manager adheres to this schedule and sets the appropriate Yearly flags on the 97 System Management Profile to (Y)es on those established dates.

When the Report Program runs, it refers to the Reporting Indicators on the 97 System Management Profile to determine what series of reports are scheduled for the nightly report run.

> Example: Weekly flag is set to 'Y'. This tells the program to look for all report requests on the 91 Report Request Profile with a Frequency of 'Weekly'. The same procedure is followed for Monthly and Yearly flags set to 'Y'.

Review All GAAP Profile Roll-Ups

The year--end reporting process involves producing a number of reports at a very summarized level of detail. Both the Balance Sheet and the Operating Statements for the State are summarized for presentation in the CAFR and other financial management reports. There are three types of roll-ups that R★STARS provides as support for year-end reporting:

Object – The object structure is primarily driven by the D10 Comptroller Object Profile. This profile looks up the following:

- D65 GAAP Subclass (proprietary and governmental designation). The D65 looks up the D08 GAAP Source Object Profile. The D08 GAAP Source Object Profile looks up the D16 GAAP Category Profile. The D16 GAAP Category Profile looks up the CAFR Type and CAFR Operating Statement ID.

General Ledger Structure – The general ledger structure is primarily driven by the D31 Comptroller General Ledger Account Profile. This profile looks up the following:

- D07 GAAP GL Subclass which looks up the D14 GAAP GL Class. The D14 GAAP GL Class looks up the D13 GAAP GL Account Category, The D13 GAAP GL Account Category looks up the CAFR Type Indicator

Fund Structure – The fund structure is primarily driven by the D23 Fund Profile. This profile looks up the following:

- D39 State Fund Group

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- D22 Appropriated Fund

- D68 GAAP Subfund. The D68 GAAP Subfund looks up the D24 GAAP Fund. The D24 GAAP Fund looks up the D21 GAAP Fund Type Profile and the CAFR File ID. The D21 GAAP Fund Type Profile looks up the D20 GAAP Fund Group.

Evaluate Financial Data Using R★STARS GAAP Roll-Up Reports

Financial data displayed using the various GAAP Roll-Up Reports often represent summaries of thousands and occasionally millions of transactions. These high level reports are used at year end to summarize the financial position of the State. The following is a cross reference of the R★STARS standard reports to the year-end CAFR roll-up reports:

- DAFR8580 Balance Sheet - All Fund Types and Account Groups. This R★STARS report is similar to the Combined Balance Sheet - All Fund Types and Account Groups.

- DAFR8590 Operating Statement – Governmental Funds. This R★STARS report is similar to the Combined Statement~~tn~~ of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Funds.

- DAFR8600 Operating Statement ~~–~~ Proprietary Funds. This R★STARS report is similar to the Combined Statement of Revenues, Expenditures, and Changes in Retained Earnings and Fund Balances - Proprietary Fund Types and Similar Trust Funds.

~~DAFR8630 Operating Statement - Current Funds (if applicable)~~

~~- DAFR8640 Operating Statement - Budget vs Actual. This R★STARS report is similar to the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds.~~

~~- DAFR8690 Statement of Changes in Assets and Liabilities~~

~~DAFR8860 Balance Sheet - College and University Funds (if applicable)~~

The ~~-~~year-end reports will use the general ledger reporting roll-ups that net expenditures, revenues, operating transfers in/out, etc. into the fund balance. These R★STARS standard reports may be used during the year to review the accuracy and reasonableness of data posted during the year. If the review process is conducted on a timely basis throughout the year, the year-end reporting process is simplified because fewer adjusting journal entries are required.

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The DAFQC series of reports identify the various groupings of the State of Michigan accounting structure used to produce the CAFR (refer to the R★STARS Report for specific accounting hierarchies displayed within each report). These reports are listed as follows:

- DAFQC010 Balance Sheet Line Items Report - This report identifies the groupings of Comptroller General Ledger Accounts (D31) used to produce the Balance Sheet (DAFR8580) for the CAFR.

- DAFQC020 Governmental Operating Statement Lines Items Report - This report identifies the groupings of Comptroller Objects (D10) used to produce the Operating Statement for GAAP Governmental Funds (DAFR8590) for the CAFR.

- DAFQC030 Proprietary Operating Statement Lines Items Report - This report identifies the groupings of Comptroller Objects (D10) used to produce the Operating Statement for GAAP Proprietary Funds (DAFR8600) for the CAFR.

- DAFQC040 GAAP Fund Roll Up Report - This report provides a listing of all D23 Funds that are used to prepare the CAFR. This report identifies how D23 Funds are accumulated for presentation in the combining financial statements and schedules.

- DAFQC050 Comptroller Source/Group Roll Up Report - This report identifies the groupings of revenue Comptroller Objects (D10) used to produce the Combined Schedule of Revenue and Other Financing Sources for the CAFR, and identifies the groupings of expenditure Comptroller Objects used in the Civil Service 1% calculation. This report is displayed in the hierarchy of the R★STARS Object (non-GAAP, non-budget) structure.

~~The D07 GAAP GL Sub-Class is used for this type of reporting. The D07 GAAP GL Sub-Class value used for this type of roll-up reporting in Michigan is '1150.' Examples of D31 Comptroller General Ledger accounts that references D07 GL Subclass '1150' at the State of Michigan include the following:~~

D07 GAAP GL SUBCLAS	D31 COMPTROLLER GENERAL LEDGER ACCOUNT	TITLE	NORMAL BALANCE	YEC IND	STATUS
1150	3100	REVENUE CONTROL - CASH	C	2	A
1150	3150	OPERATING TRANSFERS IN CONTROL	C	2	A
1150	3101	REVENUE CONTROL - ACCRUED	C	2	A
1150	3250	OTHER FINANCING SOURCES	C	2	A
1150	3200	GAAP REVENUE OFFSET	C	2	A
1150	3500	EXPENDITURE CONTROL - CASH	D	2	A
1150	3501	EXPENDITURE CONTROL - ACCRUED	D	2	A
1150	3550	OPERATING TRANSFERS OUT CONTRO	D	2	A
1150	3502	EXPENDITURE CONTROL - PROJECT	D	2	A
1150	3602	PROJ EXPENDITURE OFFSET	D	2	A
1150	3600	GAAP EXPENDITURE OFFSET	D	2	A
1150	3650	OTHER FINANCING USES	D	2	A

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Create New Year Profiles

R★STARS includes an automated process for creating profiles for the next appropriation and fiscal year. This process simply makes a copy of ~~the~~ all active current year profiles listed below and increments either the appropriation year or fiscal year by one. It reduces the manual effort associated with establishing new profiles each year. ~~The profiles which are automatically created are:~~

- 20 Appropriation Number (AY)
- 24 Index Code (AY)
- 26 Program Cost Account (AY)
- 26A PCA – Index Edit ~~Profile~~ (AY)
- 26B PCA – Object Edit ~~Profile~~ (AY)
- 26T Taxable Travel Withholding Classification (AY)
- D03 Organization Code (AY)
- D04 Program Code (AY)
- D09 Comptroller Source/Group (AY)
- D10 Comptroller Object (AY)
- D11 Agency Object (AY)
- D23 Fund (FY)
- D52 Function (AY)
- D67 GL Tables Control (~~AY~~FY)

~~For all of these profiles, except D23 and 22D67, a new record is created for the next appropriation year and the Effective Start Date is set to the first fiscal month of the new year. For the D23 and D67 Fund Pprofiles, a new records isare created for the next fiscal year.~~ The exception to this process is the D23. New year D23 Fund Profiles are created regardless of whether they are active or inactive. The profile rollover program does not automatically roll the 25 Agency Control Profile. This is the only profile with appropriation year or fiscal year in the key that is not automatically rolled. Agencies must enter this profile transaction manually. It is not necessary to create new profiles each year for profiles that do not have 'Year' in the key; however, agencies should review all profiles after they have rolled over.

Additional logic is used when creating the Appropriation Number Profile. The Effective Start Date and Effective End Date year are~~is~~ also incremented by one, since most appropriation numbers are included in subsequent appropriation patterns.

The profile rollover program is scheduled by the R★STARS System Manager. It may be run any time after the close of the old fiscal year and prior to the beginning of the new fiscal year.

Update New Year Profiles

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Once the new year profiles have been created, the Comptroller (DMB OFM) and agency staffs must make any adjustments to the new fiscal year profiles. For example, appropriations which are not awarded for the new fiscal year should result in the appropriate end user deleting or inactivating the related profiles (e.g., Appropriation, Index, PCA~~H~~, D23 Fund). Agencies must also review any modifications to their coding structures for the new year and make the appropriate adjustments.

Clear Transactions from the Internal Transaction File That are in Error

Finally, all transactions on the IT file with effective dates that reference the prior fiscal year ~~on the IT file~~ must be corrected and successfully processed, including any approvals required by central agencies. Once the year is closed, the effective date on any prior year transactions remaining on the IT file in edit mode 0, 1, or 3 must be changed to a new year effective date so that they will post in the new year. Generally, this procedure should only be used if the amounts involved on the transactions are immaterial. Any material errors left on the IT file for the prior fiscal year will invalidate prior year balances.

Encumbrance Reporting at Year-End

When encumbrances are recorded during the year, the following entry is made:

dr. 2735 Encumbrance Control~~s~~
cr. 3011 ~~Reserve for~~ Encumbrance Offset~~s~~

At year-end, the encumbrances are adjusted for financial statement purposes because the State of Michigan only reports those encumbrances that are qualifying encumbrances, per PA431. General purpose financing is identified by a financing type value of '01' on the D23 Fund Profile. The journal voucher at the end of the year has the following impact:

dr. 3086 Unreserved Fund Balance-Undesignated
cr. 3091 Reserved Fund Balance-Qualifying Encumbrances

These entries are made based upon input from each State of Michigan agency. A report is produced from R★STARS that assists in identifying the balances used to make this entry.

Identify Outstanding Procurement Documents That Relate to Appropriations That End

Procurement documents include purchase orders, direct purchase orders, or requisitions. A report is ~~-~~produced that identifies all encumbrances (purchase orders or direct purchase orders from ADPICS) or requisitions that are associated with appropriations that are ending. This report is used by agency personnel to determine the appropriate action to be taken on outstanding

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procurement documents. Documents may be canceled or the accounting classification elements changed or the document remains as is with no changes.

User Review and Processing of Change Orders or Cancellations

Using reports from R★STARS and ADPICS, users may either process a change order (8010 Advice of Change) for the purchase order, direct purchase order, or requisition in ADPICS; or cancel (8500 Document Cancellation) the purchase order, direct purchase order, or requisition in ADPICS. See ADPICS Data Entry Guide, Chapter 7, Change Order Processing.

Adjustment Month Processing (Period 13)

Fiscal Month 13 is often called the adjustment month. This fiscal month is used to post to the prior year after the fiscal month 12 (September) is closed. Fiscal Month 13 balances and activity can be reported separately to segregate year-end adjustments and accruals from normal fiscal year processing.

To post transactions to Fiscal Month 13, an Effective Date of September 31 is used. For example, the effective date '093195' would post to the 13th month of Fiscal Year 95.

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Journal Vouchers Requiring Department of Management and Budget / Office of Financial Management (DMB OFM) Approval

During Year-end Closing, for old fiscal year Journal Vouchers that require DMB OFM approval, the batch header effective date should be 9-31-XX (old year) if fiscal month 12 is closed. ~~This will provide DMB OFM with the ability to easily differentiate between old fiscal year and new fiscal year batches.~~

~~Non-Negotiable Interagency Warrant (NNIAW) Replacement~~

~~When processing NNIAW payments with a 9-31-XX effective date, during year-end closing (period 13), agencies should not use the non-negotiable interagency warrant process. During the fiscal year-end closing process, the Payment Distribution Type of 'ZA' is inactive. Agencies are provided with instructions on the procedure used to process these types of transactions.~~

Recording Manual Warrants Issued

As part of the fiscal Year-End Closing (period 13), agencies should record manual warrants that were issued during the old fiscal year, but were not recorded in the system (on the Payment Control / Cancellation Table). The old AY XX and an effective date of 09/31/XX should be used if the agency has not recorded the payment. Agencies are encouraged to enter all of these types of transactions *prior* to 9/31/XX. Recording these payments should clear certain types of errors identified on the DAFR3801 Payment Redemption Error Report by Bank ID and Warrant Number. A common type of error that this transaction will clear is 'L10,' Payment Record Not Found.

Fiscal Month 13 Reports

During Year-End Closing (Fiscal Month -13), when two different fiscal years are open, it is recommended that Report Coordinators check the fields **Period** and **Fiscal Year** on their active 91 Report Request Profile records, and confirm that the logic for extracting report records is for the appropriate Fiscal Year.

If Period is equal to '**CM**' (current month), reports will be generated for the current month in the new Fiscal Year. Through the end of October, if Period is equal to '**PM**' (prior month), reports with September, 19XX ~~date~~ (the old fiscal year) are produced. Beginning November 1, reports with Period = '**PM**' will revert to/produce reports for October of the new fiscal year. The '**CM**' and '**PM**' options will automatically look up the Fiscal Year associated with the current and prior month. Current Fiscal Year and Current Month are shown on the R★STARS 97 System Management Profile.

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Report Requests for the old Fiscal Year should be set with Period = '**13**' and the old Fiscal Year. Do not try to use period '**CM**' or '**PM**' with the old Fiscal Year, because the Fiscal Year associated with 'CM' and 'PM' will select new Fiscal Year data.

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~~Special Considerations Regarding the D23 Profile~~

~~The D23 Fund Profile must be active for the new fiscal year (FYXX) if there are old fiscal year balances that have rolled to the new fiscal year (FYXX). If the D23 Fund Profiles are not active in the new fiscal year, it is best to inactivate the related profiles which look up the D23 Fund Profile. The D23 Fund Profile itself, is best kept active if it is needed for reference purposes when posting a redemption, cancellation, undeliverable, unpresented transaction. If this is not done, these system generated transactions may encounter fatal errors.~~

Record Final Prior Fiscal Year Transactions

During the beginning of the new fiscal year, the prior fiscal year will remain open for posting additional financial transactions. ~~The Document Stage Indicator on the 25 Agency Control Profile and~~ The Last Closed Stage Indicator on t~~t~~he 97 System Management Profile is used to progressively restrict the type of documents that may be posted to the prior year. The Last Stage Closed Indicator on the 25 Agency Control Profile can also be used to accomplish this; however, is not being used in Michigan at this time. ~~-~~On these profiles, each document type is associated with a Stage Indicator, and the stage that the system allows for processing in the prior fiscal year is identified. An agency may restrict document types more progressively than the central agency.

The following activities should occur prior to closing the prior year:

- Review outstanding documents (encumbrances, pre-encumbrances and accounts receivable) and adjust or close documents which have nominal or no remaining balance or are no longer valid. Normally, documents with zero balances are closed automatically by R★STARS when a Modifier of 'F' (Final) is entered on the liquidating transaction. If the document was not closed and should have been, a transaction with a zero dollar amount and a Modifier of 'C' will close the document.

- Review clearing accounts, such as System Clearing which is used during conversion, to ensure that each account has a zero balance. If balances are left in these accounts, the beginning balances for the fund will be incorrect.

- Submit any prior year adjustments or accrual transactions required to support the cash and GAAP-basis financial statements.

All prior fiscal year transactions must be recorded prior to closing the prior fiscal year. Therefore, it is important that all balances be recorded and reconciled prior to running the last steps of the fiscal year-end closing process.

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Liquidate Encumbrances

Encumbrances are not liquidated in R★STARS. Instead, the individual documents are adjusted in ADPICS. See ADPICS Data Entry Guide, Chapter 14.2, Year-End Closing.

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Erroneously Liquidated Old Year Encumbrances

If you have unintentionally liquidated a valid old fiscal year encumbrance (originally established in ADPICS and correctly "rolled" to the new fiscal year) by erroneously liquidating the entire encumbrance amount when making a partial payment against the encumbrance, the result will be an understatement of the old fiscal year encumbrance balance for financial reporting purposes, as well as an understatement of the new fiscal year encumbrance balance.

To correct the understatement of the old fiscal year encumbrance balance, enter the following entries (it is important that both of these entries are recorded prior to the closing of Document Type NR) in R★STARS:

1) Record a TC 884, Establish Encumbrance Not in R★STARS - Year-End
   Effective Date: 9/31/XX (old fiscal year)
   Document Type: NR
   Batch Type: 4

2) Record a TC 887, Encumbrance Liquidation Not in R★STARS - Year-End
   Effective Date: Current date (new fiscal year)
   Document Type: NR
   Batch Type: 4
   Reference Document: Use the current document number from the TC884

Spending Close Program

The purpose of this program is to generate transactions that force the calculated remaining encumbered basis budget to a zero balance. The result is that agencies are prevented from recording certain types of transactions (encumbrance, accrued expenditure or cash expenditure) when the associated control type indicators on the 20 Appropriation Number Profile are set to fatal (value of '1'). The intent is to prevent further transactions from posting to the appropriation financial table that would affect the remaining encumbered basis budget. This will prevent unauthorized spending through the normal procurement cycle from a prior appropriation year.

Note: The following refers to calendar year-end, not to fiscal year-~~-~~end.

Calendar year-end cutoff for processing corrections to W-2 and 1099 reportable payments varies depending on the edit mode used when posting in R★STARS. Corrections entered in~~for~~ Edit Mode '0' or '1' may have a different cutoff date than corrections entered for errors in edit mode '~~"~~2'~~"~~. To be accurately recorded and included in W-2 or 1099 statements, corrections must be

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entered error free and posted to the accounting event file by the dates specified by DMB Office of Financial Management (OFM).

Corrections posted after the deadlines specified by OFM will not be included in the old calendar year's W-2 or 1099 statements without intervention. If the corrections should be reported in the old calendar year, agencies should enter them with a December (old calendar year) effective date and then request a corrected W-2 or 1099 statement.

If you have questions regarding W-2 reportable payments, contact OFM at (517) 373-7581. If you have questions regarding 1099 reportable payments, contact OFM at (517) 335-7269.

Note: This content refers to c~~C~~alendar y~~Y~~ear-e~~E~~nd, not to f~~F~~iscal y~~Y~~ear-~~-~~e~~E~~nd.

Year-End Cutoff of Manual Warrants for W-2 and 1099 Reportable Payments

To be reflected in the old calendar year W-2 or 1099 statements, manual warrants must be recorded in R★STARS (including ADPICS initiated transactions) by the dates specified by DMB Office of Financial Management (OFM). Manual warrants recorded after the date established by OFM will be treated as new year payments for W-2 and 1099 reporting purposes.

Manual warrants should not be issued on days that normally are not work days (Monday-Friday excluding ~~non-~~holidays) during calendar year-end.

If you must issue a W-2 or 1099 reportable manual warrant on a holiday or weekend at calendar year-end, you must request a corrected old calendar year W-2 or 1099 statement and process a new calendar year correction to reverse the payment.

If you have questions regarding corrections to W-2 reportable payments, contact OFM at (517) 373-7581. If you have questions regarding corrections to 1099 reportable payments, contact OFM at (517) 335-7269.

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