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DATA ENTRY GUIDE MONTH AND YEAR END PROCESSING	12-1 01/13

PURPOSE:

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

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12-1 MONTH END CLOSING

Accounting transactions are associated with 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 Month
- Analyze Transactions on the Internal Transaction (IT) File
- Execute Month-end Subsystems
- Post Final Month-end Adjustments and Correct Errors
- Close the Month
- Run Month-end Reports

Each step is described below.

ENTER ALL REMAINING ACCOUNTING ACTIVITY FOR THE MONTH

The entry of all accounting activity that affects the month being closed is critical for complete and accurate reporting. The effective date on each transaction identifies which month 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 month in which they occur. For example, transactions with a July effective date might be entered during August. This may occur until the month is closed.

ANALYZE TRANSACTIONS ON THE INTERNAL TRANSACTION (IT) FILE

Even though transactions for a given 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.

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 date order, within agency, beginning with the earliest date. 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.

For example, if August is ready to be closed, batches with August batch dates should be reviewed first. 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.

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If transactions in the batch have effective dates falling within August, then determine the condition of the transactions. Have they or have they not been processed? The batch status, balance indicator and edit mode indicate the processing status of the batch. If the batch status is 'H' (on hold) and the edit mode is '0', '1', or '2', the batch has never been released for processing. If the balance indicator is 'Y' (yes), the batch is balanced. (The batch count and amount match the computed count and amount and each document within the batch is balanced.) A batch must be balanced before it can be released. Release the batch and review the results after the Input, Edit, Update (IEU) process.

Note that edit mode '2' transactions have already posted to the financial tables online, but these batches should be released and processed (not remain on the IT File) before closing the month. If they remain on the 530 screen after the month is closed, they should not be changed or deleted. They should be balanced and released without changing the effective date.

A batch with a status of 'H' and edit mode of '3' indicate that the batch has been processed but at least one transaction contains an error(s). The processing error(s) can be corrected through the **510** Screen for specific errors or through the **54A** method series of screens for global error correction. (Every transaction within the batch requires the same correction.) Refer to Chapter 4 in this manual for specific instructions for correcting errors. If the batch remains on the 530 screen after the month is closed, the effective date must be moved to an open month in order for the batch to process.

Once the errors have been corrected, release the batch and review the results after the IEU process. Successfully posted transactions will print on the DAFR2251 or DAFR2261 Posted Transactions reports.

A batch with a status of 'P' and an edit mode of '4', indicates that every transaction has posted successfully to the financial tables, but they are waiting for warrants to be written by the Payment Processing Subsystem. When the warrants are written, these transactions will be removed from the IT File.

After reviewing all batches with August batch dates, review the transactions in the September batches. Remember, transactions may be entered for a given month until that month is closed. Follow all the steps described above for any September batches with August effective dates on the transactions.

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EXECUTE MONTH-END SUBSYSTEMS

Another reason for analyzing the transactions remaining on the IT File is to determine if any of the transactions might affect the results of subsystem processing. For example, expenditure transactions posting to the Grant or Project Control tables should be processing before running their associated subsystems. The batch subsystems affecting month end close are:

- Labor Distribution
- Cost Allocation
- Grant/Project Billing
- Fixed Asset Depreciation

In order to ensure accurate processing of information, these subsystems should be run in the order listed above. These subsystems can be run on different nights or simultaneously on a single night depending on each agency's use of the subsystems.

The execution of each subsystem, except Fixed Asset Depreciation, is controlled through indicators on the **25 – Agency Control** and **97 – System Management** profiles. The procedures for setting these indicators are discussed in each subsystem's respective chapter in this manual.

Note: In Oregon, the Labor Distribution and Fixed Asset Subsystems are not currently implemented.

The steps to follow for running each subsystem at month-end are briefly described below.

Labor Distribution *(Not Implemented in Oregon)*

The Labor Distribution Subsystem (LDS) must be run before the Cost Allocation Subsystem (CAS) because labor costs may need to be allocated. The process for running labor includes:

- Verifying that all Regular Cycle transactions for the period have been processed and are not in error.
- Verifying that the **06 – Adjusted Timesheet** and **07 – Adjustment Payroll Profile** records have been entered if an Adjustment Cycle is required.
- Running the Adjustment Cycle, if necessary.
- Reviewing the control reports to verify that all transactions were processed correctly.
- Performing any necessary error correction and ensuring all labor related transactions have posted successfully.

After all LDS transactions have successfully posted, CAS can be executed.

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Cost Allocation

The process of running the CAS includes:

- Verifying that all transactions relating to the month have successfully posted and are not in error (not allocated).
- Reviewing the **22 – Cost Allocation Profile** entries and updating as required.
- Reviewing the CA related indicators on the **25** profile for accuracy and updating as required.
- Reviewing the control reports generated by CAS to verify that all indirect cost pools were processed correctly.
- Correcting all CA generated error transactions and successfully posting them.

After processing all cost allocation transactions, the Grant/Project Billing Subsystem can be run. Go to Chapter 15 of this Manual for specific instructions regarding Cost Allocation.

Grant/Project Billing *(Not Presently Used in Oregon)*

The Grant/Project Billing Subsystem is used to generate grant billing reports and inter-agency billing for work performed by one agency on behalf of another.

In preparation of the Grant/Project Billing process, agencies should verify that all **29 – Grant Control** and **27 – Project Control Profile** maintenance for the month has been recorded and that any transactions affecting the billable budgets have been posted. Refer to Chapters 13 and 14 of this Guide for specific instruction on setting up and maintaining projects and grants.

After running this subsystem, any necessary error correction should be performed before closing the month.

Fixed Asset Depreciation *(Not Implemented in Oregon)*

Depreciation must be run each month for the assets placed in service during the prior month or earlier. Depreciation is posted to the General Ledger Table only for assets owned by proprietary funds as defined in the **D21 – GAAP Fund Type Profile**. Prior to running depreciation, agencies should clear all property records from the Property Hold (Suspense) Table. Refer to **Chapter 16** in this manual for information on this process.

The monthly depreciation run is initiated by setting the run indicator in the **97** profile. This process is not controlled by the agencies. The System Support Group must establish a deadline for entering fixed asset transactions before depreciation is run systemwide.

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POST FINAL MONTH-END ADJUSTMENTS AND CORRECT ERRORS

Upon completion of the execution of the R★STARS subsystems, it may be necessary to record additional adjusting entries. Adjusting transactions are transactions entered to correct financial amounts, accounting classification errors and/or omissions of specific subsystem transactions. These adjusting entries may be recorded until the month is closed.

CLOSE THE MONTH

After all transactions for the month are posted, an agency should close the month to prevent further posting. This is accomplished by changing the Last Month Closed field in the **25** profile. The number entered should represent the fiscal month being closed.

On a systemwide basis, R★STARS will be closed by changing the Last Month Closed field in the **97** 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, some transactions entered with an effective date of the closed month will be in error and will not post. Any closed month transactions which are still in error will require a correction to change their effective dates to the new month as well as correcting other errors.

RUN MONTH-END REPORTS

The final step in the month end closing process is the execution of the month-end reports. The System Manager initiates the generation of the reports by setting the Reporting Indicator to 'Y' for 'Month' in the **97** profile and by performing the necessary scheduling activities with data processing. Whenever this indicator is set to 'Y', each agency may request that their monthly reports be generated by setting the Frequency Indicator to 'S' (Statewide) on the **91 – Report Request Profile** screen. If agencies set the Frequency Indicator to 'A' (agency) on the **91** screen, they must also set their Month End Reporting Indicator on their **25** profile to 'Y'. Note that the month does not have to be closed to run the monthly reports, although this is preferred to ensure that the reported data remains unchanged.

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12-2 YEAR END CLOSING

This section describes the closing of the fiscal year and appropriation 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. At the end of this chapter, special considerations for processing transactions during the adjustment month are also discussed.

CREATE NEW YEAR PROFILES

R★STARS includes an automated process for creating profiles once every two years for the next appropriation (biennium) and fiscal year. This process simply makes a copy of the current year profiles and increments the year by one for fiscal year based profiles and by two for appropriation year based profiles. It reduces the manual effort associated with setting up new profiles each year. The profiles which are automatically created are:

20 – Appropriation Number	D09 – Comptroller Source/Group
21 – Index/PCA Relationship	D10 – Comptroller Object
22 – Cost Allocation	D11 – Agency Object
24 – Index Code	D23 – Fund
26 – Program Cost Account	D34 – NACUBO Source/Object
82 – Comptroller Relationship Edit	D52 – Function Code (<i>Not Used in OR</i>)
D03 – Organization Code	D67 – GL Tables Control
D04 – Program Code	D73 – Cash Fund

For all of these profiles, except **D23**, **D67** and **D73**, one new record is created for the next appropriation year (biennium) and the Effective Start Date is set to the first fiscal month of the new fiscal year. For the **D23**, **D67** and **D73** profiles, a new record is created for the next two fiscal years.

Additional logic is used when creating the **20** profile. The Effective End Date year is also incremented by two, since most appropriations numbers are included in subsequent appropriation patterns.

The program is scheduled by the R★STARS System Manager. It may be run any time prior to the beginning of the new appropriation year.

Note: Certain profiles do not have year in the key, thus it is not necessary to create a new profile each year.

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UPDATE NEW YEAR PROFILES

Once the new appropriation year profiles have been created, the Comptroller and agency staff can make any adjustments to the new set of profiles. For example, appropriations which are not awarded for the new year must be deleted. Agencies must also review any modifications to their coding structures for the new appropriation year and make the appropriate adjustments.

PERFORM YEAR END ROLLOVER

The Year End Rollover process 'rolls' financial balances from the prior fiscal year to the next fiscal year, making a complete set of financial records available for reporting and inquiry in the new year. To understand how this process works, it is important to know how the financial tables are organized. The financial table structure is shown below:

Key – FY – BT – PPY – PY – M1 – M2 – M3 – M4 – ... – M13

Each record contains the key elements (such as Agency, Appropriation Number, Appropriation Year and Program Code for the Appropriation Financial Table) and a series of financial balances which are organized by Fiscal Year and Balance Type. For example, one appropriation record might have several years of balances accumulated for different balance types like Original Appropriations, Cash Expenditures and so on. The balances are stored cumulatively in the PPY, PY and monthly fields as follows:

- **PPY** The cumulative-to-date balance as of the second prior year
- **PY** The cumulative-to-date balance as of the prior year
- **M1** The cumulative-to-date balance as of the end of the first month of the year

The Financial Table Rollover Program moves balances as follows:

- Move PY of old year to PPY of new year
- Move M13 of old year to PY and M1 through M13 of new year

The result is a new Fiscal Year record for each Balance Type which contains the prior and prior year balances. In addition, nominal accounts in the General Ledger financial table are rolled to the appropriate fund balance account (by replacing Comptroller GL with the Fund Balance GL in the **D21** profile) in the new year record. The financial posting rules for prior Fiscal Year Transactions will update both the prior and current year balances for each Balance Type, including the general ledger balances for real accounts and their related fund balance.

This process is scheduled by the R★STARS System Manager and must be run as the last step on the last working calendar day of the fiscal year.

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RUN SUBSYSTEMS FOR THE ADJUSTMENT MONTH

The Cost Allocation, Grant/Project Billing and Fixed Asset Depreciation modules can each be run for the adjustment month (Month 13). *Oregon has chosen not to run these modules for Month 13.* Agencies initiate these processes in the **25** profile and central staff set the appropriate indicators on the **97** profile.

RECORD FINAL PRIOR YEAR TRANSACTIONS

During the beginning of the new year the prior year will remain open for posting additional financial transactions. The following activities should occur prior to closing the prior year:

- Ensure that the financial tables are in balance. This is done by the R★STARS System Manager through a review of the DAFR8460 System Reconciliation Report.
- Review outstanding documents (encumbrances, pre-encumbrances and accounts receivable) and adjust or close documents which have little 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 equity balance 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 year transactions must be recorded prior to closing the prior year. Although the year may be reopened, if necessary, to record or correct a material transaction, this must be done on a systemwide basis at the decision of the R★STARS System Manager and it requires special procedures if the General Ledger Close program has been run. It is not the recommended procedure and should be avoided. Therefore, it is important that all balances be recorded and reconciled prior to running the last steps of the year end closing process.

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PERFORM ADJUSTMENT MONTH PROCESSING

'Month 13', or M13, is called the adjustment month. This month is used to post to the prior year after Month 12 (June) is closed. M13 balances and activity can be reported separately to segregate year-end adjustments and accruals from normal fiscal year processing.

To post transactions to M13, an Effective Date in June with a day greater than 30 is used. For example, 063108 would post to the 13th month of Fiscal Year 08.

CLEAR THE TRANSACTIONS IN ERROR

Finally, all transactions with an effective date which fall in the prior 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 must be changed to a new year effective date so that they will post in the new year. Any material errors left on the IT file for the prior year will invalidate prior year balances.

CLOSE THE GENERAL LEDGER

This is the last automated process in closing the prior year which affects the financial statements. The General Ledger Close program generates transactions to close nominal account balances to the income summary and the appropriate equity account. Nominal accounts are identified in the **D31 – Comptroller General Ledger Account Profile**. The T-Codes used by the program are identified in the **D21** profile. The Batch Type is 'Y' and the Document Type is 'YG'.

This closing process is done at the following level:

Fiscal Year	Agency General Ledger Account
Appropriation Year	Grant Number and Phase
Agency	Project Number and Phase
Fund	Organization Code
Comptroller General Ledger Account	

The R★STARS System Manager must schedule this process to occur as the last program prior to closing the prior year.

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CLOSE PRIOR YEAR

After completing the automated and manual processes described above, the prior year may be closed. Since year-end closing programs for financial (as opposed to budgetary) purposes run on a systemwide basis, agencies should not attempt to close R★STARS prior to the systemwide close done by the R★STARS System Manager. However, an agency's annual reports may be run at any time prior to closing.

RUN PRIOR YEAR REPORTS

Normally, prior year reports are generated after closing the prior year. This process is initiated by the agency in the **25** Profile and by the R★STARS System Manager in the **97** Profile.

LIQUIDATE ENCUMBRANCES

This automated process generates transactions to cancel outstanding encumbrances and pre-encumbrances which have been recorded against appropriations which will lapse. *This program is run about six months after the close of the biennium in Oregon.* It is scheduled by the R★STARS System Manager. The transactions are generated with the following identifying elements:

- Batch Type 'Y'
- Document Type 'YE'

RUN APPROPRIATION CARRYFORWARD/LAPSE *(This program is not run in Oregon)*

The automated year-end process generates prior year transactions equivalent to the unexpended balances to carryforward or lapse appropriation balances. It is run in the new year for prior years' appropriations. The Appropriation Carryforward/Lapse Program addresses three types of appropriations as follows:

- **Expiring Appropriations** – Accounts with an Effective End Date in the **20** profile on or before June 30th of the prior year are considered expiring.
- **Non-Expiring Appropriations with no Unexpended Balance (UB) Authority** – These accounts are identified by the UB Indicator value of 1 in the **20** profile. *This feature is not used in Oregon.*
- **Non-Expiring Appropriation with UB Authority for Both Budget and Cash** – Also identified by the UB Indicator (value of 2) in the **20** profile, these account balances (budget and cash) are carried forward to the new year. *This feature is not used in Oregon.*

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- **Non-Expiring Appropriation with UB Authority for Cash Only** – Identified by a UB indicator of 3. Unexpended cash balances are transferred out of the old year and into the new year. *This feature will not be utilized by Oregon.*

This program should be run after all activity which might affect an appropriation balance is recorded. It is the last automated process in the Year End Closing Subsystem.