

Department of Administrative Services - State Accounting Enterprise

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| Section PRE-AUDIT | Procedure Number 235.025 | Page Number 1 of 2 | Effective Date July 1, 2003 Revised 9/25/13 |
| Subject YEAR-END PROCEDURES GENERAL OVERVIEW OF YEAR-END PROCESSING | | | |

1. Background

Section 8.33 of the Code of Iowa states, "No obligation of any kind shall be incurred or created subsequent to the last day of the fiscal year for which an appropriation is made, except when specific provision otherwise is made in the Act making the Appropriation. On August 31, or as otherwise provided in an appropriation Act, following the close of each fiscal year, all unencumbered or unobligated balances of appropriations made for that fiscal term revert to the state treasury and to the credit of the funds from which the appropriations were made, except that capital expenditures for the purchase of land or the erection of buildings or new construction continue in force until the attainment of the object or the completion of the work for which the appropriations were made unless the Act making an appropriation for the capital expenditure contains a specific provision relating to a time limit for incurring an obligation or reversion of funds."

"No payment of an obligation for goods and services shall be charged to an appropriation subsequent to the last day of the fiscal year for which the appropriation is made unless the goods or services are received on or before the last day of the fiscal year, except that repair projects, purchase of specialized equipment and furnishings, and other contracts for services and capital expenditures for the purchase of land or erection of buildings or new construction or remodeling, which were committed and in progress prior to the end of the fiscal year are excluded from this provision."

Section 8.34 states that the unexpended balance of an appropriation will revert to the fund from which it was appropriated at the expiration of two months after the close of the fiscal year for which the appropriation was made.

Section 8A.502(8) of the Code of Iowa requires the state to prepare a Comprehensive Annual Financial Report (CAFR) in accordance with Generally Accepted Accounting Principles (GAAP).

2. Execution

In order to efficiently and accurately close one fiscal year, open a new fiscal year, and complete the CAFR in a timely manner, several events must occur throughout the May through September period of each year. Below is a summary of the activities that occur during this period.

a. New-Year Budget

- 1) In accordance with guidelines established by the Department of Management (DOM), departments and DOM work together to enter the new-year budget into the State's budget system. (Procedures on how to do this have not been included in this section.)

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Each year, usually during the last week of June, the information included in the budget system is passed into the State's accounting system, 1/3. On July 1, departments can pay claims relating to the new fiscal year.

b. DAS-Central Procurement & Fleet Services Enterprise

DAS-CP&FSE has established time frames by which departments should order goods to better ensure delivery by the last working day of the fiscal year. In addition, a process is established in 1/3 to allow departments to order goods for the next fiscal year before that fiscal year begins. Procedures relating to these events can be found in Pre-Audit Procedure, 235.350.

It is important that departments clean up all outstanding pre-encumbrances and encumbrances before the close of the hold-open period. See Procedure 235.400 for an explanation of how this is accomplished.

c. Accounting Events

Several accounting related events must occur to ensure one fiscal year is closed and the new fiscal year is operating accurately. These events are carried out by department accounting personnel and personnel from DOM, DAS-CP&FSE and DAS-SAE. Section 235 of the State Accounting Policy and Procedure Manual was developed to assist departments in closing one fiscal year and opening another. Below are tasks to keep in mind during an old year/new year period.

- 1) All claims that originated in the fiscal year being closed must be paid by the last working day of August.
- 2) During the period of July 1- August 31, two fiscal years will be open in 1/3. It is important to enter documents on the accounting system with the correct fiscal year. When on-lining documents for the previous fiscal year, departments must populate the "Budget FY", "Fiscal Year" and "Period" fields. If the previous fiscal year information is not entered in these fields, the system will automatically default to the current fiscal year.
- 3) In general, goods and services must be charged to the year in which the goods were received or the service was provided. Exceptions to this are noted in each individual policy. Goods/Services received on or before June 30 must be charged to the old fiscal year. Goods/Services received on or after July 1 must be charged to the new fiscal year.