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To: Agency Accounting Coordinators

From: Ron Mavetz, SWIFT System Support Director
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Subject: Annual Budget and Accounting Instructions – Document 2
Budget Preparation for Fiscal Year 2017

Attached is the second of three documents that provide instructions for establishing budgets for FY 2017 and preparing for closing FY 2016 in SWIFT. It is important that agency accounting, procurement, payroll, budget, and human resources staff are aware of the important deadlines on the SWIFT and SEMA4 schedules. Please distribute this and related documents to the appropriate personnel within your agency.

Agencies should consider the requirements below when preparing for FY 2017:

- FY 2017 appropriations should be established and fully allotted by June 30 including any updates from legislative session.
- FY 2017 revenue budgets should be established prior to June 30.
- Agencies must not enter BFY 2017 deposits in SWIFT until July 1.
- Agencies must not roll forward appropriation balances into BFY 2017 or process actual transfers for BFY 2017 before July 1.
- Spend plan certifications with supporting reports are due July 31. Agencies should be aware of changes to compensation rates for BFY 2017 when completing their spending plans.

**ANNUAL BUDGET AND ACCOUNTING INSTRUCTIONS:
DOCUMENT 2**

Budget Preparation for Fiscal Year 2017

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PART I. Overview

As a part of the annual budget and accounting process, Minnesota Management and Budget issues a series of documents to instruct agencies on establishing budget fiscal year (BFY) 2017 and closing BFY 2016 appropriations in SWIFT. The only activities that may occur in BFY 2017 prior to July 1, 2016 are the establishment of expense budgets, revenue budgets, anticipated transfers, grant/project budgets and encumbrances.

- April: Document 1 contained instructions for preparing BFY 2017.
- June: Document 2 contains final instructions for completing the process for setting up budgets for BFY 2017.
- July: Document 3 will cover preparation for BFY 2016 closing.

Contact AgencyAssistance.MMB@state.mn.us with questions about these instructions.

PART II. New Year Budget Set-Up

A. Establishing and Modifying Appropriations

Budget changes enacted in the 2016 session may have affected agency operating budgets for FY 2016 and FY 2017. Agencies have several options for updating SWIFT to reflect necessary changes.

- Agencies with a large number of appropriation changes are encouraged to email AgencyAssistance.MMB@state.mn.us or your executive budget officer (EBO) to request a spreadsheet that can be used to upload appropriation changes into SWIFT.
- Agencies with a small number of changes can complete an [appropriation \(AP\) form](#).

When 2016 laws affect appropriation amounts, agencies must include a secondary legal cite when modifying existing appropriations. Separate instructions are available to agencies regarding establishing capital appropriations. Agencies should contact their EBO with questions.

B. Appropriation Transfers

As indicated in [Document 1](#) agencies may establish an anticipated transfer (XAT) for FY 2017 in SWIFT prior to July 1, 2016 to set up expense budgets and begin purchasing and contracting activities. However, an agency **must not process actual transfers** (XTA or XTN) until July 1. There is no legal authority to move funds prior to July 1. This includes both appropriation transfers between funds (interfund) and transfers within the same fund (intrafund).

1) Transfers between programs

[Minnesota Statutes 16A.285](#) provides general authority that ‘an agency in the executive, legislative, or judicial branch may transfer operational money between programs within the same fund if: 1) the agency notifies the commissioner of Minnesota Management & Budget (MMB) as to the type and intent of the transfer; and 2) the transfer is consistent with legislative intent. If an amount is specified for an item within an activity, that amount must not be transferred or used for any other purpose.’

If appropriated money is transferred between programs or activities within an agency, as permitted by M.S. 16A.285, the agency must prepare a memo from the agency head to the chairs of the Senate Finance and House Ways and Means Committee. The memo must accompany the anticipated transfer documentation. The transfer must be approved by the agency’s executive budget officer (EBO).

2) Transfers between agencies

Transfers between agencies must have specific authority in statute or session law.

C. Revenue Budgets

Revenue budgets are an estimate of expected receipts for the fiscal year. In the case of dedicated revenues, they define spending limits. It is important that agencies review actual revenue collections from prior years and revenue forecast assumptions for FY 2017 to ensure that revenue budgets for both dedicated and non-dedicated receipts are complete and represents the best estimate of revenues for the year. On a statewide basis, individual agency revenue budgets are aggregated to prepare the official state forecasts of all non-tax revenues for the general fund and other operating funds.

Agencies must establish revenue budgets using the correct revenue account codes so that all revenues are accurately recorded and reported throughout the fiscal year. Appropriations receiving non-dedicated receipts deposits must be coded with an appropriation type 99.

1) Establishing, modifying, or closing revenues budgets and inactivating revenue accounts

Agencies should review year-to-date data for BFY 2016 dedicated and non-dedicated revenue budgets and establish appropriate revenue budgets for BFY 2017 in SWIFT. Agencies can use the monthly Estimated and Actual Receipts report for BFY 2016 as a guide.

SWIFT does not automatically prevent receipts from being deposited in BFY 2017 prior to July 1; however, agencies must not deposit to BFY 2017 until July 1, 2016.

An excel template is available to import revenue budgets. It is available on MMB's website ([SWIFT Rev Bud KK Jrnl Template](#)). Agencies are able to close a revenue budget at any time to prevent further recognition of receipts. Requests to close revenue budgets should be submitted via email to AgencyAssistance.MMB@state.mn.us.

2) Revenue accounts

MMB assigns and maintains the revenue account code table. If a new revenue account is needed or a revenue account code is no longer in use for FY 2016, please contact James Stelzner (at 651-201-8137 or James.Stelzner@state.mn.us), MMB Budget Planning, for questions on the [Request to Establish or Modify a Revenue Account Form 0207-01.2](#). If you have a one-time receipt with an amount less than \$100,000, please consider using an existing revenue account code.

D. Cash Flow Assistance

For non-federal dedicated receipt revenue budgets, it may be necessary for a state agency to incur costs prior to receipt of funds. Cash flow assistance is available to alleviate this problem. Upon approval of a cash flow request, MMB will change the budget authority code on the appropriation budget to allow payments against the greater of estimated or actual dedicated receipts and/or the greater of anticipated or actual transfers.

Cash flow requests and analyses are not required for federal funds. For other dedicated receipt appropriations, when the timing of estimated receipts does not provide for sufficient cash flow to pay for start-up or ordinary and necessary expenses, the commissioner of MMB may authorize payments to be made before receipts are received. Agencies request this authorization by completing a [Request for Cash Flow Assistance Form 0301-01-05F](#) and a [Cash Flow Analysis Spreadsheet 0301-01-05F](#). These forms must be submitted to the agency's EBO each fiscal year. Cash flow may not be requested for internal service funds. See [MMB Statewide Operating Policy Number 0301-01](#) for more information on cash flow assistance.

Key points to keep in mind when developing and managing cash flow:

- Total program receipts and/or expenditures in SWIFT should approximate the amount on the Cash Flow Analysis form. Amounts established in SWIFT for the revenue or expense budget must be modified and a revised cash flow analysis submitted if the agency's original amounts change materially. Cash flow analysis should include expenditure and revenue information for one state fiscal year. Cash flow analysis should be a comprehensive estimate of expenditures and revenues. Simply dividing the annual estimate 12 months (or however many months the funds are available) is not a comprehensive analysis.
- Agencies must process reimbursement requests as often as economically feasible to maximize interest earnings for the state.
- Agencies which have other sources of dedicated receipts should use periodic progress payments (monthly/quarterly) to request reimbursement where legally permissible and not wait until the completion of the project.
- Any negative amounts in an appropriation must be eliminated prior to fiscal year close, unless there is an exemption requested to process receipts after fiscal close. Without an exemption, MMB will change the budget authority back to its original code before fiscal year closing so that additional expenditures do not accumulate.
- Agencies with interest-earning appropriation budgets are required to pay interest for periods where the appropriation has a negative balance.
- General ledger fund cash balance needs to be monitored. If the fund cash balance goes negative a transfer advance will need to be requested and submitted for approval.

E. Expense/Allotment Budgets

Once agencies appropriation sources of funding are in SWIFT, agencies can enter expense budgets. Establishing expense budgets builds allotment budgets. Expense budget amounts against SWIFT account codes should be entered consistent with amounts budgeted in the biennial budget adjusted for known material changes such as reductions, cancellations, legislative, or adjustments to revenues, etc.

SWIFT has two distinct types of allotments: payroll and non-payroll.

- **Payroll allotments** are created when expense budgets are entered against salary accounts. Payroll allotments are considered reserved (encumbered) when allotted.
- **Non-payroll allotments** are created when expense budgets are established against non-payroll accounts. Agencies can exceed an expense budgets in non-payroll allotments as long as unobligated funds exist at the allotment level.

All BFY 2017 anticipated spending budgets *should be fully allotted by June 30, 2016*. To accomplish this, agencies should establish expense budgets equal to the spending authority amount for each appropriation. Ensure that the budget journal header budget type is changed from 'original' to 'adjustment' when making adjustments to the budget throughout the year that are not adjustments to the original budget. There are situations where money cannot be allotted prior to June 30 because specific approval or other action must occur prior to allotting the funds.

To import expense budgets, an Excel template is available on MMB's website: [SWIFT Exp Bud KK Jrnl Template](#).

F. Workforce and Compensation Planning

1) Establishing correct position funding in SEMA4 / SWIFT

As part of establishing FY 2017 budgets, each agency must review their SEMA4 position funding records and enter updates where necessary. This review is especially important if your agency is changing chart of accounts codes or making other organizational changes.

Expense budgets must be established to properly post payroll expenditures in SWIFT. To minimize the risk of position funding or labor distribution validation errors, agencies must have at least one expense budget established using an expense account included in the PAYRLL account group (accounts beginning with 410) for each expense budget level FinDeptID within an appropriation. Also, if travel or any business expense reimbursement is anticipated, there must be at least one expense budget established using an expense account in the NONPAY account group.

Each agency must have an agency payroll clearing appropriation that is used to post SEMA4 transactions that are rejected in SWIFT during the posting process. MMB SWIFT Module Support has established a payroll clearing appropriation and necessary expense budgets for each agency.

Contact Erin Gregory (at 651-201-8077 or Erin.Gregory@state.mn.us) if you have any questions.

2) Planning for FY 2017 compensation costs

There are a several items agencies should consider when developing compensation budgets for FY 2017:

- Collective bargaining agreements and compensations plans have been approved to include a 2.5% wage adjustment effective July 1, 2016. Agencies are encouraged to use the SEMA4 cost projections as a resource when planning compensation budgets for FY 2017. The cost projections were updated for FY 2017 to include changes related to wage adjustments.
- Insurance rates will increase approximately 9-10% in calendar 2017. Estimates are included in current SEMA4 projections. Communications about the final health insurance rates for 2017 will be forthcoming later this summer.

- MSRS State Patrol Plan 1.5% employee retirement contribution increase goes into effect on July 1, 2016.
- The administrative fee for the Department of Administration workers' compensation program will increase in FY 2017. Refer to communication from the Department of Administration for details.
- The federal Fair Labor Standards Act overtime rules have also changed, effective December 1, 2016. These changes will result in more employees being eligible for overtime compensation. MMB will communicate how these changes will be implemented across agencies at a later date. Until that time, agencies are encouraged to plan for potential additional future overtime costs when planning compensation budgets for FY 2017. Contact Matthew Henderson (at 651-201-8008 or Matthew.Henderson@state.mn.us) if you have any questions regarding these overtime changes.

3) Budgeting for employee training and development and achievement awards

As you develop your FY 2017 budgets in SWIFT we encourage you to budget resources for training, development, and leadership opportunities to support talent management and succession planning, and to foster an inclusive culture within your agency. These are important management tools for recruiting, retaining, and developing an inclusive and skilled workforce.

The statewide achievement award policy instructs agencies intending to make monetary awards to budget dollars specifically for this purpose. Agencies should establish funds for monetary awards at the beginning of the year as part of the annual operating budget. End of the year allocation of budget dollars towards achievement awards is not an acceptable practice.

G. Budget Structure Changes

Agencies should review their SWIFT program and budget activity structure as part of their FY2017 spend plan preparation. Agencies considering a change to their budget structure either in SWIFT or the Budget Planning and Analysis System (BPAS) should contact their executive budget officer (EBO). Proposed structure changes need to be submitted to your EBO for review and approval prior to August 1.

Agencies should also review their appropriation names to ensure they are accurate and understandable. Cleaning up SWIFT data is important for the FY 2018-19 biennial budget, as well as reporting efforts. A clear structure and naming convention will improve understanding of the information.

Part III. FY 2017 Spending Plan Certification

A. Spending plan certification due July 31

[Minnesota Statutes 16A.14, Subd. 3](#) requires that all agencies submit a spending plan to MMB to certify that: 1) the amount required for each activity is accurate and is consistent with legislative intent; 2) revenue estimates are complete and reasonable; and 3) the plan is structurally balanced, with all legal restrictions on spending having been met for the purpose for which money is to be spent.

To meet this requirement, each agency must submit a formal FY 2017 annual spending plan certification and supporting reports via SharePoint by **July 31, 2016**.

Agencies are required to certify that employee training and development was considered during the spending plan review process. Agencies are required to enter an amount that has been budgeted for training and development.

Agencies are required to review and resolve negative appropriations for fiscal years 2011 through 2016. If circumstances prevent an agency from resolving these appropriations during the spend plan process, they should work with their EBO to develop a plan to resolve these appropriations.

1) How to run and submit required reports and certification

Each agency must complete and submit the spending plan certification form and six reports.

1. Verify you can access and run:
 - Microsoft Access 2007 or greater
 - Oracle 11g Client software
 - SWIFT Crystal reports
 - [MMB Budget Division SharePoint site](#). If you need access complete the Budget Systems User Authorization Form and email it to budget.finance.mmb@state.mn.us
2. Access the spending plan certification form, as well as the six reports on [MMB's Access Database-Spendplan website](#).
3. Click on the link for Access Database Spend Plan Reports.
4. Open and save the Access database.
5. Run the reports related to the spend plan. The six reports are:
 - Program Structure with AppropID - The report displays SWIFT's programmatic structure, such as the Program, Budget Activity, and Management Activity with associated AppropID. Please confirm this structure. If you have changes, please contact your EBO.
 - AppropID Overview - This report summarizes an agency's appropriations by sources and uses within each fund.
 - AppropID Detail - This report identifies the legal citation and most of the attributes and financial information of each appropriation. Fund totals are included.

- Revenue Budgets - This report shows dedicated and non-dedicated revenue budgets by program, fund, AppropID and account for the new fiscal year as well as two previous fiscal years.
 - Compensation Analysis - This report compares FY 2017 compensation budgets in SWIFT to the current salary projections in SEMA4. If there are large variances between SWIFT budgets and SEMA4 projections, an agency must be prepared to explain reconciling differences.
 - Negative Appropriations – This report shows appropriations from FY2011 through FY2016 that are in a negative/deficit cash balance (unfunded). Agencies must resolve these appropriations.
6. Upload all spend plans to the [MMB Budget Division SharePoint site](#). Upload documents into the FY17 folder located within your agency's spend plan folder.

Questions? Contact Chris Johnson at 651-201-8176 or email Christopher.Johnson@state.mn.us.

Part IV. Processing New Year Transactions before July 1

Most SWIFT budgetary transactions, including requisitions, solicitations, purchase orders, and other non-cash related transactions, may be processed against BFY 2017 funds at any time after budgetary amounts are established, unless otherwise noted. Other transactions, such as payments, cash receipts, accounts receivables, balance forward and actual appropriation transfers between funds, **cannot be processed until July 1, 2016**. The following information applies to certain types of BFY 2017 transactions processed before July 1, 2016.

A. Appropriation Transfers and Balance Forwards

Agencies must not roll forward appropriation balances into budget period 2016 or process actual transfers for budget period 2017 before **July 1**. MMB SWIFT Module Support will be monitoring for 2017 transfers and will have agencies reverse transactions that are processed in error. Agencies should enter anticipated transfers (XAT) if they need to encumber funds prior to July 1.

B. Requisitions, solicitations and purchase orders

You may copy older orders and requisitions, as well as set up new orders and requisitions using BFY 2017 budgets provided that the goods or services are to be delivered or provided on or after **July 1, 2016**.

C. Payments

Do not make payments against BFY 2017 budgets until **July 1, 2016**. A few exceptions exist for this requirement and are supported by state law.

D. Accounts Receivable

New receivables for BFY 2017 must not be entered into SWIFT until **July 1** to ensure the transactions are recorded with the proper accounting date/period. A BFY 2017 receivable created prior to **July 1** will be recorded with an Accounting Fiscal Year 2016 accounting date/period and will require a manual adjustment to the State's Comprehensive Annual Financial Report (CAFR) to eliminate this from the June 30 accounts receivable balance. For example, if an agency creates an invoice in June for services that will be provided in July, the receivable would be entered against BFY 2017 but recorded against Accounting Fiscal Year 2016, overstating revenue for FY 2016 financial reporting purposes and requiring an adjustment to the financial statements. Also note that if you are creating an invoice during the close period for a prior budget period (BFY16), the invoice date, accounting date, and budget date must be June 30, 2016.

Agencies must ensure that their year-end accounts receivables are accurately recorded in SWIFT in accordance with Generally Accepted Accounting Principles (GAAP) established by the Governmental Accounting Standards Board (GASB). Accounts receivable reported in accordance with GAAP include:

1. Amounts billed as of year-end

2. Amounts due to the state arising from exchange or exchange-like transactions that occurred before June 30 but have not been billed as of year-end
3. Amounts due to the state arising from non-exchange transactions

If actual amounts are not known prior to financial reporting deadlines, the unbilled amounts should be reported as accounts receivable at year-end and the amount must be estimated using historical information and other supportable factors. Agencies who routinely bill for goods or services not yet received (advance billings) should contact MMB Financial Reporting for additional reporting instructions.

If you have accounts receivable questions, please contact Kris Meyers (at 651-201-8155 or Kris.Meyers@state.mn.us.)

E. Miscellaneous Cash Receipt

Miscellaneous cash receipts for BFY 2017 must not be deposited prior to **July 1**. SWIFT allows BFY 2017 receipts to be processed prior to **July 1** but agencies should only enter these transactions on an exception basis.

F. Cash Receipt Transactions Generated By Payroll

Agencies will need to verify the cash receipt transactions for the pay period ending **June 28**. If adjustments are necessary between fiscal years or you have questions, please contact Hongyu Liu (at 651-201-8156 or Hongyu.Liu@state.mn.us) or Erin Gregory (at 651-201-8077 or Erin.Gregory@state.mn.us).

PART V. Preparing for FY 2016 Close

A. Cancelling Unexpended State Seminar fees

[Minnesota Statutes 16A.721](#) requires that unobligated balances of state seminar fee appropriations carried forward must be expended in the following year. If the expenditure in the following fiscal year is not equal to or greater than the carry forward amount, that balance must be transferred to the general fund appropriation:

Fund: 1000
AppropID: G9R0017
FinDeptID: G9R13036
Budget Period: 2016

If your agency has an appropriation which meets these criteria, you will receive a report from the Budget Operations division which will indicate the amount to be transferred. If you have state seminar fee appropriation questions, contact Chris Johnson (at 651-201-8176 or Christopher.Johnson@state.mn.us).

B. Purchasing

[Minnesota Statute 16A.28](#) defines the period of time an appropriation is available for spending. More specifically, it requires that goods must be ordered or services rendered by June 30th of the year the money was appropriated.

1) Requisitions

Requisitions not pre-encumbered or fully awarded to a purchase order, budget checked and dispatched by June 30th must use BFY 2017 budgets or be cancelled.

2) Solicitation Events

i. Purchases for Services

Events tied to a BFY 2016 funded requisition for any type of service must be in an awarded status and resulting purchase orders must be budget checked, dispatched and the service(s) performed on or before **June 30, 2016**. If the service(s) are not performed by this time, any outstanding purchase orders and accompanying event(s) will need to be cancelled.

Requisitions tied to the event / purchase order will need to be edited to update the chart fields to have the correct BFY 2017. The requisitions can then be sourced to a new event and new purchase orders awarded.

Events not tied to a requisition when awarded must use current BFY funding on the resulting purchase order award.

ii. Purchases for Commodities

Events tied to a BFY 2016 funded requisition that are to be awarded to a purchase order for commodities will need to have the purchase orders budget checked and dispatched no later than **June 30, 2016**.

Any event that is not at an awarded status after June 30th will need to be cancelled. Any requisitions tied to the event will need to be updated with BFY 2017 funding string. The requisitions can then be sourced to a new event and new purchase orders awarded.

3) Purchase Orders

[Minnesota Statute 16A.28](#) requires purchase orders be closed unless agency heads certify to the commissioner of MMB that goods were ordered or services rendered by June 30. Agencies are encouraged to cancel any unneeded purchase orders and requisitions as soon as possible.

Agencies may run the Encumbrance Certification Report for a listing of open purchase orders that may need action. To run the report please navigate in SWIFT to Purchasing > Reports > Encumbrance Certification Rpt.

4) Grant Purchase Order

[Minnesota Statute 16A.28, Subd. 6](#) permits purchase orders for grants issued by **June 30** to be certified for a period of one year beyond the year in which the funds were originally appropriated. Services rendered under grant contracts may occur during the certification period. Final payments can be processed after this one year period, but agencies are expected to work closely with grantees after final grant related services are completed to ensure that final payment is processed as soon as possible.

5) Purchasing Receipt Dates on SWIFT Transactions between July 1 and August 12 (Accounting Fiscal Year and BFY Close)

To ensure accurate financial reporting, agencies must accurately record the date they received goods or services in SWIFT, rather than allowing the date to default to the current date.

C. Payments

BFY 2016 payments made after **June 30, 2016** must be for goods ordered and services rendered by **June 30, 2016**. Generally these payments must reference a Purchase Order. Invoices for services that cross fiscal year end must be split between fiscal years. Agencies need to request this breakout from the vendor if it is not provided.

While it is important for agencies to accurately code the date of receipt field throughout the fiscal year, it becomes critical at year end. The date of goods /services received field is used to determine liabilities for the State's comprehensive annual financial report (CAFR).

D. Transfers

Transfers made between July 1 and August 12 for budget period 2016 must have journal date of June 30 or earlier to be reflected in fiscal year 2016.

E. Receipts

Reminder that the accounting date and received date on deposits must equal the date the money was deposited at the bank.

F. Capital Assets

The SWIFT Asset Management module (AM) will be closed to FY 2016 activity at the end of business on July 21, 2016. Agencies should complete all FY 2016 AM transactions on or before that date. FY 2016 transactions entered between July 1 and July 21 must have an accounting date of June 30 or prior if they are to be recorded as FY 2016 transactions.

Capital Asset Certification worksheets will be emailed for agencies to complete and return no later than September 1, 2016. If you have capital asset certifications questions, contact Sara Baker (at 651-201-8157 or Sara.Baker@state.mn.us).

G. SEMA4

1) Payroll allotments

Agencies must take steps to ensure negative allotment balances are resolved prior to August 8, 2016.

2) Processing BFY 2016 SEMA4 business and relocation expenses

Business expenses and business expense corrections that are being charged to BFY 2016 budgets must be completed and entered into SEMA4 by the end of day **July 14**. Relocation expense reports with BFY 2016 expenses must be received in Statewide Payroll Services by noon on **July 11** to be paid from BFY 2016 funds. Agencies should notify all employees of their agency specific internal requirements needed to meet that deadline. For additional information, refer to the Employee Expense Report Policy section of [SEMA4 Policy and Procedure PAY0021](#).

3) Agency payroll clearing budgets

Document Direct / InfoPac report ID HP2190, Expense Transfer Reconciliation report, is available to identify all transactions that are currently accounted for in the agency payroll clearing (default) budgets. All items that appear on the report with a fiscal year equal to or prior to BFY 2016 must be transferred to a valid budget within your agency by entering a mass expense transfer in SEMA4. These mass expense transfers must be completed by

noon on July 22. If you have questions, please contact Erin Gregory (at 651-201-8077 or Erin.Gregory@state.mn.us).

4) Payroll mass expense transfers

Other SEMA4 mass expense transfers for BFY 2016 funding must also be completed by noon on July 22, 2016. If you have questions, please contact Erin Gregory (at 651-201-8077 or Erin.Gregory@state.mn.us).

5) Payroll prior period adjustments

Prior period adjustments that affect BFY 2016 SWIFT appropriations must be entered by noon on July 15, 2016. After July 15, adjustments entered for pay periods prior to July 1, can only post to BFY 2017 SWIFT appropriations. Labor distribution for these prior period adjustments will default the funding to the chart string to which the payment originally posted. Users will have to change the funding to valid BFY 2017 expense budget. If you have questions, please contact Erin Gregory (at 651-201-8077 or Erin.Gregory@state.mn.us).