

Minnesota Management & Budget and Department of Administration Operating Policy and Procedure

Minnesota Management & Budget, Agency Assistance
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Fiscal Year-End Closing Transactions - Pre-Encumbrances/Requisitions, Encumbrances/Purchase Orders, Expenditures/Payment Vouchers

Objective

To provide guidance to state agencies during the fiscal year-end closing process.

Policy

The state of Minnesota's fiscal year ends June 30 of each year and closes its financial books the following August. During the period from July 1 through the scheduled closing date, only specified transactions are allowed. This policy will provide agencies with the guidelines for which activities can and should occur during this period.

Minnesota Statute [16A.28, Subd 6](#), requires encumbrances to be cancelled by fiscal closing unless an agency certifies that the encumbrance is for services rendered, goods ordered, or grants issued in the last fiscal year.

Procedures

The [Annual Schedule](#) is the calendar of events regarding accounting and procurement activities for the state of Minnesota and provides deadlines for completing these activities before the fiscal year closes.

Pre-Encumbrances/Requisitions

All funds shall be **fully encumbered** by June 30, unless listed as an exception below. Pre-encumbrances or requisitions not fully encumbered by June 30 will be cancelled.

- In MAPS Procurement (AGPS), documents must be at a status code of 441 (not 436), and in MAPS Procurement (CFMS), documents must be at a status code of ENS.
- Blanket orders may be increased to cover invoices for goods or services received during the closing fiscal year.

Exceptions:

- Continuing appropriations with end dates beyond the fiscal year that is closing.
- Requisitions to acquire real property or to construct permanent improvements may be used in compliance with [M.S. 16A.28, Subd. 5](#).
- Pre-encumbrance documents considered "blanket orders" may remain open until the date listed in the Annual Schedule. The BPI and BPM documents in MAPS Procurement (AGPS), and the BLK document in MAPS Procurement (CFMS), are the only "blanket" orders allowed.
- Formula/reimbursement grants. Requisitions in MAPS Accounting (GFS), Procurement (AGPS or CFMS) for formula/reimbursement grants where there is no formal agreement or contract. These requisitions will be cancelled prior to the August close.

For requisitions processed through the Department of Administration's Materials Management Division (MMD) and State Architect's Office (SAO), the following deadlines apply for requisition submission:

- April 13 (or first business day after this date). Deadline for construction and construction-related requisitions.
- April 13 (or first business day after this date). Deadline for requisitions requiring sealed bids.
- May 15 (or first business day after this date). Deadline for requisitions over the purchasing agency's authority.
- Agencies are urged to make every effort to send requisitions to MMD or SAO at the earliest opportunity. Complex acquisitions should be received by MMD or SAO as soon as possible. Agencies should contact the appropriate Acquisition Management Specialist for further information.

Requisitions not fully encumbered by June 30 will be cancelled on July 1 by Minnesota Management & Budget and the Department Administration. If a requisition needs to be copied, it must be done before July 1.

Solicitations

For requisitions that cannot be encumbered by June 30 but have a solicitation attached, contact the MAPS HelpDesk (Procurement) for assistance on un-attaching and re-using the solicitation with a new requisition, or canceling both the requisition and solicitation.

Encumbrances/Purchase Orders

[Minnesota Statute 16A.28](#) requires encumbrances be cancelled unless agency heads certify to the Commissioner of MMB that goods were ordered or services rendered by **June 30**. Please refer to the Annual Schedule for the deadline to certify valid purchase orders, canceling unneeded or non-certifiable orders, and returning worksheets to MMB. Agencies are encouraged to cancel any unneeded encumbrances as soon as possible rather than waiting for the deadline. MMB will immediately follow up on all late submissions and open encumbrances that are not certified will be canceled.

Agencies may, for federal accounts, apply for an exemption from the requirement that purchase orders in federal accounts and against estimated receipts must be canceled before close. However, agencies must certify valid purchase orders and cancel purchase orders in non-certifiable object codes in those accounts.

The following are additional considerations that apply to encumbrances and purchase orders during the closing period. For situations that occur after the fiscal year close in August, users will need to contact Minnesota Management & Budget (MMB), Systems Compliance Unit, for assistance in creating a POF or PKF. Refer to [MAPS Policy and Procedure 0702-07, Changing Encumbrances after the Close of the Fiscal Year](#).

- If a vendor who is awarded a purchase order is unable to supply the required goods or service, such an order may be re-awarded to the next lowest bidder. The new order must reference the original purchase order number in the description or title.
- In MAPS Accounting (GFS), an encumbrance or purchase order created with an incorrect object code may be cancelled and recreated with the correct object code. The new purchase order must be for the same amount as the original and reference the original purchase order number in the description. In MAPS Procurement (AGPS) and MAPS Procurement (CFMS), users can process an order change or contract amendment type SUB or CHG.
- Existing encumbrances and purchase orders may be increased due to unforeseen pricing changes, but order quantities cannot be increased.
- Encumbrances for grants established by June 30 may 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.

In addition, the following should also be considered:

- Purchases made with the state's purchasing card are to be encumbered in MAPS prior to the month's card purchases.
- Utility expenditures, which are considered ongoing operating expenses, are to be encumbered in MAPS Procurement (AGPS) and may be entered as blanket encumbrances.

Grant Encumbrances

[Minnesota Statute 16A.28, Subd. 6](#) permits grants that are fully encumbered 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. . Please refer to [MAPS Policy and Procedure 0401-01, Grants Management – Availability of Funds](#) for further details.

Payroll Encumbrances

After the last regular payroll for a fiscal year is posted, MMB will run the PRE cancellation process for that fiscal year's payroll encumbrances for object classes 1A0, 1B0, 1C0, 1D0, and 1E0. Note: This automatic process will not reduce encumbered amounts for other object classes. Agencies will be allowed to enter manual PRE transactions after this date in order to enter corrections. The week before fiscal year close,

MMB will again run the PRE cancellation process for the closing fiscal year payroll encumbrances to ensure that all subsequently entered PREs have been canceled.

Purchase Order Changes after Fiscal Year Close

After close, purchase orders can only be changed by MMB according to [MAPS Operating Policy and Procedure 0702-07, Changing Encumbrances after the Close of the Accounting Year](#). To request a change in vendor number or object code, complete the [Purchase Order Changes After Fiscal Year End \(POF\) \(FI-00580\)](#) form, attach a print screen of the order and lines, and send or fax the completed form to Marge Heining, File Maintenance, fax number 651-797-1306. *Do not cancel the order!* MMB will contact you when the request is reviewed and processed.

Expenditures/Payment Vouchers/Field Purchase Orders (FPO) and PAY transactions

Below is guidance as to which fiscal year an obligation should be charged. Agencies will need to also consider any M.S. 16A violations that may apply. See [MAPS Policy and Procedure 0702-02, Obligations Incurred Before Funds Were Properly Encumbered/Budgeted](#) for further information.

Goods

- Goods must be ordered by June 30 to be paid out of the closing year's funds.
- If there is no encumbrance in the closing fiscal year and goods were **ordered and received** by June 30, they may be paid out of the closing fiscal year.
- If there is no encumbrance in the closing fiscal year and the goods were **ordered** by June 30 **but not received** until after June 30, they must be paid out of the current fiscal year.
- Goods ordered after June 30 must be paid out of current fiscal year funds.

Services

- Services rendered by June 30 are to be paid out of closing fiscal year. This includes instances where funds were not encumbered before June 30. The services were actually received by the June 30 deadline and are an expense to the closing fiscal year.
- Services that will be rendered across the end and beginning of two fiscal years will need to be split between fiscal years. Agencies need to request this breakout from the vendor if it is not provided.
- Services rendered after June 30 are to be paid out of the current fiscal year. This applies to setup/installation costs even if they are included in the commodity purchase and the vendor refuses to provide the breakout between the commodity cost and the setup/installation cost. Agencies will need to use the best information available to split the costs between fiscal years and then document their decision for audit purposes. **Exception:** If the services are integral to the commodity purchase (e.g. purchase of a copier and the setup/installation is part of the purchase) and the cost is minimal, the entire amount can be certified and paid out of the closing fiscal year funds. The guideline for this is 10% of commodity portion, not to exceed \$1,000.

Utilities, Rent, and Other Services Billed on a Recurring/Ongoing Basis

These can be paid out of either fiscal year provided that the amount for the future periods is less than \$1,000 and this practice is consistently applied from one year to the next. Shifting an extra month's expenditures from one fiscal year to another does not accurately reflect spending for a fiscal year and is not acceptable. 12-month's worth of services must be paid out of each fiscal year.

Computer Maintenance and License Agreements

These should be paid on an annual basis even if significant costs savings could be realized if paying for multiple years in advance. Similar to utility type services, these do not need to be split between fiscal years if the portion related to a future fiscal year does not exceed the lesser of two months of services or \$10,000. If the amount exceeds \$10,000 and must be paid before July 1st, the payment may be processed out of the closing fiscal year but a journal voucher will need to be processed before fiscal year closing to move the portion related to the new fiscal year.

Claims

Claims with a date of record on or before June 30 (excluding general assistance) may be paid from the closing fiscal year.

Payment Dates

The Date of Record field in MAPS Accounting (GFS), the Receipt Date field in MAPS Procurement (AGPS) and the Date Services Received field in Procurement (CFMS) refer to the date the goods or services were actually received. This does not refer to the date an invoice was received.

EFT Payments

MAPS vendor payments (excluding IWP payments) that fail in the EFT process will be cancelled and rescheduled as warrants.

See Also

[MAPS Operating Policy & Procedure 0401-01: Grants Management – Availability of Funds](#)

[MAPS Operating Policy & Procedure 0702-01: Encumbrances in MAPS & Point of Entry](#)

[MAPS Operating Policy & Procedure 0702-02: Obligations Incurred Before Funds Were Properly](#)

[Encumbered/Budgeted](#)

[MAPS Operating Policy & Procedure 0702-07: Changing Encumbrances after Closing of the Accounting Fiscal Year](#)

[MAPS Operating Policy & Procedure 0707-01: Formula Grants](#)

[MAPS Operating Policy & Procedure 0803-01: Payment Requests, Preparation and Approval](#)

[MAPS Operating Policy & Procedure 0901-01: Record Dates on MAPS Documents \(including Fiscal Year Impacts\)](#)

[Payment Processing Guidelines \(Reference Guide\)](#)

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