

**CHAPTER C**  
**PRECLOSING REVIEW**



## **C.1. What is Preclosing Review?**

The preclosing review is an analysis of agency accounting records in preparation for the year end close. After the close of Month 10 (April), transactions and balances in R\*STARS are reviewed by both agency accounting staff and SARS to identify errors or problems that need correction. The preclosing review provides agencies the opportunity to make accounting corrections and other adjustments without the pressure of year end closing deadlines. It is the best time for agencies to revisit the prior year's work papers, balance interagency transactions, update ongoing reconciliations, and plan for year end.

## **C.2. Why is the Preclosing Review Important?**

During the course of daily operations, the focus of accounting is to record expenditures and revenues, code them to the appropriate accounting structures, and not exceed the budget. Daily operations rarely involve a review of accounts at the balance sheet and operating statement level.

The preclosing review focuses on trial balance data at the GAAP fund level used for financial reporting and CAFR preparation. By reviewing accounting data at the GAAP fund level, agencies can uncover posting errors due to incorrect transaction codes, identify out-of-balance situations, adjust dangling balances in clearing accounts, identify transactions that should be offset, or resolve other issues that need correction.

When agencies address accounting problems during the preclosing review, they reduce their workload during Month 13. Of course, some entries can be made only in Month 13, but an early start provides more time to assemble these entries for input later.

Although SARS reviews agencies' accounting data during the preclosing review, agencies are primarily responsible for the accuracy and completeness of their accounting records. Please feel free to call your SARS analyst with any preclosing review questions, comments, or procedural concerns.

## **C.3. Before the Start of Preclosing Review**

### **C.3.a. Update the CAFR Contact List**

SARS maintains a statewide listing of CAFR contacts by agency. This list includes the agency accountant responsible for year end closing and reporting, as well as contact information such as phone, fax, and statewide e-mail address. The SARS analyst and SFMS analyst assigned to support each agency are also included. The CAFR contact list facilitates communications between state agencies and SARS during the year and especially during year end closing.

Please review the list at [http://oregon.gov/DAS/SCD/SARS/docs/CAFR\\_Contacts.pdf](http://oregon.gov/DAS/SCD/SARS/docs/CAFR_Contacts.pdf) to make sure the CAFR contact for your agency correct. If your agency's CAFR contact has changed, please fill out **Form I.1** and email to your SARS analyst:

[http://www.oregon.gov/DAS/SCD/SARS/docs/Agency\\_Guide/I.1.UpdateCAFRContactList.pdf](http://www.oregon.gov/DAS/SCD/SARS/docs/Agency_Guide/I.1.UpdateCAFRContactList.pdf)

### **C.3.b. GAAP Fund**

GAAP Fund refers to the fund level used for financial reporting purposes. Each D23 detail fund rolls up to a pre-determined GAAP Fund. When an agency requests a new D23 fund, SARS reviews the request to ensure the GAAP Fund is correct. The GAAP Fund number appears on the D23 screen, while the GAAP Fund title is found on the D24 screen.

The GAAP Fund Type, which is system generated, indicates whether a fund is General Fund, Special Revenue Fund, etc. The GAAP Fund Type number appears on the D23 screen; while GAAP Fund Type title appears on the D21 GAAP Fund Type Profile Listing.

### Sample D23 Screen

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SD23 VER 2.0          STATE OF OREGON          03/14/XX 01:51 PM
LINK TO:              FUND PROFILE             PROD

          AGENCY: 150    FISCAL YEAR: XX    FUND: 4100
          TITLE: OTHER FUNDS
APPROPRIATED FUND: 3400 (MUST BE IN D22 APPROP FUND PROFILE)
GAAP FUND: 1103 (MUST BE IN D24 GAAP FUND PROFILE)
STATE FUND GROUP: 9999 DEFAULT OREGON
LOCAL FUND IND: N    GASB54: R1    CASH FUND: 22000
FUND LEVELS DETERMINE THE LEVEL OF CONTROL FOR THE FOLLOWING
(0=NONE, 1=APPROPRIATED FUND, 2=FUND, 3=CASH FUND):
APPROPRIATION: 1    AGENCY BUDGET: 2    CASH CONTROL: 3
CASH BALANCE DISP - IND: N    %/AMT: 0000000000    TREASURY FUND: 0401
DESCRIPTION: FEDERAL GRANTS
CC ORG LEVEL IND: 1    (0=DO NOT POST AGENCY, 1=POST AGENCY)
DEPOSIT INTEREST - IND: Y    AGENCY:      FUND:
GAAP FUND GROUP: 01    (SYSTEM GENERATED)
GAAP FUND TYPE: 02 (SYSTEM GENERATED)    STATUS CODE: A
EFF START DATE: 070120XX    EFF END DATE:      LAST PROC DATE: 040820XX
Z06 RECORD SUCCESSFULLY READ

F1-HELP F3-DEL F5-NEXT F9-INT F10-SAVE F11-SAVE/CLEAR ENTER-INQ CLEAR-EXIT

```

The Appropriated Fund identifies the funding source and budgetary treatment. In R\*STARS, the sources are identified as follows: 3XXX = other funds; 4XXX = lottery funds; 6XXX = federal funds, 8XXX = general fund; and 9998 = Government-wide Reporting Fund (GWRP). This funding source identifier can be found on the R\*STARS D22 Appropriated Fund Profile Listing. The D22 profile also shows whether the fund is limited (X4XX); non-limited (X2XX); non-budgeted (X6XX); capital improvement (XX10); capital construction (XX20); or debt service (XX30).

### C.3.c. Order Reports

To get the maximum benefit from the guidance provided in this chapter, agencies should order specific R\*STARS reports or use the Datamart Repository reports as of the close of Month 10. Guidance for ordering reports can be found in Chapter D. Agencies use these reports to identify and correct accounting problems in R\*STARS. Corrections identified during the preclosing review should be recorded in R\*STARS as soon as possible, but no later than the close of Month 12 (June).

- Order the following reports (at the GAAP fund level) through R\*STARS or use the Datamart Repository reports:

DAFR 6610 Agency Operating Statement  
DAFR 6620 Agency Balance Sheet

- To check the status of interfund and interagency transactions, Statewide Balancing reports may be viewed online through a link provided on the SARS webpage:

<http://www.oregon.gov/DAS/SCD/SARS/swbreports.shtml>.

- The following reports may also be useful in verifying an agency's accounting data:

DAFR 6120 Status of Appropriation and Expenditure

DAFR 8650 Trial Balance by Fund/General Ledger

DAFR 9210 Revenues & Expenditures by Fund, Program, Object – GAAP Offset Revenues and Expenditures only

## **C.4. Preclosing Review Procedures**

### **C.4.a. Clear Balances in General Ledger Account 2951**

The balance in GL account 2951 must be zero. Most agencies clear the balances in GL account 2951 on a routine basis.

Use the DAFR 6620 Agency Balance Sheet report to determine if GL account 2951 has a zero balance in each GAAP fund. Use the *D23 Fund Within GAAP Fund* view of the Datamart DAFR 6620 report to isolate any D23 fund with a balance.

To research balances in GL account 2951, go to the R\*STARS 89 screen, set the screen for detail, and scroll through the entries using the F5 key. For each D23 fund that is out of balance, look for T-codes that may have created balances in GL 2951. Look at all transactions and funds affected by those T-codes. Determine if a companion entry is missing or if an incorrect T-code was used. Make all entries needed to clear the 2951 GL account.

### **C.4.b. Review GAAP Offset Accounts**

GAAP offset accounts allow financial data in R\*STARS to be reported on either a budgetary basis or a GAAP basis, depending on user needs. By reviewing certain balance sheet and operating statement items, including the GAAP offset accounts, agencies can determine if entries necessary for GAAP basis financial statements have been made correctly. Additional information on GAAP offsets is available in Chapter E.

Changes in long-term assets and liabilities accounts, including capital assets and long-term debt payable, are recorded in R\*STARS using GAAP offsets so that the related budgetary revenues and expenditures/expenses (including proceeds from bond/COP issues, loan repayments, capital lease payments, and capital outlay) are eliminated for full accrual GAAP basis financial statements. Changes in the balances for accrued vacation, inventory, and prepaid items are also recorded using GAAP offset transactions. Since depreciation and amortization are needed only for full accrual GAAP basis reporting, they are also recorded using GAAP offset transactions.

Agencies should use the DAFR 6620 and DAFR 9210 reports to review their GAAP offset transactions.

- **DAFR6620 Agency Balance Sheet and the DAFR 9210 GAAP Offset Revenues & Expenditures Reports.** If balances in the following GL accounts have changed since last year, use the DAFR 9210 (GAAP offset revenues and expenditures only) to see if the changes have been recorded in the appropriate comptroller objects and in the appropriate funds. For example, the amount of the increase in vacation payable-current in the government-wide

reporting fund on the DAFR 6620 should appear as a debit to comptroller object 3111, Regular Employees, in the government-wide reporting fund on the DAFR 9210.

- a. Cash on Hand (GL 0072)
- b. Investment Valuation Account-Designated or Other (GL 0245 & 0255)
- c. Inventory-Materials and Supplies or Stores for Resale (GL 0600 & 0601)
- d. Prepaid Expenses (GL 0602)
- e. Advance To Other Funds/Agencies (GL 0950)
- f. Capital Asset accounts (GL 0811 through 0863)
- g. Accumulated Amortization/Depreciation accounts (GL 0865 through 0885)
- h. Loans Receivable in Governmental Funds (GL 0931)
- i. Noncurrent Receivables in Proprietary, Fiduciary & GWRP (GL 0420, 0927, 0930, 0931, 0932, 0933, & 0935)
- j. Vacation Payable-Current or Noncurrent (GL 1605 & 1718)
- k. Advance From Other Funds/Agencies GL 1800)
- l. Deferred Revenue (GL 1603 & 1604)
- m. Bond and COP principal (GL 1276, 1279, 1704, 1714)
- n. Bond and COP discounts, premiums, deferred charges, & other costs (GL 1702, 1703, 1705, 1709, 1712, & 1713)
- o. Noncurrent Payables in Proprietary, Fiduciary & GWRP (e.g., Claims and Judgments, Loans) (GL 1577, 1717, 1720, 1722, 1725, 1726, 1727, 1730, 1735, 1740, 1745, and 1750)

- **DAFR6610 Agency Operating Statement Report**

- a. Does capital outlay = 0? (comptroller objects beginning with 5)
- b. Do loan, bond and COP proceeds = 0? (comptroller objects 1501-1513, 1600, 1605)
- c. Do loan repayment revenues = 0? (comptroller objects 1100-1104)
- d. Do loan expenditures (excluding loans made to individuals) = 0? (comptroller objects 6825, 6870, 6875)
- e. Do debt service principal payments = 0? (comptroller objects 7050-7200, 7275, 7410)
- f. Does depreciation or amortization appear on the report? (comptroller objects 7420-7478)
- g. Do other revenue and expenditure accounts related to long-term items = 0? (comptroller objects associated with construction in progress)

Keep in mind that for governmental funds only those comptroller objects related to loans and advances (listed in c and d above) should equal zero within the fund.

Comptroller objects in governmental funds that are related to capital outlay and debt (listed in a, b, and e above) should have an exact offset, or negative amount in the same comptroller object, in the government-wide reporting fund.

**Sample 91 screen set-up for the DAFR9210 for GAAP offset revenues and expenditures only.** The italicized numbers and letters are specific to agency, user, and dates requested. Additional guidance on ordering R\*Stars reports is included in Section D.3.

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S091 VER 2.0                      STATE OF OREGON                      05/12/XX 01:47 PM  
LINK TO:                              REPORT REQUEST PROFILE                      PROD

AGENCY: AGCY    REQUESTER: NAME    REQUEST NO: 01    REPORT ID: DAFR9210  
APPN YEAR:    PERIOD: FY: FREQUENCY: MMDDYEAR    FREQ CONTROL: S  
RANGE -    FROM DATE: 01 20XX    THRU DATE: 13 20XX  
LEVEL -    ORG:    PROGRAM: 0    OBJECT:    FUND: 4    NACUBO FUND:    GL ACCT:

SPECIAL SELECTS -  
AGENCY:                      OR AGENCY GROUP:                      ORG CODE:  
PROGRAM CODE:                      NACUBO FUND:  
APPROP FUND:    FUND:  
COMP OBJECT:    AGY OBJECT:  
GL ACCT:    AGY GL ACCT:  
SPEC SEL 1: C                      1    SPEC SEL 2: 0                      3G

STATUS CODE: A  
EFF START DATE: 06222001    EFF END DATE:                      LAST PROC DATE: 051220XX  
Z06 RECORD SUCCESSFULLY RECALLED  
F1-HELP F3-DEL F5-NEXT F9-INT F10-SAVE F11-SAVE/CLEAR ENTER-INQ CLEAR-EXIT

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#### **C.4.c. Reconcile Changes in Fund Equity**

Changes in fund equity must be supported by changes in revenues, expenditures/expenses and/or other operating statement items in accordance with the “clean surplus” theory of APB Opinion No. 20 and SFAS No. 16.

A number of R\*STARS reports can be used to analyze changes in equity. For example, the DAFR6620 can be used to visually check current year versus prior year equity accounts to determine if there were any changes in fund equity. As an alternative, the net activities on the DAFR9210 can be compared to the DAFR8650, which shows changes in Fund Balance. Since equity accounts differ according to GAAP fund, and for governmental funds by GASB 54 code, this analysis must be based on total equity within each GAAP fund. If you have a change in fund equity, please work with your SARS analyst to resolve.

#### **C.4.d. Review Interfund/Interagency Accounts**

The objective of this subsection is to help agencies balance their interfund and interagency transactions. The use of interfund/interagency accounts allows agencies to track and report resources as they move from one fund to another or from one agency to another. For reporting purposes, SARS must balance these accounts at a statewide level and report the movement between specific GAAP funds. This means that agencies must ensure their interfund/interagency accounts are in balance at both the agency and GAAP fund level and that the correct agency GL and GASB 38 codes have been used.

To assist agencies in this process, SARS has developed the Statewide Balancing Reports, which are available at: <http://www.oregon.gov/DAS/SCD/SARS/swbreports.shtml>

**Due To/From Other Funds/Agencies.** Due To/From Other Funds/Agencies accounts (see Exhibit A) are balance sheet accounts used to represent amounts owed between funds or agencies. These accounts are used primarily to account for amounts collected by one fund or agency that will be transferred to another fund or agency and to accrue transfers between funds or agencies. Note that the same general ledger accounts (0586 and 1532) are used for transfers between funds within an agency as well as between agencies.

- **Due To/From Other Funds** must balance within each agency (i.e., a due from balance in one fund must have an offsetting due to balance in a different fund within the same agency). *The agency GL associated with the balance in Due To Other Funds must reference the D23 fund where the corresponding Due From Other Funds is reported (and vice versa).*
- **Due To/From Other Agencies** must balance between agencies, including non-R\*STARS agencies such as the Oregon University System (agency 580) and discretely presented component units (Oregon Health and Science University - agency 590 and SAIF Corporation - agency 435). See Section B.4. for a list of drop-in agencies. If your agency has transfers with non-R\*STARS agencies, you will not be in balance in R\*STARS. SARS analysts will prepare compilation entries to correct out-of-balance situations with non-R\*STARS agencies.
- The agency GL associated with the balance in Due To Other Agency must reference the agency and D23 fund where the corresponding Due From Other Agency is reported (and vice versa).

| Exhibit A – Due To/From Other Funds/Agencies |   |                                  |
|--|---|----------------------------------|
| DR   |   | CR                               |
| 0586 Due From Other Funds/Agencies           | = | 1532 Due To Other Funds/Agencies |

**Example 1**

Assume an agency receives a bill for Attorney General fees which is considered a reimbursement transaction (OAM 15.45.10). The \$5,000 bill is paid entirely out of the general fund (D23 fund 1211) but it is discovered that \$1,000 of the expenditures belong to a special revenue fund (D23 fund 3433). Assuming the expenditures have already been recorded in the general fund, the agency would use R\*STARS T-code 926 to set up a Due From Other Funds for \$1,000 in the general fund and T-code 925 to set up a \$1,000 Due To Other Funds in the special revenue fund.

TC 926: General fund entry to record due from special revenue fund for Attorney General charges paid by the general fund on behalf of the special revenue fund.

|    |      |   |         |         |
|----|------|---|---------|---------|
| DR | 0586 | Due From Other Funds/Agencies   | \$1,000 |         |
| CR | 3505 | Expenditure Control - Financial Statement Accrual<br>(C/O 4550 - Legal Fees)<br>(AGL and G38# 10734330) |         | \$1,000 |

TC 925: Special revenue fund entry to record amount owed to the general fund for share of Attorney General charges.

|    |      |   |         |         |
|----|------|---|---------|---------|
| DR | 3505 | Expenditure Control - Financial Statement Accrual                                 | \$1,000 |         |
| CR | 1532 | Due To Other Funds/Agencies<br>(C/O 4550 - Legal Fees)<br>(AGL and G38# 10712110) |         | \$1,000 |

**Example 2**

Assume agency 107 (DAS) receives federal financial assistance in a special revenue fund (D23 fund 1111) and that the funds are budgeted to be transferred to agency 137 (DOJ). DOJ receives the federal funds in its special revenue fund (D23 fund 2222) as other funds “transfers-in,” which in turn, passes the federal assistance on to local governments and nonprofit organizations. Assume also that at the end of the current reporting period, it is determined that DAS owes DOJ \$3,000. In this example, DAS should communicate with DOJ in recording the end of year accruals as follows:

TC 919: Entry made by DAS to accrue amounts owed to DOJ at year end.

|    |      |  |         |
|----|------|--|---------|
| DR | 3550 | Operating Transfers Out Control<br>(C/O 1809 - Transfer Out to Justice)<br>(AGL and G38 code - 13722220) | \$3,000 |
| CR | 1532 | Due To Other Funds/Agencies  | \$3,000 |

TC 920: Entry made by DOJ to accrue amounts due from DAS at year end.

|    |      |  |         |
|----|------|--|---------|
| DR | 0586 | Due From Other Funds/Agencies  | \$3,000 |
| CR | 3150 | Operating Transfers In Control<br>(C/O 1306 - Transfer In from DAS)<br>(AGL and G38 code - 10711110) | \$3,000 |

**Reimbursements.** Reimbursements are those transactions that constitute repayment to a fund for expenditures or expenses initially made from it that are properly applicable to another fund. Agencies should record due to/from adjustments for outstanding reimbursements existing as of the end of the reporting period. See OAM 15.45.10 and Example 1 above under “Due To/From Account” for an example. As noted above, Due To and Due From accounts must balance and the agency GL and G 38 code must be correct.

**Advances.** Advances (see Exhibit B) are long-term loans from one fund or agency to another fund or agency. These long-term loans are fund assets and liabilities that should be accounted for in the funds initiating and receiving them regardless of the fund type (OAM 15.45.20). All advances to other fund/agency accounts should balance with offsetting advances from other fund/agency accounts. The agency GL for the GL 0950 - Advance To Other Funds/Agencies portion of the transaction should reference the agency and D23 fund where the GL 1800 - Advance From Other Funds/Agencies portion of the transaction is recorded.

| Exhibit B - Advance To/From Other Fund/Agency |   |  |  |
|---|---|--|--|
| DR  | = | CR                                     |  |
| 0950 Advance to Other Funds/Agencies          | = | 1800 Advance From Other Funds/Agencies |  |

### **Example 3**

Assume an enterprise fund (D23 fund 4244) loaned a special revenue fund (D23 fund 1121) \$10,000 to be repaid over a five year period (an advance within the agency). The following entries should be used to record the initial advance (note that the T-codes below can be used for advances between funds within an agency or between agencies).

TC 446: Enterprise fund entry to record advance to special revenue fund.

|    |      |                                 |   |          |
|----|------|---------------------------------|---|----------|
| DR | 0950 | Advance To Other Funds/Agencies | \$10,000                                  |          |
|    | CR   | 3600                            | GAAP Expenditure Offset                   | \$10,000 |
|    |      |                                 | (C/O 6870 - Loans Made to State Agencies) |          |
|    |      |                                 | (AGL and G 38 code - 10711210)            |          |

TC 448: Special revenue fund entry to record advance from enterprise fund.

|    |      |                     |                                    |          |
|----|------|---------------------|------------------------------------|----------|
| DR | 3200 | GAAP Revenue Offset | \$10,000                           |          |
|    |      |                     | (C/O 1600 - Loan Proceeds)         |          |
|    |      |                     | (AGL and G 38 code - 10742440)     |          |
|    | CR   | 1800                | Advances From Other Funds/Agencies | \$10,000 |

**Transfers.** Transfers are used to track authorized movements of resources between funds within an agency or between agencies. For example, an enterprise fund may frequently receive routine transfers from another fund because it does not generate enough revenue to be entirely self-supporting. Transfers should *not* be used to report transactions where there is an exchange of goods or services between state agencies (or funds) or between state agencies and entities outside the government. See Exhibit C for applicable comptroller objects.

Common examples of transfers between agencies: The Oregon Liquor Control Commission collects beer and wine taxes and distributes portions to agencies in support of various alcohol abuse programs; the State Lottery transfers money for economic development; and the Department of Revenue distributes various tax moneys to agencies.

Transfers are reported in the "Other Financing Sources (Uses)" section in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance and after the "Nonoperating Revenues (Expenses)" section in the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. For government-wide reporting, transfers within each activity are eliminated and only amounts between governmental and business-type activities are presented.

If a question arises whether a transaction should be treated as a transfer or a revenue and expenditure/expense, one of the first places to check is the budget. Transfers may be budgeted as transfers out, special payments to state agencies, or transfers in. See OAM 15.45.10 for more information on the subject of transfers.

If at year end it is necessary to accrue a transfer, the accrual should be recorded as a due to/from transaction, not as a receivable/payable. See Example 2 above under Due To/From Other Funds/Agencies. Remember that transfers in/out must balance at the agency level and the GAAP fund level and be careful to use the correct agency GL(s) and GASB 38 codes.

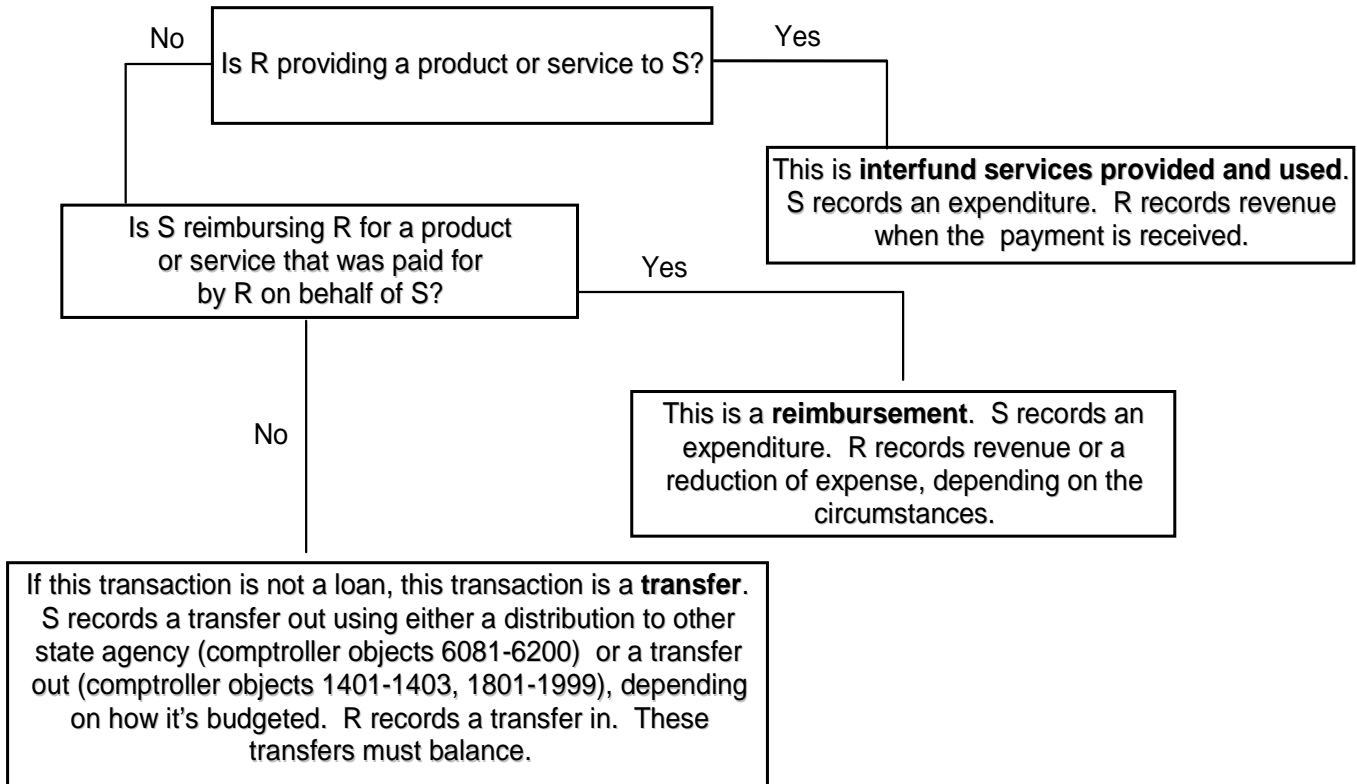
| Exhibit C — D10 Transfer Comptroller Objects (See OAM 60.20.00 for a complete listing)   |   |   |
|--|---|---|
| DR   |   | CR  |
| 1403 Transfer out to General Fund<br>1430 Transfer To OCE<br>1801 Transfer Out To Dept of Admin Services Through<br>1915 Transfer Out To LT Care Ombudsman<br>6081 Distribution To Board of Dentistry Through<br>6197 Distribution To Construction Contractors Board | = | 1279 Transfer In From Board of Dentistry Through<br>1400 Transfer In From Teacher Standards |
| 1401 Transfer Out To Other Fund  | = | 1301 Transfer In From Other Fund  |
| 1402 Transfer Out Lottery Proceeds   | = | 1302 Transfer In Lottery Proceeds   |
| 6200 Intra-agency General Fund/Other Fund Transfer   | = | 1303 Transfer In From General Fund  |
| 1456 Transfer Out-Indirect Cost Center   | = | 1356 Transfer In From Indirect Cost Center  |

**Interfund Services Provided and Used.** Interfund services provided and used are not considered transfers. Instead, these transactions involve the exchange of goods and services between agencies or funds and must be treated as revenues and expenditures/expenses. When recording these transactions, use revenue and expenditure comptroller objects rather than transfer comptroller objects in Exhibit C above. See OAM 15.45.10 for additional information.

Examples of interfund services provided and used include motor pool charges, audit services, attorney general charges, data processing services, telecommunications charges, purchases of furniture from Oregon Corrections Enterprises, and other contracted goods and services provided through interagency agreements.

**Classifying Interfund Transactions.** Determining the most appropriate way to record an interfund transaction can be a challenge, especially since the term “transfer” is used in many different ways. To simplify the decision making process, the key questions an agency should ask are depicted in the flow chart below. When working with other agencies, use this flow chart as the basis of your discussion to determine the appropriate accounting treatment:

**S = Agency fund sending monies    R = Agency fund receiving monies**



**Common Problems and Solutions.** Here is a list of some common problems and solutions associated with interfund and interagency transactions. If you have any questions, please do not hesitate to call your SARS analyst.

| PROBLEMS  | SOLUTIONS   |
|---|---|
| <p><b>Transfers to agencies with different fiscal year ends.</b> Currently SAIF (435), a component unit, is the only part of the reporting entity that does not use a 6/30 year end. SAIF's year end is 12/31. Transactions between SAIF and state agencies may not balance on June 30 financial reports.</p> | <p>This condition is OK as long as the difference can be identified and disclosed in the notes to the financial statements as a reconciling item.</p>   |
| <p><b>Transfers, revenue or expenditures/expenses recorded in an agency fund type (R*STARS D21 GAAP fund type 09).</b> Agency funds contain only balance sheet accounts. Do not record transfers to/from other funds/agencies in an agency fund.</p>  | <p>Reverse transfer to/from transactions recorded in an agency fund and record receivable/payable transactions instead. Also, make correcting entries in all funds that have recorded transfers to/from an agency fund.</p> |
| <p><b>Oregon University System (OUS)</b> does not have the information needed to code receipts from other State agencies.</p>   | <p>Communicate to OUS institutions about details of payments/transfers made to them. Provide OUS the description of R*STARS comptroller objects.</p>  |
| <p><b>SEFA transfers</b> not recorded properly.</p>   | <p>Analyze Statewide Balancing Report to identify transfers from other agencies to your</p>   |

| PROBLEMS  | SOLUTIONS   |
|---|---|
|   | <p>agency. (NOTE: Federal assistance received from other state agencies may be budgeted as other funds in your agency. Nonetheless, such transfers must be reported as federal transfers and expenditures for the SEFA schedule.)</p> <p><b>An agency initiating a federal transfer <u>must</u> contact the receiving agency to communicate the amount sent, the proper CFDA number, and which agency should record/report the corresponding expenditures.</b></p> <p>CAFR contacts in each agency should collaborate with the person preparing the SEFA. Federal grant accounting and reporting are addressed in OAM 15.42.00.</p> |
| <p><b>Late information</b> from the other agency.</p> | <p>Record an accrual based on a reasonable estimate agreed to by both agencies. Document the method used to estimate the amount of the accruals.</p>  |

**Correction of Out of Balance Transfers.** In most cases, an out of balance transfer should be reversed exactly as originally entered and then re-entered correctly. If you need assistance with G38 code issues, please call your SARS analyst. If you have questions about which T-code to use to make a correction, please call your SFMS analyst.

**Preclosing Review Procedures – Interfund/Interagency Transactions.** Interfund and interagency transactions must balance. By following the suggestions listed below, agencies can reduce the number of out-of-balance interfund/interagency transactions at year end. See OAM 15.45.10 and 15.45.20 for additional details and examples of interfund/ interagency transactions.

- Make sure all interfund transactions within your agency are balanced and the agency GL(s) and GASB 38 codes are correct (i.e., due to/from other funds, transfers to/from other funds, advances to/from other funds).
- Communicate with other agencies and reach agreement on the appropriate comptroller objects, agency GL(s), and GASB 38 codes to be used. Both the initiating and receiving agencies should use either revenue and expenditure/expense objects or transfer objects. Do not use a transfer object with another object type.
- For accruals, communicate with other agencies to ensure the correct balance sheet accounts and agency GL(s) and GASB 38 codes are used. Both the initiating and receiving agencies should use either due to/from accounts or receivable/payable accounts. Do not mix the two.
- Review your agency type funds (D21 GAAP Fund Type 09) to ensure no transfers to/from were recorded. If so, reverse the transfer transactions and record receivable/payable transactions instead. Also, make correcting entries in all funds that have recorded transfers to/from an agency type fund.

- When an agency transfers federal funds to another agency, the initiating agency must inform the receiving agency of the dollar amount and the proper Catalog of Federal Domestic Assistance (CFDA) number to use. Federal grant accounting and reporting are addressed in OAM 15.42.00.

**Sample Query for Interfund/Interagency Balancing.** The Statewide Balancing reports are available online at <http://www.oregon.gov/DAS/SCD/SARS/swbreports.shtml>. Alternatively, agencies can query the Datamart directly using the instructions below.

**Query 1**

This query is designed to identify interfund/interagency transfers. It is based on the *All Accounting Events Table*.

**Request**

Agency  
 Compt Obj  
 Compt Obj Title (Compt Obj Table)  
 Cur Doc No  
 Effective Date  
 Fiscal Year  
 Fund  
 G38 Transfer  
 GI Acct  
 Deb Pos Trans Amount  
 Tcode

**Filters**

Agency = your agency number  
 Fiscal Year = current fiscal year  
 GI Acct Begins with 31 and 35  
 Compt Obj Between 1279 and 1914  
 Compt Obj Not Between 1500 and 170

- Process the query.
- Create a computed item entitled "Transfer Type." (NOTE: The double vertical lines represent "or.")

```
if (Compt_Obj == "1301" || Compt_Obj == "1401") {"Interfund"} else if (Compt_Obj == "1356" || Compt_Obj == "1456") {"Indirect Cost"} else {"Interagency"}
```

- Create a pivot table by dragging the request items into the outliner.

**Column labels:** Transfer Type, Tcode, GI Acct

**Row labels:** Compt Obj, Compt Obj Title, Effective Date, Cur Doc No, Fund, G38 Transfer

**Facts:** Deb Pos Trans Amt

NOTE: These items may be arranged in any fashion that is useful. The arrangement noted above is just a suggestion. A separate pivot report for each of the Transfer Types can be created by duplicating the pivot and focusing on each of the Transfer Types. The comptroller object titles indicate the agencies involved. You will also need to rerun the query, limiting comptroller objects to those between 6081 and 6197 to obtain transfers recorded as distributions to other agencies.

## **Query 2**

This query will allow you to see how the other agency recorded the interagency transfer. It is based on the *All Accounting Event Table*.

- Duplicate Query 1 and make the following changes to the Filters:

Agency = the agencies you noted on the pivot from Query 1

Compt Obj = xxxx (Transfer in from your agency), yyyy (Transfer out to your agency) and zzzz (Distribution to your agency);

For example, for Department of Agriculture: xxxx = 1367, yyyy = 1858 and zzzz = 6175. Remember to change the limit to equal the comptroller objects specific to your agency.

- After you process Query 2, the other agencies' transfers will appear on the pivot report. Print the interagency pivot from Query 2 and compare how your agency recorded its side of the transfer to the way other agencies recorded their side of the transfer.

## **Query 3**

This query is designed to identify detail transactions of other specific agencies that recorded a transfer in from your agency (e.g., a transfer out from your agency is recorded as a transfer in by the State Commission on Children and Families using comptroller object 1347). If you know the agency with which you are out of balance, and the other agency has not yet researched the error, this query provide the details so the correcting entries can be processed promptly. It is based on the *All Accounting Event Table*.

### **Request**

Agency  
Compt Obj  
Compt Obj Title (Compt Obj Table)  
Doc No, Doc No Suffix  
Effective Date  
Fund, PCA  
Fiscal Year  
GI Acct  
G38 Transfer  
Deb Pos Trans Amount  
Tcode  
Batch Date, Batch No, Batch Seq

### **Filters**

Agency = other agency number  
Fiscal Year = current fiscal year  
GI Acct Begins with 31 and 35  
Compt Obj = 1347

- Process the query.
- Use the pivot table to analyze or import data into Excel. Modify this sample query as needed to make it useful for your agency.

### **C.4.e. Review Appropriations**

Appropriation information for the budgetary schedules in the CAFR is taken directly from R\*STARS. For this reason, it's important that the budgetary information in R\*STARS is complete and accurate. All appropriations must be recorded in R\*STARS by the close of June for statewide financial reporting purposes.

To verify the accuracy of appropriation amounts recorded in R\*STARS, review the 62 screen for each appropriation.

### **Problem 1**

An E-Board/Appropriation/Special Session action is not recorded in R\*STARS.

**Solution:** If the R\*STARS 62 screen does not reflect the amounts recorded on the documentation you have received, contact DAS Budget and Management (BAM). One explanation could be that your agency has not provided BAM with the Appropriation Profile form. Please refer to the R\*STARS Reference Manual, Chapter 6 for procedures. [http://egov.oregon.gov/DAS/SCD/SFMS/ref\\_manual.shtml](http://egov.oregon.gov/DAS/SCD/SFMS/ref_manual.shtml). These forms must be approved at the agency level and then forwarded to BAM for entry into R\*STARS. Until this profile is set up, the budget batches cannot be entered in R\*STARS.

To enter E-Board, Appropriation, or Special Session actions in R\*STARS, agencies must provide BAM the Chapter Law information, appropriation number assigned by the agency, fund number, and program cost account (PCA). Some agencies may also need to provide the index.

### **Problem 2**

An E-Board, Appropriation, or Special Session action is recorded in R\*STARS with an incorrect amount, fund, PCA, or index.

**Solution:** Contact BAM for resolution. Agencies will need to provide BAM the Chapter Law information, appropriation number, fund number, PCA (and/or Index) number, the incorrect information, and the correct information. If necessary, fax a copy of R\*STARS 62 screen to BAM for further clarification.

#### **C.4.f. Adjust R\*STARS for Prior Year Post-Closing Adjustments**

Agency accounting records will not reflect the final audited year end account balances from the previous year unless all postclosing CAFR adjustments have been recorded in R\*STARS. SARS notifies agencies of any required postclosing adjustments in the January/February timeframe.

To correct R\*STARS for a prior year's postclosing adjustment, two transactions are typically required:

- One transaction records the adjusting entry, and
- A second transaction (using T-codes 113, 114, 119, 124 or 125) restates the current year's beginning fund equity. The GAAP offset corrects the current year's revenues or expenses. To ensure the GAAP offset has the desired effect, be careful to use the same comptroller object in both transactions.

For more information, refer to Chapter G - Post Closing Adjustments.

#### **C.4.g. Review Last Year's Closing Adjustments**

The close of the current year may require the same type of accounting corrections and closing adjustments as required in the prior year. If possible, prepare the appropriate corrections and adjustments during the preclosing review to save time during Month 13.

#### C.4.h. Clear Reconciling Items on Deposit/Cash Reconciliations

Although R\*STARS features an automated deposit reconciliation process, the 12 and 13 screens must be monitored on a regular basis because unreconciled deposits are not available to spend. Please contact your SFMS analyst or refer to the SFMS Desk Manual available at [http://egov.oregon.gov/DAS/SCD/SFMS/desk\\_manual.shtml](http://egov.oregon.gov/DAS/SCD/SFMS/desk_manual.shtml) for reconciliation instructions.

#### C.5. Comprehensive Preclosing Review Checklist

Please use the following checklist to review your accounting records. Some of the items are covered in more detail in other sections of this manual and, of course, some entries cannot be completed until Month 13. If you have any questions, contact your SARS analyst.

1. Are all accounting transactions for your agency recorded on your books? For example, transactions related to:
  - a. Petty cash
  - b. Cash deposited in the General Fund
  - c. Treasury accounts
  - d. Receivables and payables
  - e. Bonds and certificates of participation
  - f. Commodities, pass-through funds, fines and penalties
2. Is the debit or credit balance of each general ledger account appropriate for the account type (i.e., assets have debit balances; liabilities have credit balances, etc.)?
3. Have balances in System Clearing General Ledger Only, GL 2951, been cleared?
4. Are the balance sheet accounts used in each fund type appropriate?
  - a. Except for loans and advances, noncurrent liabilities should be reported only in proprietary funds, fiduciary funds and the Government-wide Reporting Fund.
  - b. Long-term loans and advances should be reported in the loaning and receiving funds rather than the Government-wide Reporting Fund.
  - c. Capital assets should be reported only in proprietary funds, fiduciary funds and the Government-wide Reporting Fund; no capital assets are reported in governmental funds.
5. Are all funds properly classified and directed to a GAAP fund other than 9999 Default Oregon?
6. Are all funds in balance?
7. Are all **cash accounts** reconciled to date? Have corrections been recorded by the end of the accounting period?
8. **Receivables:**
  - a. Have receivables been recorded at the gross amount, with an allowance for uncollectibles recorded in the appropriate contra-account?
  - b. Are current receivables included in current period revenues?

9. Are **long-term loans** between agencies/funds recorded using the Advance To/From Other Agencies/Funds accounts? If advances have been recorded in the Government-wide Reporting Fund, move them to the proper fund; they do not belong in the Government-wide Reporting Fund.
10. Have all **funds, treasury accounts** (including revolving accounts), and **petty cash** accounts been distributed, reimbursed, or otherwise adjusted at the end of the accounting period? If not, Due To/From accounts, advances and related accounts should be established to reflect the proper account balances within each fund.
11. **Inventories:**
  - a. Is an annual physical count of inventory items taken as required?
  - b. Are inventories adjusted in the accounting records at least annually?
  - c. Is the balance in GL 0600 - Materials and Supplies offset in GL 3031 – Nonspendable Fund Balance-Inventory?
  - d. Is the balance in GL 0601 - Stores for Resale offset in GL 3031 – Nonspendable Fund Balance-Inventory? If not, are the proceeds from the sales restricted, committed, or assigned to a specific purpose?
12. **Capital Assets:**
  - a. Is an annual physical count of capital assets taken as required?
  - b. Have all capital asset additions been reconciled to capital outlay expenditures?
  - c. Have all capital assets been recorded in the property and accounting records?
  - d. Have all additions, deletions, and transfers related to capital assets been recorded?
  - e. Are capital assets recorded in the appropriate general ledger accounts?
  - f. Is depreciation or amortization recorded for the year?
  - g. In proprietary, fiduciary and the government-wide reporting funds, does the total of balances in GL accounts 0811 through 0885 (capital assets less accumulated depreciation) equal the amount reported in GL 3018 - Invested in Capital Assets?
13. **Capital Construction and Capital Improvements:**
  - a. Are all major, non-general fund capital construction and capital improvements recorded in a Capital Projects Fund (recommended practice)?
  - b. Is there sufficient revenue in the Capital Projects Fund to cover expenditures?
  - c. Have general funded capital construction (D22 Appropriated Fund 8020) and capital improvements (D22 Appropriated Fund 8010) been reported in the general fund (D24 GAAP Fund 0001)?
  - d. Have all expenditures recorded in the Capital Projects Fund that qualify for capitalization (refer to OAM 15.60.10) been capitalized in the Government-Wide Reporting Fund?
14. Do **subsidiary records** agree with their general ledger control accounts? Accounts receivable, accounts payable, and capital asset GL accounts are examples of control accounts.
15. **Encumbrances:** (Refer to OAM 20.20.00.)
  - a. Do encumbrances outstanding relate to goods or services to be received in the future?

- b. For goods and services received, have the related encumbrance amounts been liquidated and an appropriate expenditure and accounts payable recorded?
- c. In accordance with policy, no encumbrances should be outstanding at the end of the biennium. Encumbered spending commitments should be canceled and re-established in the new biennium.

16. **Leases:** (Refer to OAM 15.60.00.)

- a. Are your agency's leases classified correctly? A lease must be classified as either an operating lease, lease purchase, or a capital lease.
- b. For any lease purchases or capital leases, have the associated assets and the related long-term liabilities been recorded?

17. **Fund Equity Accounts:**

- a. Does the use of fund equity accounts (fund balance or net assets, as applicable) follow the "clean surplus theory"? This theory requires that no entries be made directly to the fund balance accounts except in closing the records and recording the difference between revenues and expenditures. If there have been changes in fund balance due to transactions other than the closing of revenue and expenditure accounts, they need to be investigated.
- b. Is the fund equity in each fund properly classified in an account appropriate for the fund type?
- c. In governmental funds, have appropriate entries been made to correctly report nonspendable fund balance:
  - Is the balance in GL 0600 – Invested in Materials and Supplies offset by GL 3031 – Nonspendable Fund Balance-Inventory?
  - Is the balance in GL 0601 - Stores for Resale offset by GL 3031 – Nonspendable Fund Balance-Inventory? If not, are the proceeds from the sales restricted, committed, or assigned to a specific purpose?
  - Is the balance in GL 0602 – Prepaid Expenses offset by GL 3032 – Nonspendable Fund Balance-Prepaid Items?
  - In the GAAP General Fund is there a balance in GL 0931 – Loans Receivable? If yes and the proceeds from collection are not restricted, committed, or assigned to a specific purpose, use T-code 453/454 to reclassify an amount equal to the net receivable from GL 3052 – Assigned Fund Balance to GL 3034 – Nonspendable Fund Balance-LT Loans Receivable.
  - In the GAAP General Fund is there a balance in GL 0950 – Advances to Other Funds/Agencies? If yes and the proceeds from collection are not restricted, committed, or assigned to a specific purpose, the related fund balance should be recorded in GL 3035 – Nonspendable Fund Balance-Advances to Other Funds/Agencies.
  - Did this fund receive additional permanent fund principal? If yes, reclassify the related restricted fund balance to GL 3033 – Nonspendable Fund Balance-Permanent Fund Principal. The balance in GL 3033 should equal the amount to be retained in perpetuity.
  - Is there a balance in GL 0420 – Taxes Receivable NC; GL 0930 – Notes Receivable NC; GL 0932 – Contracts Receivable; GL 0933 – Mortgage Receivable; GL 0935 – Other Receivables NC? The net receivable balance

should be offset by GL 3037 – Nonspendable Fund Balance-Other NC Receivables.

**18. Revenues:**

- a. Are all revenues properly recorded using the modified accrual basis or accrual basis of accounting?
- b. Are revenues "from other state agencies" treated as transfers from those State agencies? Remember that a charge for services is not a transfer.
- c. Are revenues shown net of refunds? Refunds are recorded as a reduction of specific revenue accounts.
- d. Are revenues distributed to specific revenue or liability accounts by the end of the accounting period, thereby clearing Treasury accounts?
- e. In governmental funds, are only those revenues considered to be "measurable and available" reported as revenues of the current period.
- f. Are revenues equal to expenditures for reimbursable programs of federal funds? If not, has a receivable or deferred revenue been recorded to ensure revenues equal expenditures for federal funds?
- g. Do agency funds have only balance sheet accounts (no revenues and expenditures)?

19. Have you reviewed **GAAP offset accounts** to ensure the accuracy and completeness of accounting entries? A list of GAAP offset review questions is included in section C.4.b.

**20. Transfers:** (Refer to section C.4.d.)

- a. Have you confirmed with other agencies that total transfers reported for the year match at fiscal year end? For example, a transfer out from the sending agency must be matched with a transfer in by the recipient agency.
- b. Are transfers between agencies or between funds within the agency recorded in the same accounting period?
- c. For transfers of federal funds, have you confirmed with other agencies that the correct CFDA numbers were used?

**21. Debt Service:**

- a. Has all general funded debt service (D22 Appropriated Fund 8030) been reported in the general fund (D24 GAAP Fund 0001)?
- b. Do debt service funds include sufficient cumulative revenue or transfers-in to cover expenditures to date?

**22. Budgetary Entries:**

- a. Are all appropriations recorded in the current period?
- b. Are all appropriations recorded at the correct amount?
- c. Are all Emergency Board actions recorded?
- d. Are all funds (except suspense accounts) directed to an Appropriated Fund other than 9999 Default Oregon.

**23. Other Preclosing Activities**

- a. Clear general ledger account 0060, Undistributed Cash.

- b. Verify that deposits made during the fiscal year have been matched through the Manual Deposit Release Screen (12 screen). Use the Deposit Research Screen (13 screen) to query transactions with a release status of “N” (no) and make correcting entries as needed. Refer to SFMS Desk Manual – Trea1.pdf:  
[http://egov.oregon.gov/DAS/SCD/SFMS/docs/publications/desk\\_manual/trea1.pdf](http://egov.oregon.gov/DAS/SCD/SFMS/docs/publications/desk_manual/trea1.pdf)