

DEPARTMENT OF FINANCE & MANAGEMENT OPERATIONAL GUIDANCE			
Topic:	Prior Year Payables	#: Issue Date:	OG-04 August 2016
Related Policy:	N/A	Revision #: Rev. Date:	N/A N/A
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A. Purpose

To provide guidance for the proper accounting treatment of prior year payables

B. Background

The State’s Comprehensive Annual Financial Report (CAFR) reports all accounts payable on its balance sheet as of the end of the fiscal year, for FY16 it’s June 30, 2016. In order for us to identify these amounts, departments must identify all vouchers entered in FY17 that pertain to prior year payables (goods or services received or performed prior to July 1, 2016) by using a PY prefix in the invoice number on vouchers. The Department of Finance and Management’s review process to identify prior year payables (“PYs”) for CAFR year-end reporting requirements continues until the end of November.

C. Accounting Treatment

What is a Prior Year Payable?

A prior year payable pertains to goods or services received or performed prior to the end of the fiscal year, but for which you may not have entered the invoice in VISION or received the invoice until the new fiscal year.

How should Prior Year Payables be treated?

Departments must identify all vouchers entered in FY17 that pertain to prior year payables by using a PY prefix in the invoice number on vouchers. (Example: If invoice is 123ABC, then enter PY123ABC).

How should Invoices that span multiple fiscal years be treated?

The splitting of invoices that span fiscal years has been an area of repeat audit findings. Careful analysis of invoice detail is required to have the proper amounts allocated to the correct fiscal years. Business managers should work with the employees (project/program managers) that approved the invoices to ensure the invoices and invoice supporting materials are reviewed to determine the correct allocation of the liabilities. We have found that vouchers have been entered based on the date of the summary invoice. The summary invoice itself may not show the detailed information necessary to make the allocation to the correct fiscal year, but the invoice supporting detail did. This is why it is very important for invoice supporting materials to

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be reviewed in addition to the invoice to determine the correct allocation across fiscal years. These invoices that cover a period including the fiscal year just ended and the new fiscal year that are clearly itemized by date and amount will require the preparation of a separate voucher for each fiscal year's amount. The voucher covering the goods received or services performed for the period prior to July 1, 2016 must have a prefix of PY in the invoice field. The voucher covering the goods and services perform after June 30, 2016 should not have a prefix of PY in the invoice field.

What if there is no clear way to tell from the invoice or its back up information how an invoice that spans multiple fiscal years should be allocated to each fiscal year?

Sometimes you may get an invoice where it doesn't have specific charges listed by date in either the invoice or any support information for the invoice, which leaves no clear cut way to allocate the costs to the correct fiscal year. Finance's recommendation is these cases are to allocate the costs to each fiscal year based on days in each year. For example, you receive an invoice for an internet database subscription service that covers the period 06/16/2016 to 7/15/2016. This invoice covers a 30-day period, and 15 days are in FY16 (06/16 to 06/30), and 15 days are in FY17 (07/01 to 07/15), so the invoice would be allocated 50% to FY16 and 50% to FY17.

Whose responsibility is it to ensure all prior year payables are correctly identified?

Business managers are responsible for making sure all prior year payables are being entered correctly in VISION. However, business managers and those employees that enter the invoices into VISION will need to work with the employees (project/program managers) that approved the invoices to ensure the invoices and invoice supporting materials are reviewed to determine the correct allocation of the liabilities especially as they relate to invoices that span multiple years. Business managers should communicate these requirements to project/program managers that approved the invoices so they are aware of the need to allocate the costs to the correct fiscal year. Another option you may want to consider on your larger projects/programs, such as construction projects, is have the project/program managers reach out to the vendors to ask for an invoice cutoff date of 06/30/2016 to coincide with the State's fiscal year end.

What do we do if we identify a prior year payable that was put into VISION without at PY?

If you find vouchers that didn't have the PY prefix, but should have, please notify us by using the **Vouchers-PYmissing.xlsx** form available at: <http://finance.vermont.gov/forms/cafr> , and email it to Vision.Cafr@vermont.gov .

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Does the information related to prior year payable vouchers also relate to prior year payable TSF Journals?

Yes, it does. Departments must identify all TSF journals entered in FY17 that pertain to prior year payables by using a PY in the Journal Class field on the Header tab of TSF journals. Both business units must enter the PY in the Journal Class field. Invoices that cover a period including the fiscal year just ended and the new fiscal year that are clearly itemized by date and amount will require the preparation of a separate TSF journal entry for each fiscal year's amount. The TSF journal covering the goods received or services performed for the period prior to July 1, 2016 must have a PY in the journal class field.

Should a PY be used on AP Journal Vouchers and Adjustment Vouchers if they relate to a prior year?

Yes, it should. When entering an AP Journal Voucher or an AP Adjustment Voucher to correct or adjust an AP voucher that is related to a prior year payable, a PY prefix should be used in the invoice number for the AP Journal Voucher or AP Adjustment Voucher.

Do membership dues or subscription services require special consideration?

Yes, they do. Many member dues and subscription services are billed in advance, for example; you receive an invoice on July 2, 2016, and the invoice is dated June 28, 2016 for membership dues for the period beginning July 1, 2016. In this situation since the expense relates to services for the FY17 period this would not be a prior year payable.

Who should I contact if I have questions about prior year payables?

You can contact John Becker by phone at 802-828-0678 or email at john.becker@vermont.gov