

DEPARTMENT OF FINANCE & MANAGEMENT OPERATIONAL GUIDANCE			
<b>Topic:</b>	<b>Prior Year Payables</b>	<b>#:</b> <b>Issue Date:</b>	<b>OG-04</b> <b>August 2016</b>
<b>Related Policy:</b>	<b>N/A</b>	<b>Revision #:</b> <b>Rev. Date:</b>	<b>1</b> <b>February 2019</b>
<b>Applicable to:</b>	<b>All State Agencies, Departments, and Offices</b>	<b>Page:</b>	<b>1 of 3</b>

## 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, June 30th. In order for us to identify these amounts, departments must identify all vouchers entered in VISION that pertain to prior year payables (goods or services received or performed prior to July 1st) by using P value in the C/P indicator field on the voucher invoice information page.

## 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 each voucher invoice line entered in VISION that pertains to a prior fiscal year by using a P in the C/P indicator field located in the invoice line section of the voucher. (Example: If an invoice is for goods received in May and the voucher is being entered in July, then enter a P in the C/P indicator field. If an invoice is for goods received in September of the current fiscal year and the voucher is being entered in October, then enter a C in the C/P indicator field).

### How should Invoices that span multiple fiscal years be treated?

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 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 a separate voucher invoice line for each fiscal year's amount with the appropriate C/P indicator value on each invoice line. The invoice line covering the goods received or

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services performed for the period prior to July 1 must have a P in the C/P indicator field. The invoice line covering the goods and services perform after June 30 should have a prefix of C in the C/P indicator 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 to 7/15. This invoice covers a 30-day period, and 15 days are in prior fiscal year (06/16 to 06/30), and 15 days are in the current fiscal year (07/01 to 07/15), so the invoice would be allocated 50% to an invoice line with a P value in the C/P indicator field and 50% to an invoice line with a C value in the C/P indicator field.

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

Voucher Approvers are responsible for making sure all prior year payables are being entered correctly in VISION prior to approving the voucher. 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 contractors to ask for an invoice cutoff date of June 30th 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 P value indicator?**

If you find vouchers that didn't use the P value, but should have, **the business office will be responsible for processing a Journal Voucher to correct the error to reflect the proper indicator.**

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

Yes, it does. Departments must identify all journals entered that pertain to a prior fiscal year by using a PY in the Journal Class field on the Journal Header. Both business units must enter the PY in

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the Journal Class field for TSF and TSN journals. 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 journal entry for each fiscal year's amount. The journal covering the goods received or services performed for the period prior to July 1 must have a PY in the Journal Class field. The journal covering the goods received or services performed during the current fiscal year must have a CY in the Journal Class field.

The dates when the prior year payables were incurred should be clearly stated in the long description on the journal header tab.

**Should a P 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 P should be entered in the C/P indicator field on the invoice line 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, and the invoice is dated June 28 for membership dues for the period beginning July 1. In this situation since the expense relates to services for the new fiscal year period this would not be a prior year payable.

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

You can contact the VISION Helpdesk by phone at 802-828-6700 option 2, or email your question to [VISION.Cafr@vermont.gov](mailto:VISION.Cafr@vermont.gov).