



Management Directive

Commonwealth of Pennsylvania

Governor's Office

Management Directive 310.42 – Preparation and Management of Closing Activities

Date: May 13, 2022
By Direction of: *Greg Thall*
Greg Thall, Secretary of the Budget

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This directive establishes policy, responsibilities, and procedures for the preparation and management of Closing Activities.

1. PURPOSE.

To establish policy, responsibilities, and procedures for the preparation and management of Closing Activities.

2. SCOPE.

This directive applies to all departments, offices, boards, commissions, and councils under the Governor's jurisdiction and to those independent agencies that use SAP as their financial accounting system (hereinafter referred to as "agencies").

3. OBJECTIVES.

- a. Prepare for and manage the Commonwealth's Closing Activities to ensure financial reporting is in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).
- b. Prescribe the processes necessary to ensure Closing Activities are consistent, correct and done in coordination with the Commonwealth of Pennsylvania's Treasury Department (Treasury).
- c. Ensure documents have posted appropriately and reconciliations are completed.

4. DEFINITIONS.

Additional definitions specific to closing procedures are included in the BAFM Period Closing Procedures Manual.

- a. **Closing Activities.** Activities that result in the final balances of appropriations, revenues, expenditures, assets, liabilities, and fund balances needed to manage reporting and oversight requirements of Commonwealth funds.
- b. **Fiscal Year.** The full accounting year of the Commonwealth, July 1 through June 30.
- c. **Intermediate Document (IDOC) Errors.** System-generated accounting documents, typically from an interface, that cannot be posted due to a variety of issues including, but not limited to, missing or invalid account coding and insufficient budget amounts.
- d. **Posting Period.** An accounting period in terms of months throughout a Fiscal Year. In SAP, there are a total of 16 Posting Periods during a Fiscal Year:
 - (1) Posting Periods 1 through 12 represent the corresponding individual months spanning from July through June of the Fiscal Year.
 - (2) Posting Periods 13 through 16 represent special Posting Periods established in SAP to account for Fiscal Year-end closing adjustments, auditor adjustments, and other necessary activities.

5. POLICY.

- a. *Executive Order 1984-03, Accounting and Financial Reporting*, delegates the responsibility for the Commonwealth's accounting and financial reporting policies, procedures, and systems in conformance with generally acceptable accounting principles to the Secretary of the Budget and subject to *Section 701(d) of the Administrative Code of 1929, Act of April 9, 1929, P.L. 177, No. 175, as amended, 71 P.S. § 241(d)*.
- b. Agencies shall consistently, correctly, and collaboratively prepare for and manage Closing Activities in accordance with this directive and BAFM's Period Closing Procedures Manual.
- c. Closing Activities occur monthly, quarterly, and yearly and are coordinated in conjunction with the accounting system of Treasury for purposes of reconciliation and fiscal management.
- d. Posting Periods must be managed to allow for the proper recognition of revenues, expenditures, assets, liabilities, and fund balances. Agencies shall post activities in the proper Posting Period:
 - (1) Revenues are to be recognized in the Posting Period in which they are received (cash basis) or earned (accrual basis).
 - (2) Expenses are to be recognized in the Posting Period in which they are paid (cash basis) or incurred (accrual basis).

- e. Access to Posting Periods shall be restricted:
 - (1) All Posting Periods shall remain closed after the monthly closing process is complete and the period is closed.
 - (2) Accounting adjustments required after the Posting Period is closed shall be made in the open, current period.
 - (3) Posting Periods 13 through 16 will be open only for authorized accounting system users.
- f. Agencies needing to access restricted closed periods shall request authorization from BAFM and BAFM shall review and approve all Posting Period authorization requests and initiate any necessary openings of those Posting Periods.
- g. Agencies shall adhere to BAFM's Period Closing Procedures Manual, applicable management directives and any additional specific Closing Activity guidance issued by the Office of the Budget and the Office of Comptroller Operations, including, but not limited to, administrative circulars, and Comptroller Operations Bulletins.

6. RESPONSIBILITIES.

- a. **BAFM** shall:
 - (1) Plan, coordinate and communicate critical dates for a successful period close.
 - (2) Complete period close processes.
 - (3) Coordinate and communicate completion of certain activities to enable parties to perform subsequent tasks.
 - (4) Regularly monitor appropriation balances.
 - (5) Provide guidance for reconciliation processes and procedures.
- b. **Office of the Budget, Office of Comptroller Operations, Bureau of Quality Assurance (BQA)** shall monitor and resolve Intermediate Document (IDOC) Errors through communication of process failures to agencies.
- c. **Office of Administration, Information Technology, Integrated Enterprise System Office (IES)** shall:
 - (1) Coordinate and provide support for period closing processes, particularly schedules and testing.
 - (2) Generate files used by Treasury to complete period activities.
 - (3) Run computer programs used in the Closing Activities and update tables.
- d. **Agencies** shall:
 - (1) Ensure the timely and accurate processing of documents and accounting related transactions.

- (2) Follow requirements as outlined in BAFM's Period Closing Procedures Manual.
 - (3) Adhere to applicable management directives and any additional specific Closing Activity guidance issued by the Office of the Budget and the Office of Comptroller Operations, including, but not limited to, administrative circulars, and Comptroller Operations Bulletins.
 - (4) Perform account reconciliations.
- e. **Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations (BCPO)** shall reconcile payroll related accounts and manage Treasury warrant file variances.
 - f. **Office of the Budget, Office of Comptroller Operations, Bureau of Payable Services (BPS)** shall follow the requirements outlined in BAFM's Period Closing Procedures Manual with respect to commitments, expenses, and value date reflecting the proper accounting period.

7. PROCEDURES

Procedures are located in the [BAFM Period Closing Procedures Manual](#) and incorporated in this directive by reference.

This directive replaces in its entirety Management Directive 310.27 date December 14, 2005