



**ACCOUNTING PROCEDURES MANUAL
FOR THE USE OF STATE AGENCIES**

STATE OF MARYLAND

GENERAL ACCOUNTING DIVISION

RELATIONAL STANDARD ACCOUNTING AND REPORTING SYSTEM

Revised May 2020

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Note: All documents may be found on the Comptroller's General Accounting Division's website address: <https://www.marylandtaxes.gov/state-agency-accounting/accounting-procedures.php>. There are various manuals, training documents and forms which can be downloaded as needed.

1. Introduction

The Relational Standard Accounting and Reporting System (R*STARS) is the State's primary accounting system. This system has been developed to satisfy the legal requirements of the State Comptroller for the management and control of State appropriations and the disbursement and receipt of State funds. It is also the primary accounting system for most State agencies.

1.1 Authority

These instructions have been prepared in accordance with the powers and authority given to the Comptroller of the Treasury under Article VI of the *Constitution of Maryland* which creates the Treasury Department of the State of Maryland consisting of the Comptroller, chosen by the qualified voters of the State, and the Treasurer, appointed by the two Houses of the Legislature. Section 2 of Article VI provides as follows:

“The Comptroller shall have the general superintendence of the fiscal affairs of the State; he shall digest and prepare plans for the improvement and management of the revenue, and for the support of the public credit; prepare and report estimates of the revenue and expenditures of the State; superintend and enforce the prompt collection of all taxes and revenues; adjust and settle, on terms prescribed by law, with delinquent collectors and receivers of taxes and State revenue; preserve all public accounts; and decide on the forms of keeping and stating accounts. He, or such of his deputies as may be authorized to do so by the Legislature, shall grant, under regulations prescribed by law, all warrants for money to be paid out of the Treasury, in pursuance of appropriations by Law, and countersign all checks drawn by the Treasurer upon any bank or banks in which the moneys of the State, may, from time to time, be deposited. He shall prescribe the formalities of the transfer of stock, or other evidence of the State debt, and countersign the same, without which such evidence shall not be valid; he shall make to the General Assembly full reports of all his proceedings, and of the state of the Treasury Department within ten days after the commencement of each session; and perform such other duties as shall be prescribed by law.”

To accomplish these objectives, the General Accounting Division has been established as a unit of organization in the Office of the Comptroller of Maryland.

1.2 Scope

This manual documents most statewide accounting procedures to be adopted by State agencies. Generally, if subjects have been adequately covered in other State policy or procedures manuals, they are not repeated in this manual. The *R*STARS Quick Reference Guide, System Management Guide, Data Entry Guide, and Report Guide* are necessary reference materials for the use of R*STARS. These materials are available on DoIT's website: <http://doit.net.md.gov/servdesk/Pages/home.aspx>. Click on 'ASM Documentation', then 'R*STARS Manuals' or 'R*STARS/ADPICS Manuals' to access FMIS user documentation.

1.3 Revision And Maintenance

The Director, General Accounting Division, is responsible for coordinating, approving and distributing all revisions to this manual. Any requests for changes should be directed to that office.

1.4 Agency Responsibilities

The State Comptroller by Statute "shall have the general superintendence of the fiscal affairs of the State." State agencies are required to comply with the Comptroller's directives as promulgated in this manual and as directed by correspondence from the General Accounting Division. In general, agency responsibilities are as follows:

- To enter financial data in R*STARS which is timely, accurate, and in compliance with instructions contained in this manual;
- To manage agency data in R*STARS which will assist the General Accounting Division in the efficient utilization of State resources by eliminating unnecessary transactions, records and reports;
- To maintain a system of good internal controls which will safeguard the State's assets; and
- To maintain accurate and up-to-date communications with the General Accounting Division.

Agency fiscal personnel will be held accountable for the accuracy and content of their financial information in R*STARS. Various reports have been provided. Regardless of where or by whom a mistake was made, State agency personnel are responsible. Agency fiscal personnel should also be familiar with the General Accounting Division's Annual Processing Schedule (Exhibit 1.1) to insure that the appropriate correspondence is received and action taken by their agency. Failure to receive the appropriate correspondence from the General Accounting Division will not

diminish an agency's responsibility for complying with these annual procedures.

Agency personnel should make sure a completed, up-to-date GADX-18 Form, Report of Agency Accounting Responsibility (See Section 6, Forms), is on file with the GAD.

Agency personnel must insure that all transactions recorded in R*STARS against their records are correct and authorized by the agency. Agency personnel are responsible for the timely reconciliation of all information in R*STARS.

In summary, since R*STARS contains the official accounting records of the State Comptroller which are used by the public, bondholders, Legislature, and various levels of State management personnel, agency fiscal personnel must ensure the accuracy of their data recorded in R*STARS.

Exhibit 1.1

Comptroller of the Treasury – General Accounting Division Annual Processing Schedule

Event; Time Period; Agency Responsibility

1. Fiscal Year End Closing (Statutory), Last Payroll, Contracts/Encumb. Revenues Expenditures; June – July; Refer to separately issued yearly instructions for specific dates and requirements.
2. Fiscal Year End Closing (GAAP), GAAP Closing Schedules, Single (Federal) and other audits; July – August; Refer to separately issued instructions yearly for specific dates and requirements.
3. 1099 Questionnaire; July – August, Complete as instructed and return.
4. Fees and User Charges, July – September; Complete as instructed and return. (Biennial)
5. Bank Account Reconciliations; Dec. – January; Complete as instructed and return.
6. Issuance of 1099 Forms; January; Communicate any required additions by January 15 and corrections by April 1 or as needed.

2. R*STARS

The Relational Standard Accounting and Reporting System (R*STARS) is the State's primary accounting system, which is designed to satisfy the requirements that are the responsibility of the State agencies. R*STARS is an integrated accounting information system designed to provide State agencies with a full range of accounting and reporting capabilities. The major functional accounting capabilities of the system are:

- Budgeting
- Fixed Asset Accounting
- Cost Allocation
- Document Tracking
- General Ledger Accounting
- Revenue and Expenditure Accounting
- Project and Grant Accounting

The integration of the major functional accounting capabilities reduces the amount of manual work required to enter data, generate reports and perform reconciliations. Information is recorded in a single comprehensive system to be used for planning, monitoring and evaluating programs and projects.

- The operation of R*Stars is driven and controlled by various system profiles. This provides flexibility in tailoring the use of the system to meet the unique needs of the various agencies. Maintenance of the profiles by fiscal personnel controls the accounting input, edits and updating of transactions.

Details describing the use of the FMIS functional accounting capabilities and system profiles for various transactions are enumerated in the R*STARS "Data Entry Guide". All R*STARS manuals are available at DoIT's website.

R*STARS has been designed to accumulate a large amount of financial data. The means by which this information is accumulated is through the formal classification structure. If financial reports are to be accurate, care must be taken to ensure that the correct classification elements are entered on the R*STARS document. The purpose of this chapter is to give an overall description of the minimum data entry requirements to be provided by State agencies.

State agencies are encouraged to use all of the accounting capabilities of R*STARS to eliminate duplicate manual and automated systems and processes currently required to satisfy department and/or agency accounting and reporting needs.

State agencies are required to enter receipt, disbursement, and adjustment data at the minimum level and frequency for the Comptroller to satisfy constitutional and statutory

requirements. Generally, receipts and disbursements are recorded daily at the detail transaction levels necessary to perform appropriation and cash accounting, comply with the prompt pay act of the State, enable the State Comptroller to review payments and accounting transactions, and to satisfy the Comptroller's detail data requirements for 1099 reporting, tax offset, and backup withholding. Additionally, State agencies are required to submit accruals required as part of the State's fiscal year end closing process and to provide GAAP closing information.

2.1 Classification Structure

2.1.0 Required Data Elements

2.1.1 Agency

A three character alpha/numeric code is used to define a Financial Agency, a Batch Agency and a Document Agency. Each type of agency is defined below.

FINANCIAL AGENCY

The Financial Agency is the primary control point for each Department or Independent Agency in the State's organization structure. In R*STARS, this is the highest level for maintaining and reporting information. More detailed accounting information is disseminated below each Financial Agency. All data entered in the system requires a Financial Agency code. **Appendix A** provides a listing of the Financial Agencies.

BATCH AGENCY

The Batch Agency code is used to define security and may be used to define data entry or reporting units within the Financial Agency. All financial information is recorded to a Financial Agency code. However, document information and certain reports are available by Batch Agency. **Appendix H** provides a listing of the Batch Agencies.

The Financial and Batch Agency codes are contained in the D02 Agency profile. Agencies may request access to view the profile for all agencies through a request for User Class 85. This profile is referenced to generate the remittance advice information reported on checks.

DOCUMENT AGENCY

The Document Agency code is used as one of the data elements in defining a document. The Financial Agency, Batch Agency, and Document Agency codes may be the same code or may be different codes. All agency codes used must exist in the D02 Agency profile.

2.1.2 Appropriation Year

The Appropriation Year is a two digit code used to segregate balances applicable to specific fiscal years. The fiscal year of the State begins on July 1 and ends on June 30 of the following year. This code normally applies to the expenditures or cancellations of prior year encumbrances or appropriations carried forward to meet prior year obligations. However, this code is also used by agencies to classify other transactions such as revenues or transfers.

2.1.3 Appropriation Number

An Appropriation Number represents the level in an agency at which specific appropriations are awarded or spending authority is provided through the Budget Bills. This is the legal level at which funds are controlled. The specific appropriation number to be affected by an accounting transaction is identified through the coding of an Index or a Program Cost Account (PCA). The first three characters of the appropriation number represent the unit level of a Financial Agency and the last two digits represent the budgeted program of that unit. Appropriation numbers that have been reserved by the General Accounting Division for use with Special, Federal, Non-Budgeted, and General Funds are provided in Exhibit 2.1. Approval must first be secured from the General Accounting Division prior to the establishment of any of these Special, Federal, or Non-Budgeted Fund Accounts. A listing of appropriation numbers by financial agency is contained in **Appendix B**.

Exhibit 2.1

General Accounting Division Assigned Appropriation Numbers

<u>Title</u>	<u>Special Or Federal Fund</u>	<u>Non- Budgeted Fund</u>	<u>General Fund</u>
Ordinary Clearing Account--- applicable to all State Agencies		XXX25 ---	
Specific Clearing Accounts (upon request)reserved for some Agencies---		XXX26 to XXX29---	
Unallocated Receipts	XXX34-----		
Undistributed Receipts	XXX37-----		
Undistributed Disbursements	XXX38-----		
Specific Cash Accounts Reserved for Non-Budgeted Funds		---XXX41 to XXX98---	
Corporate Purchasing Card		-----XXX50	
Charge Back Clearing Account		---XXX99 ---	
General Fund Revenue			-XXX00

NOTE: XXX shown in the above codes represents the unit codes of the various Financial Agencies.

2.1.4 Fund

A fund is an independent fiscal and accounting entity, which is segregated for the purpose of accomplishing specific activities, or attaining certain objectives in accordance with special regulations, laws, restrictions, or limitations. R*STARS has four levels of fund data available per transaction. The four levels are:

STATE FUND GROUP

This level allows for the grouping of lower level fund codes, across financial agencies and appropriated funds. It is a four digit code that is automatically recorded when a “Fund” code is entered on a transaction based upon data in the D23 Fund Profile. A list of the valid codes may be found in the D39 State Fund Group Profile.

GAAP FUND

This level allows for reporting of fund data on a GAAP basis. This four digit code is not maintained in the R*STARS database. It is looked up from the 20 Profile based upon the “GAAP Fund” code at the time of reporting. A list of the valid codes may be found in the D24 GAAP Fund Profile.

APPROPRIATED FUND

This level allows for reporting of fund data at the level for which appropriations have been provided. It is a four digit code that is automatically recorded when a “Fund” code is entered on a transaction based upon data in the D23 Fund profile. A list of valid Appropriated Fund codes is contained in the D22 Appropriated Fund Profile and Exhibit 2.2.

FUND

This level is the lowest level of the fund codes and is the code that is entered on all transactions. This level of fund is a four digit code and should be used to separately account for legally mandated funds. All codes at this level are maintained in the control key of the D23 Fund Profile. Notify GAD of funds to be created based on new legislation.

Exhibit 2.2

Appropriated Fund Code Listing

General Fund	0001
State Reserve Fund	0002
Special Fund	0003
Debt Service – General Obligation Bonds (Annuity Bond Fund)	0004
Federal Fund	0005
Capital Projects Fund (Loan Fund, etc.)	0006
Reimbursable Fund	0009
General Fixed Assets Group of Accounts	0020
Higher Education Funds:	
Current – Unrestricted	0040
Reserved for Future Use	0041 & 42
Current – Restricted	0043
Reserved for Future Use	0044 & 45
Loan Funds	0046
Endowment and Similar Funds	0047
Plant Funds	0048
Agency Funds	0049
Non-Budgeted Funds:	
Non-Budgeted Fund	0007 & 0070
Debt Service – Transportation Bonds	0072
Enterprise Fund	0073
Pension Trust Fund	0075
Expendable Trust Fund	0078

2.1.5 Object

An object is a data element used to classify financial transactions according to types of Revenues and Expenditures. Revenue objects are used to describe the basic origin of revenues. Expenditure objects are used to classify financial transactions according to the type or nature of services, articles, or other items involved such as personal services, supplies and materials or equipment. In order to be classified as an object of expenditure the unit cost of the goods or services should be measurable and the goods or services cost(s) must be a determining factor in arriving at the final organizational, product or process cost.

The purpose of object codes is to account for what was earned or purchased, but not why revenues were earned or costs were incurred. R*STARS has four levels of object data available per transaction. The four levels are:

MAJOR OBJECT

The major object is a four-digit data element representing the highest level of the revenue/expenditure classification. A list of valid major object codes may be found in the D01 Object Profile and Exhibit 2.3.

The major object is generated when revenues or expenditures are recorded at the Comptroller Object or Agency Object levels.

COMPTROLLER SOURCE/GROUP

This level allows for the grouping of Comptroller Object codes. It is a four digit code that is automatically recorded when a Comptroller Object or Agency Object is entered. A list of the valid codes is maintained by Appropriation Year and may be found in the D09 Comptroller Source/Group Profile. See also Section 3.17.3 GAAP Reports concerning the rollup of revenue sources.

COMPTROLLER OBJECT

This level is where appropriations are provided and expenditures and revenues may be recorded. It also defines those types of disbursements that are federal 1099 reportable. Agencies may choose to record revenue and expenditure transactions at this level or the Agency Object level, which “rolls up” to the comptroller object level. It is a four-digit code. A list of the valid comptroller object codes are maintained in the control keys by Appropriation Year in the D10 Comptroller Object Profile and in **Appendixes E & F**, which provide a listing of the Comptroller Objects and 1099 indicator by Comptroller Group (**Appendix E**) and Comptroller Object (**Appendix F**).

AGENCY OBJECT

The Agency Object is a four digit code that agencies can use to provide lower levels of object coding or to substitute their own unique codes for the Comptroller Object Codes. Agencies choosing this level of coding must use this level on all transactions and can not use the Comptroller Object level. A list of the valid codes is maintained in the control keys by Financial Agency and Appropriation Year in the D11 Agency Object Profile.

Exhibit 2.3

Major Object Profile

<u>OBJECT</u>	<u>E/R</u>	<u>TITLE</u>
0001	E	Personnel Costs
0002	E	Operating Costs
0003	E	Equipment Costs
0004	E	Grants
0005	E	Fixed Charges
0006	E	Land and Structures
0007	E	Other
0009	E	Cost Allocation
0099	E	Statistical
0100	R	Taxes
0200	R	Licenses & Permits
0300	R	Fees for Service
0400	R	Fines and Cost
0500	R	Sales to the Public
0600	R	Commissions and Royalties
0700	R	Rentals
0800	R	Interest on Investments and Loans
0900	R	Miscellaneous
1000	R	Colleges and Universities
1100	R	Reimbursements and Grants from Fed Gov.
1200	R	Reimbursements Other than Fed and St. Gov.
1300	R	Provisions for Refunds
1400	R	Bond Issues
1500	R	State Bond Loan Repayments
1600	R	Reimbursements from State Agencies
1700	R	Trust Funds
1800	R	Revolving Accounts
1900	R	Reduction of Expenditures
2000	R	Advance Collections
2100	R	Transfers In
2200	R	Transfers Out
9900	R	Statistical

2.1.6 Index

The Index is a five character alpha and/or numeric code assigned by the agencies to identify their organization structure affected by a transaction. Each organizational unit and level of an agency is defined by an agency in the D03 Organization Code Profile. Up to nine levels of organization are available. Index codes are assigned to each of the lowest level organizations in the 24 Index Code Profile.

In addition to organization data, other data elements may be stored in the 24 Index Code Profile for processing when an Index code is entered. Those data elements are Appropriation Number, Fund, Grant No./Phase, Project No./Phase, Program Cost Account (PCA), Multipurpose Code, and three levels of internally assigned codes by the agency.

Index Codes are required for all Operating Statement transactions. The Index Code must be input on a transaction separately from a PCA Code, or the PCA Code must be stored in the Index Code, or the Index Code must be stored in the PCA Code.

2.1.7 Program Cost Account (PCA)

The PCA is a five character alpha and/or numeric code assigned by the agencies to identify their accounting structure and initiatives affected by a transaction. Each program code and level of an agency is defined by an agency in the D04 Program Code Profile. Up to nine levels of program are available. A distinct program code must be set up to equal each appropriation number and input on the 20 profile, the Appropriation Profile. Also, the program level noted on the 20 profile must be the same as completed on the D04 table for that program. PCA codes are assigned to each of the lowest level programs in the 26 Program Cost Account Profile.

In addition to program data, other data elements may be stored in the 26 Program Cost Account Profile for processing when a PCA code is entered. Those data elements are PCA types, PCA Group, Function, Nacubo Fund, Nacubo Subfund, Appropriation Number, Fund, Index, Grant No./Phase, Project No./Phase, Recurring Transaction Index, Multipurpose Code, and three levels of internally assigned codes by the agency.

PCA Codes are required for all Operating Statement transactions. The PCA Code must be input on a transaction separately from an Index Code, or the Index Code must be stored in the PCA Code, or the PCA Code must be stored in the Index Code.

2.1.8 Reference Document Number

This code is required when an Accounts Receivable, Pre-Encumbrance, Encumbrance or other documents in the document file need to be liquidated. The document number used to create a document in the Document File would be entered in the Reference Document Number field when entering liquidation or collection/payment transactions.

2.1.9 General Ledger Account Codes (Comptroller General Ledger Account Code)

A four digit General Ledger Account Code is used to identify each account maintained in the general ledger. Postings to the general ledger accounts are generated from the

Transaction Code. A list of the valid general ledger account codes may be found in the D31 Comptroller General Ledger Account Profile.

2.1.10 Agency General Ledger Account Code

Many of the general ledger account codes can have subsidiary records maintained in the Agency General Ledger Account on a Statewide or agency basis. Agency based records can be entered in the D32 Agency General Ledger Account Profile. The code is alpha and/or numeric and can be from one to eight characters.

2.1.11 Transaction Code

Transaction Codes may be found in the 28A Transaction Code Decision Profile and the 28B Transaction Code Description Profile. The 28A Profile provides the debit and credit postings of the general ledger accounts affected, the data elements edit criteria, any generated transaction codes, and the file postings indicators for the various files. The 28B Profile provides a description of the transaction code, any GL Accounts and Comptroller Objects to be included or excluded with the transaction code, the valid document types, and the valid batch types allowed with the transaction code.

The transaction codes available for data entry vary among different users. The D66 User Class Profile defines what transaction codes are available based upon the User Class being used during data entry. User classes are assigned to personnel based upon security requirements of each agency.

2.1.12 Reverse Code

The Reverse Code is a one digit code that is coded with an “R” when you want a transaction code to reverse its normal debit/credit functions. The reverse code is used primarily to record adjustments. The effect of entering a reverse code is to reverse a previously entered transaction.

2.1.13 Modifier Code

The Modifier Code is a one digit code used primarily on disbursement transactions to identify the effect of the transaction on a previously entered encumbrance. The Modifier Code will be used only by those agencies who currently utilize the encumbrance accounting capabilities of R*STARS. The modifier code must be one of the following:

- Blank - Partial Payment
- F - Final Payment
- A - Activate

2.2 Optional Codes

2.2.1 Program Cost Account (PCA) Type

PCA Codes can be classified as either Direct (D) or Indirect (I) costs. These codes are used for performing cost allocations. PCA type is found on the 26 Program Cost Account Profile.

2.2.2 PCA Group

A five character alpha/numeric code may be used to group several PCA's for the same Financial Agency together for reporting purposes. The PCA Group code must exist in the D19 PCA Group Profile. PCA Group is found on the 26 Program Cost Account Profile.

2.2.3 Function

A four digit function code may be used to further classify data in the Agency Budget Financial Table. Up to nine levels of function may be entered by Financial Agency and AY in the D52 Function Code Profile. The level of function selected may be stored in the 24 Index Profile or the 26 Program Cost Account Profile.

2.2.4 Grant Number/Phase

Grant cost accumulation and billing processes are controlled by the 29 Grant Control Profile. A Financial Agency may enter their six digit Grant Numbers and two digit Grant Phase codes on the 29 Grant Control Profile. The Grant No./Phase codes may be stored in the 24 Index Profile or the 26 Program Cost Account Profile. Additionally, the 92 Grant/Project Billing Request Profile may be used to request billings for Grants, which are not scheduled for automatic billing at month end.

2.2.5 Project Number/Phase

Project cost accumulation and billing processes are controlled by the 27 Project Control Profile. A Financial Agency may enter their six digit Project Numbers and two digit Project Phase codes on the 27 Project Control Profile. The Project No./Phase codes may be stored in the 24 Index Profile or the 26 Program Cost Account Profile. Additionally, the 92 Grant/Project Billing Request Profile may be used to request billings for projects, which are not scheduled for automatic billing at month end.

2.2.6 Recurring Transaction Index

Recurring transactions may be established by the Financial Agency in the 550 Recurring Transaction Profile. The Recurring Transaction Index code in the Profile may be stored in the 26 Program Cost Account Profile. The 93 Recurring Transaction Request Profile is used to control when recurring transactions will be generated.

2.2.7 Multipurpose Code

The Multipurpose Code is an alpha/numeric code up to ten characters that can be assigned by the Financial Agency in the 24 Index Profile or the 26 Program Cost Account

Profile. The purpose of this code is at the discretion of the Financial Agency.

2.2.8 Agency Codes 1, 2, And 3

Three additional data elements are available for use at the discretion of the Financial Agency. The Agency Code 1, Agency Code 2, and Agency Code 3 codes are established by the Financial Agency in the D26, D27, and D36 Profiles respectively. The codes for Agency Code 1 and Agency Code 2 are numeric and may be up to four digits each. The codes for Agency Code 3 are alpha/numeric and may be up to six characters. Agency Code 1, Agency Code 2, and/or Agency Code 3 values may be stored in the 24 Index Profile or the 26 Program Cost Account Profile.

2.3 General Data Elements

Transactions can be entered in R*STARS by on-line data entry or by a computer interface. There are minimum data element requirements for all transactions. These data element requirements are Batch Agency, Batch Type, Batch Date, Batch Number, Batch Edit Mode, Document Type, Document Date, Document Number, Effective Date and Action Code. Multiple documents may be entered in a batch. Each of these data elements is described below.

2.3.1 Batch Header Data Elements

Each transaction must first have a batch header. Multiple transactions may be entered per batch as long as the batch header elements remain the same for all the transactions.

2.3.2 Batch Agency

The batch agency may be entered on the 500 Batch Header Entry screen. If left blank, the User's Security Agency associated with the User ID in the 96A Security Profile will be defaulted as the Batch Agency Code. A batch agency is established to help further define security requirements within an organization and to control batch and document information. A financial agency defines an organization where financial information is maintained. The same code may be used for batch agency and financial agency. All batch agency and financial agency codes must exist in the D02 Agency Profile.

2.3.3 Batch Type

The batch type(s) for each transaction code is shown on the 28B Transaction Code Description profile and is entered on the 500 Batch Header Entry screen. The batch type identifies the type of transactions being batched and identifies an interface or prompts the user to a customized data entry screen for entering those particular types of transactions. See Exhibit 2.4

Exhibit 2.4

Batch Types

1 = Budgetary Transactions
2 = Revenue/Receipt Transactions
3 = Pre-encumbrances/Encumbrances
4 = Expenditures/Disbursements
5 = Journal Voucher
A = ADPICS Generated
C = Cost Allocation
F = Fixed Assets
G = Transfers (Companion Entry)
I = Accrual Reversals
L = Liability Offset
M = Out of System Payments
P = Payroll
Q = Payroll
T = Payroll
W = Payment Liquidation
Y = Year End Close
Z = Undelivered checks sent to undelivered check fund

2.3.4 Batch Date

The batch date identifies the date of the batch and may be entered on the 500 Batch Header Entry screen. If the batch date is not entered the current date will default as the batch date.

2.3.5 Batch Number

The batch number is a 3 character code assigned to each batch created. The batch number is entered on the 500 Batch Header Entry screen. A batch number can be used only once for each batch type and batch date combination.

2.3.6 Batch Edit Mode

A batch edit mode indicator will default on the 500 Batch Header Entry screen based on the operator's security record. A batch edit mode indicator defines how the transactions in a batch are edited and posted. The values for batch edit modes are:

- 0 – edit and post during the nightly batch cycle
- 1 – edit on-line and post during the nightly batch cycle
- 2 – edit and post on-line

A default value of “1” on the 500 Batch Header Entry screen may be changed to a “0” and a default value of “2” may be changed to a “0” or a “1”.

Other Batch Header Data Elements include batch count, batch amount, payment distribution type, disbursement method indicator, effective date, fast entry, action code agency, and action code which are optional and may be entered. For batch count and batch amount, the operator may enter values when those values must be absolute for that batch. Otherwise, the system will compute these values. All other optional data elements may have values entered, which will default those values for all transactions in a batch. These default values may be overridden on individual transactions within the batch.

2.4 Document Data Elements

Once the batch header is entered, the appropriate screen to enter the document information will appear. The screen that appears is based on the Batch Type used in the batch header.

2.4.1 Document Type

The document type(s) for each transaction code is shown on the 28B Transaction Code Description profile and must be entered as the first 2 characters of the document number on the appropriate data entry screen. The 33 Document Control profile identifies each document type, whether the document must be balanced (individual amounts on the document total must agree to the document amount entered) or tracked (documents can be accessed for date and time history) and the available action codes required to final post a document.

2.4.2 Document Date

The document date is entered on the transaction data entry screen. Normally, the date should be the current date, but a different date may be specified.

2.4.3 Document Number

The document number is an eight character code used to identify each document created in the system. The first 2 characters of a document number represent the document type. Valid document types for each transaction code are identified in the 28B Transaction Code Description profile. A portion or all of the remaining six spaces in the document

number may be used for identification and sequential numbering of each document created. Suffix numbers may also be used to identify individual transactions within a document. Interface agencies must assign different document numbers for each vendor when transmitting payments.

2.4.4 Effective Date

The transaction effective date identifies the fiscal month and fiscal year in which the accounting events post. Effective dates may be entered on transaction data entry screens or may be defaulted by entering a value for effective date on the 500 Batch Header Entry screen. Entering a different value on a transaction data entry screen will override a defaulted effective date.

An effective date that begins with 07 (July) will post to fiscal month 01; an effective date that begins with 08 (August) will post to fiscal month 02; etc. An effective date that begins with 0631 represents an end of the fiscal year transaction and will post to fiscal month 13.

2.4.5 Action Codes

Action codes are used to final post a document in R*STARS. Action codes are three character codes, which are defined as either Statewide (all numeric) or Agency (alphanumeric). Action codes are normally appended by supervisors and managers who have user class codes that permit them to append action codes to documents entered by their subordinates. Valid action codes for each document type are defined on the 33 Document Control profile. Action codes selected for use by Agencies are listed on the D44 Action Code profile.

Explanations of the valid action codes for payment processing are included in Section 3.1.2, R*Stars Transmittal Process.

2.5 Document Research / Drill Down

The R*Stars Drill Down inquiry feature enables a user to find the documents that comprise the balances found on the following screens:

- Agency Budget Financial Inquiry (S061)
- Appropriation Financial Inquiry (S062)
- Cash Control Financial Inquiry (S063)
- Grant Financial Inquiry (S066)
- Agency /Fund Financial Inquiry (S069)
- Project Financial Inquiry (S080)

The Drill down functionality allows the user to select a balance type from the screens listed above, and by pressing f2, view the documents (11 screen) supporting that balance type, select a document to view the transactions (60 screen) supporting the document, and select a transaction to view the information on the 84 Accounting Event Record. For detailed instructions consult the *R*Stars Data Entry Guide*.

3 General Accounting Procedures

3.1 Cash Disbursements

Cash disbursements in R*STARS are made either through the direct voucher process in R*STARS or through the use of the “Advance Purchasing Inventory Control System” (ADPICS). Payment requests are entered into R*STARS, and a transmittal is created to be sent to GAD. When establishing and reviewing disbursement procedures, agencies should be aware of the internal control requirements for processing payments and assigning user classes.

Unless an agency is exempted by the Department of Budget and Management from the requirement to use ADPICS, all payments concerning procurement should be processed through ADPICS. If an agency has been allowed to interface payment transactions to R*Stars, each vendor's payment must be assigned a unique document number and batch number. For agencies that use ADPICS, only a few specific payments may be processed through the direct voucher procedure. Because of the lack of documentation in ADPICS associated with the use of direct voucher payments, (i.e., no requisition, purchase order, contract additional elements trail), payment of these obligations will not be captured in procurement activity reports.

3.1.1 ADPICS

The “Advance Purchasing Inventory Control System” (ADPICS) is established under FMIS to handle the Statewide Procurement of goods and services by State agencies. ADPICS is used to record the processing of procurement actions related to competitive sealed bidding, sole source procurements, small procurements and contracts. Detailed instructions relating to the recording and processing of procurement transactions in FMIS (i.e., the use of various input screens) are enumerated in the *FMIS Accounting and Purchasing Model Operating Procedures*. (Note: Agencies may not enter any punctuation in the invoice description field. Punctuation such as a colon (‘:’), quotation mark (‘,’) and backslash (‘\’) will cause a problem with EFT payments. Agencies will get an error message when using these symbols and will be advised from the 90 screen that they cannot use them.)

The FMIS Security Office administers internal control over ADPICS. The security of the ADPICS application is controlled with 18 separate user profiles. These security profiles

define user types, approval paths and capabilities and restrictions of the system. A State agency can select the security and access the profiles that meet the unique needs of the agency and the selected users within the agency. Details of the ADPICS internal control and security are enumerated in the *FMIS Internal Control and Security Policy and Procedures Manual*. The manual highlights important factors relative to the implementation of internal control and security of ADPICS.

3.1.2 R*STARS Transmittal Process

Agencies generally create transmittals in R*STARS through the following procedures. Once invoices have been approved for payment, i.e., released from ADPICS, or processed by interface into R*STARS, action codes 100, 123 are appended to the document. After the nightly batch cycle, agencies should review the DAFR2151, R*Stars Error Report, and correct any errors, “saving” the batch after the corrections. Transactions are then approved through the 89 user class approval, i.e., append action code 123, as needed. Transactions with errors that are found and corrected after the 123 are added, must have action code 123 appended a second time to be released. The documents are then reviewed and released through the 32 Screen, Document Transmittal Maintenance, and receive Action Code 456. This action will create the transmittal report, the DAFR211R or DAFM03R, and the Archive Reference Number (ARN) is assigned to the transactions.

Agencies should reconcile the transactions released from ADPICS or from an interface file to the transactions input to R*Stars. This may be accomplished by reconciling totals; i.e., a calculator tape should be run of the invoices released from ADPICS (or the net total from the interface file) to reconcile the transmittal total on the DAFR211R or DAFR03R. A calculator tape of the invoice amounts is required to be submitted with the transmittal documents. The invoice names, addresses and amounts should also be matched with the detail on the transmittals (or on the 32 Screen). Agencies should carefully review the Internal Controls Section, **5.11, User Class Guidelines**, to ensure that internal control requirements for disbursements are being followed.

The transmittals are then assembled and sent to General Accounting Division’s Pre-Audit Section. For more detailed instructions on how to record expenditures in ADPICS and R*STARS, refer to the *ADPICS Terminal Users Guide* and the *FMIS Accounting and Purchasing Model Operating Procedures*. Agencies that do not use ADPICS, but create an interface of payment transactions to R*STARS, must create a separate “batch” number for each invoice or, at a minimum, for each vendor.

When the transmittal package is received in GAD’s Pre-Audit, the transmittal is accepted in with Action Code 700. If the transmittal package is not complete or on-line information does not match, Action Code 701 (hold transmittal archive) or action Code 702 (reject transmittal archive) may be appended. Only after an action code 700 is

applied can Action Code 708 be appended by the system in the overnight cycle, which is the action code that puts the transmittal's transactions on the Pre-Audit file.

A listing of the payment action codes is also contained in Section 3.1.26, Procedures for Payment Research.

During the General Accounting Division's audit, pre-audit may reject an entire transmittal or a single document with Action Codes 726, 727 or 728. These are permanent rejections that delete transactions from the ARN, and the invoices are returned to the agency (unless they were duplicate payments). If the transmittal is submitted on CD-ROM and the agency retained the original invoices, Pre-Audit will notify the agency (See 3.1.3 Preparation/Reconciliation of Transmittal/Cover Sheet). Action Code 728 is used when the agency requests the transaction be rejected. The agency must research the problem and take corrective actions to delete or resubmit these documents with a new transmittal. Agencies must correct and re-transmit or delete documents that are "rejected" by GAD, or the document will remain on hold and not be processed, i.e., will remain on the IT file and never go to history.

Pre-Audit will use Action Codes 710, 711 or 712 for holding a document in Pre-Audit until certain requirements are met by the agency.

Pre-Audit will use Action Codes 720 to "reject pending." These action codes do not delete the transactions from the ARN, so that agencies may make corrections. The agency must correct the transaction and re-release it to GAD the same day.

Instructions for making corrections on a "reject pending" are as follows:

GAD's pre-audit section will append action code 720. This code will release the transaction to the agency for correction. Pre-audit will call the agency to alert them.

Agency will go to Screen 37 (document tracking);
key in agency code, document number and fiscal year;
press enter. The last action code will be a reject pending code.
Press "F6 details" (this links to the 520 screen to view a batch).
Tab down to the document number needed for correction and key "S", press F11
(to correct a batch). This "links" to the 510 screen (Recall a batch for correction).
Press F4 "correct", this will link you to the 505 screen. Make your correction and
press F10 "save".
Press F6 to balance and F6 to release.

The pre-audit section will append a 730 action code (Recover pending Reject).

Action Code 388 is appended to a transaction or a document that is to be deleted.

Action Code 588 is appended to a transaction or a document that has been changed.

After Pre-Audit functions are completed, transmittals are approved for payment in R*STARS with Action Code 750.

Action Code 600 is appended when the transaction is liquidated, i.e., becomes cash expenditure and the payment will be on the next day's warrant.

3.1.3 Preparation / Reconciliation of Transmittal/ Cover Sheet

Transmittal Cover Sheet:

The DAFR211R or the DAFM03R (cover sheet and transactions) must have an original signature by authorized personnel. A signature card, GAD X10, must be on file in General Accounting's Pre-Audit Section. The cover sheet should also have the following information:

Contact Name
Telephone Number
Submission Date

The signature for approval by an authorized representative of the agency may be in electronic format when the transmittal is electronic.

The transmittal is then packaged with the original invoices and/or supporting documentation which must be in the same sequence as the documents on the transmittal report. A calculator tape of the invoice amounts is required to be submitted with the transmittal documents.

Agencies should periodically monitor the IT file (See 3.11 Monthly Maintenance) to verify that all payments have gone to history.

If the transmittal is submitted on CD-ROM, the transmittal cover sheet, original invoices and/or supporting documentation, and calculator tape of the invoice amounts are submitted as scanned documents. Transmittals that require special exception processing, namely, special request transmittals and expedite transmittals (See 3.1.16 Expedite/Emergency Payments) cannot be submitted by CD-ROM.

The following specifications are meant to guide agencies in providing GAD with acceptable scanned images in place of paper documents.

1. Scanned Document Images

- a. 150 Dot-per-inch (DPI) resolution.
 - b. Either Gray-scale or black and white provided the result is legible.
 - c. Accepted formats
 - i. Tagged Image File Format (TIFF), in 'II' format, versions 4.0 (April 1987), 5.0 (October 1988), and 6.0 (June 1992).
 - ii. Graphics Interchange Format (GIF), versions 87a (June 1987), and 89a (July 1990).
 - iii. Portable Network Graphics (PNG), version 1.0 (October 1996).
 - iv. Adobe PDF records must not contain security settings (e.g., self-sign security, user passwords, and/or permissions) that prevent GAD from opening, viewing or printing the transmittal. GAD will not accept PDF records that have been OCR'd using processes that use lossy compression to reduce file size (e.g., JPEG). Such OCR processes degrade the quality of the original image.
2. CD-ROM
- a. PC formatted CD-R 650-700 MB media; not DVD, Blue Ray, MAC or other media format.
 - b. The CD must be readable on an ordinary (non-writing) CD drive.
 - c. Images pertaining to the same Archive Reference Number (ARN) to be contained in a folder named with that ARN. Each Archive to be a separate folder on the CD, e.g., 11000234, 11000236, 11000237.
 - d. Adobe PDFs will contain scanned images for a single Archive and be named with that ARN, e.g., 11000233.PDF. For example, a CD might contain 11000233.PDF, 11000234, 11000236, 11000237.
 - e. Records must not be compressed (e.g., Winzip, PKZIP) or aggregated (e.g., TAR) when stored on CD-ROM.
 - f. The agency should be prepared to rescan and/or resend transmittals in the case of illegible or missing scans.
 - g. The agency should be prepared to recreate and/or resend a CD in case of loss or damage in transport.
3. Original Documents – The agency will retain the original documents in either paper or electronic format for a minimum of 3 years in compliance with that agency's approved records retention policy.

3.1.4 Signature Cards

All personnel that are signing the Transmittal Cover Sheet authorizing payment must have a GAD Signature Card on file. Signature cards must have the following information.

R*Stars Batch Agency Code

Name of State Agency

Typed or printed name of person authorized and title or classification

Signature of person authorized
Signature of agency head and title
Effective Date

A card must be submitted for each category, i.e., transmittals, advances, and/or 1099 file maintenance, where the authorized signature applies. Agencies should contact the Pre-Audit Section if deleting signatures and give the name and date of person to be deleted. Signature cards may be obtained from General Accounting Pre-Audit.

3.1.5 Invoices

Every invoice should clearly show the name and address of the State agency being billed. The invoice must sufficiently describe the details of the goods or services being paid including the date that the goods or services were rendered and the date of the invoice. Each invoice must contain the vendor's name, remittance address and federal taxpayer identification number or, if owned by an individual, his/her social security number. There must be a complete original invoice or voucher (unless submitting invoices on CD-ROM – See 3.1.3 Preparation/Reconciliation of Transmittal/Cover Sheet) which describes adequately the merchandise or service purchased to support each line item and amount listed on the transmittal form (certain approved items or postmaster items excepted). If the invoice received from the vendor is not clearly marked as the original invoice, the operating agencies should certify in the following manner:

Please use as original.
This invoice has not been previously paid.

Signature

Date

Agencies must verify that an invoice has not been previously paid. Please refer to “Procedures for Payment Research” in this section.

When preparing the transmittal package with paper documents, the invoices must be opened flat with any supporting documents or detail stapled behind the invoice to facilitate review of the invoice. The transmittal, including invoices and any supporting documents, should easily fit into an 8 1/2 x 11 file after the review is completed. If the transmittal is submitted on CD-ROM, the transmittal cover sheet, original invoices and/or supporting documentation, and calculator tape of the invoice amounts are submitted as scanned documents.

At a minimum each invoice must be stamped with the following:

- The date that the invoice was received by the organizational unit. This is the calendar date that the invoice was originally received by the organizational unit and is in the

custody of a State employee. An example would be that the organizational unit maintains a mail room which stamps in mail, distributes mail to program managers, who in turn verifies and forwards invoices for payment to the organization's accounting office for subsequent transmittal preparation. The date to be used would be the date that the invoice was received in the mailroom, that point in time where the responsibility for processing the invoice passed to the State of Maryland;

- **The date that the goods or services were initially received by the organizational unit.** This is the calendar date on which the using agency personnel have taken receipt of the goods or have determined that the services have been rendered. This date may be prior to the date that the using agency personnel certify that goods or services have been received, inspected, and quality assurance is given. Refer to the Department of General Services' – *Inventory Control Manual* for guidelines on Receiving, Inspection, and Quality Assurance;
- **Reason for delay in processing the invoice** in the event that the submission date is greater than 25 days from the date the proper invoice is received or the date the services, supplies, maintenance or construction are received and accepted, whichever is later, unless the invoice is a disputed invoice under Regulation .02C or COMAR 21.02.07;
- For completing the disbursement transmittal the later date of receipt of the invoice or receipt of the goods or services should be used as the "**service date**." If there is a dispute over the invoice, then the date the dispute is settled should be used. Furthermore, an explanation of the dispute is required on the invoice. If the invoice is for a refund of a prior payment then the date of the refund is the appropriate date to use as the "service date".
- Vendor's Federal Identification or Social Security Number must be provided;
- The signature for approval by an authorized representative of the agency indicating that the prices, extensions, and additions have been verified and the merchandise has been received, the services rendered, and the payment has not been made previously. If the agency is using ADPICS or another purchasing system providing controls and an electronic signature in the system, then the system may be relied upon for the aforementioned internal controls.

Since the State of Maryland is exempt from all forms of taxes, except excise tax on air flights, tax items should not be included in any invoice payments – with the following exceptions:

- Sales Tax may be included when paying rent for rooms (hotel, motel, etc.), since in such instances an employee is not making a direct purchase for his agency;

- For the same reason, the Baltimore City parking tax may be included;
- Oil companies remit the State Gasoline Tax directly to the Field Enforcement Division of the State Comptroller's Office. Therefore, the inclusion of State Gasoline Tax items in payments to oil companies are required, but the Federal tax should be excluded; and,
- Purchases made from other than State funds (funds of patients, students, inmates, etc.).

“Hotel” receipts must be attached to expense accounts including charges for lodging. If family members accompany an employee, and their charges are included in such an invoice, total charges must be prorated to reflect only a ‘single’ rate. Receipts for registration fees should also be submitted as well as plane fare receipts (passenger coupons) in cases where an employee is requesting reimbursement.

Ordinarily, hotel bills and air fare expenses are paid for by the individual and itemized on his expense account. However, in instances where group activities are involved it is acceptable for the agency to submit a bill that covers hotel or air fare expenses only, for authorized attendees. These bills must not include expenses such as individual hotel charges for meals, telephone calls or miscellaneous charges. Such expenses must be paid for by the individual and itemized on his expense account. Meal costs should be itemized (as to breakfast, lunch, dinner, - by date). Costs for alcoholic beverages are not to be included under any circumstances. See the GADX-5, State of Maryland Expense Account Form in the *Forms* section.

In the case of meal costs, in conjunction with a meeting of a State Board or Commission, adequate explanation and approval must be given, including itemization of members present and meal expenses. Each Cabinet Secretary or Head of a Department not in a Secretariat, has the authority to approve individual requests for out-of-state travel, subject only to restrictions set forth in the Standard Travel Regulations promulgated by the Department of Budget and Management. If travel was out-of-state, the original of the approved out-of-state travel form (GADX-3 Form) must accompany the expense account submitted with the transmittal. Expense accounts that span two fiscal years must be allocated to the proper fiscal year.

Agencies are required to follow DBM's current Standard Travel Regulations (COMAR Section 23.02.01) at all times. As set forth in the regulations, each employee's reimbursement request shall include itemized receipted bills and such other supporting documentation of expenses as may be required by the Comptroller. GAD will not accept receipts with just the credit card charge, amount and signature.

The submitting agency must record on the face of the invoice a reference to the approval document that authorizes the payment.

Examples are:

Department of Budget and Management, Budget Bureau Form 4 (BB-4) control number or Management Information System Division (MISD) control number; Department of General Services Purchasing Bureau Purchase Order Number or a Department Procurement Review Board (DPRB) agenda date and item number; Board of Public Works (BPW) agenda date and item number; or, the State regulation or law that delegates or exempts the authorization for the procurement of the goods or services.

Payments should only be made for amounts of \$10 or more (other than utility, telephone, expense account and refund payments). Agencies should accumulate invoices until they total \$10 before submitting them for payment. The service date will be the later date of receipt of the last invoice or receipt of the goods or services pertaining to the last invoice.

3.1.6 Prompt Payment of Invoices

Payment discounts are to be taken if permitted by contract terms or if specified on the vendor's invoice. Payment discounts are to be entered in R*STARS following the instructions in Section 3.1.13, Credit Memos. The payment due date must be computed to ensure that the vendor is paid consistent with the terms of the discount. Five days are required by the Treasurer's Office to process and issue a check. The agency must ensure that the invoices to be paid are greater than the amount of the discount and have the same due date coded as the discount transaction.

In accordance with the State Finance and Procurement Article of the Annotated Code of Maryland, Section 15-103, all invoices received by the State must be paid within 30 days. Section 15-104 of the Annotated Code provides for the payment of interest by State agencies on late payments. In addition, under Title 21.07.01 of the State Procurement Regulations a "Delayed Payment" condition exists when the invoice is received in the General Accounting Division more than 25 days after the date of receipt of invoice or goods, whichever is later. See Section 3.17.1, Late Payment of Invoices Report, for measurement of your agency's performance.

State agencies must carefully complete the proper information in R*Stars. The "Service Date" must be the date the invoice is first received by the agency. If an employee, or branch or unit of the agency receives the invoice and forwards it to the accounts payable office, then the date the invoice is first received must be used. Management must stress to employees the importance of immediate submission of the approved invoice to the accounts payable office for payment. In addition, agencies with payments requiring research, such as benefit programs, should review their procedures to ensure prompt payment.

As stated previously, a "delayed payment" condition exists when the date of an individual

request for payment received by the General Accounting Division is greater than 25 days from the date the proper invoice is received or the date the services, supplies, maintenance, architectural, or engineering services, etc., are received and accepted, whichever is later. In this event, the individual request will be considered delayed unless the invoice is a disputed invoice. In the event delayed conditions exist due to partial shipments, damaged goods, incomplete services, or other disputes between the State agency and the contractor, the State agency shall give proper and timely written notification to all concerned parties. In order to avoid being considered a delayed condition, a brief description of the reasons for delay and date that the dispute was settled shall accompany the invoice and the service date in R*Stars should be adjusted to reflect the settlement date. A later payment date for a disputed invoice is valid only when it is due to the fault of the vendor, not the fault of the State.

The "clock," i.e., for the 25 day period, starts when an invoice arrives at the agency, regardless of where it is addressed, who receives it, or what the individual does with it. Agencies should send letters to vendors instructing them that invoices should be sent to the "Accounts Payable Office". Purchase orders and contracts should also include these instructions.

All invoices must be date stamped in the day the invoice arrives in the mail room.

When an invoice arrives in the accounts payable office and has to go to another department for verification, it should be logged in and copied first (never send the original). If accounts payable has not received verification within a few days, a call for return of the invoice should be made.

When merchandise is delivered at an agency, it should be checked in the same day. Paperwork or "ADPICS" must be noted as "merchandise received" and the information forwarded to the accounts payable office immediately.

Agencies should use the Corporate Credit Card for small item purchases.

If the General Accounting Division disagrees with the service date recorded in R*Stars after reviewing the dates on the invoice, or if there is not a received date stamped on the invoice immediately upon receipt, GAD will change the service date by adding seven days to the invoice date.

The following is a list of some of the reasons given for not using the correct service date and are **NOT** valid reasons to change the proper receipt date. Please note that these reasons are not the vendors' fault.

- The system was down, and we could not process.
- We have a new system, and it takes longer to process invoices.

- We were installing a new system and could not process invoices.
- It was held due to end of year closing.
- We have departments all over the State, and they are slow in sending invoices to accounts payable.
- "So and so" forgot they had it.
- Invoices must be sent to other departments for approval.
- Shortage of staff.
- We didn't have a purchase order.

Suggestions that may help your agency make prompt payments:

- Be sure that employees have detailed desk procedures on "Payment Processing" and understand how to process and look up payments in R*Stars.
- Determine if employees need further training in the following. Each of these, if not understood, can take time and reduce efficiency substantially.

What to look for on an invoice.

How to look up a vendor number and mail code.

Understanding the "Vendor Table".

How to look up payment information.

How to "Navigate" through the system.

- Accounts payable employees should have a copy of the *Accounting Procedures Manual for the Use of State Agencies*.
- Is your 'Accounts Payable Office' sufficiently staffed? You may be in need of temporary help to alleviate the backlog.
- As a normal procedure in the accounts payable office, work should be reassigned each day in the case of absenteeism.

3.1.7 Prepaid Expenses

In general, invoices are not submitted unless expenses have actually been incurred. When it is necessary for a State agency to request payment for invoices prior to the receipt of goods or services, which will be charged against an appropriation, the State agency must insure proper control and accountability for any prepaid items. Additionally, the State agency must comply fully with COMAR Title 21, COMAR 23.02.01, Department of Budget and Management Regulations or other regulating authorities. The following are guidelines to be used by any State agency requesting an item to be prepaid on a transmittal.

- The General Accounting Division must be supplied with an original invoice

(except when submitting invoices on CD-ROM) for payments involving subscriptions, insurance, and maintenance agreements;

- For items where no original invoice is submitted agencies must supply documents such as registration forms and correspondence, which support the request. For rents covered by leases the Board of Public Works approval date and agenda item number must be identified;
- Permission must be obtained from the General Accounting Division prior to recording Prepaid Expenses that are not charged against an appropriation at the time of payment, i.e., payments to vendors in June that are due July 1 and chargeable to the next fiscal year. These transactions must also have the statewide sub-object/agency sub-object field coded.
- The agency fiscal officer must certify on all requested prepaid items:

“Goods or Services Not Received.

Quantity and Quality to be subsequently verified and the certification thereof will be retained in Agency File for assurances that duplicate payment will not occur and for subsequent audit by the Legislative Auditor’s Office or the Comptroller’s Office as necessary.”

Care should be taken to verify that prepaid items are not again reimbursed through the “Expense Account” procedure.

Prepaid expenses are recorded using transaction code 222. Then an adjustment is made using transaction codes 403R and 412. In July, the entry must be adjusted to reduce the prepaid amount and record the expenditure. Transaction codes 403 and 413 may be used.

3.1.8 Third Party Billings

Generally, the State does not make payments to third parties. However, in instances where there is a legally binding contract that requires the State to make a payment to a third party instead of the original vendor that performed the work under the contract, the agency must write to GAD and obtain permission from the pre-audit section to make the payments under the new name. A separate mail code will be established for the third party payments under the original contractor’s TIN, but with the third party’s name and address. The update reason code on the 51 Screen will be “3PTY” and the contact information will state that the mail code is a third party payment for - and the original vendor’s name.

3.1.9 Credit Cards and Charge Cards

Generally, the General Accounting Division does not approve use of credit cards unless it is through the Comptroller’s Corporate Purchasing Card Program.

3.1.10 Types of Unacceptable Invoices

Vendor statements of amounts due are not acceptable; no “Old Balances” should be included; except for utility payments which must be certified that the amount was not previously paid. Invoices for funeral flowers, special gifts, or other emoluments and non-related work expenses will not be paid to any vendors from the State Treasury. These are personal expenses and are chargeable to the individual incurring such expenses. When invoices for catering/food services are submitted, documentation must be included which provides the name and purpose of the function and who attended it, by name or affiliation. Invoices will not be paid for food served during normal staff type meetings. Invoices will not be paid for expenses incurred at State employees’ social functions such as Christmas parties. Invoices for parking fees or other driving violations of employees will not be paid. Costs for alcoholic beverages are not to be included under any circumstances.

3.1.11 Remittance Advice for Questions from Vendors

The information that is printed on the checks issued by the Office of the Comptroller is retrieved from the D02 Profile in R*STARS, based on the batch agency number of the payments. Accordingly, the name, address and telephone number on this profile should be the appropriate information in order to direct vendor inquiries. Access to view the D02 Screen for all agencies is provided by requesting user class 85.

3.1.12 Reimbursable and Trust Related Payments

Certain disbursements are paid on behalf of other organizations that subsequently reimburse the State. Such disbursements, which are not expenditures of the State, would be recorded as an Account Receivable at the time of disbursement. Disbursements paid on an account payable in a trust type activity would not be an expenditure of the State, but would reduce the account payable at the time of disbursement.

3.1.13 Credit Memos

Credit memos issued by vendors may be listed individually on the transmittal form or may be netted against an invoice to reduce the overall charges to a vendor. Credit memos listed individually will occur as a separate line item on the computer generated remittance advice only if the invoice numbers for the invoice and credit memo are different. Invoices accompanied by credit memos must be greater than the amount of the credit memo. Also, the credit memo line must contain the same invoice date and receipt date of the related invoice if the payment due date is blank, or the same payment due date if the payment due date field is not blank and the same special handling code as the invoice line.

Credit memos that do not post during the payment processing cycle because of non-

compliance with the aforementioned requirements and, therefore, do not have a corresponding invoice to be netted with, will remain on the R*Stars IT file until another payment to the same vendor (and mail code) is processed by the batch agency. If a credit memo remains on the IT file for six months or at the end of a fiscal year, the agency should request payment from the vendor or record an account receivable. When payment is received the agency must notify GAD to delete the credit memo from the IT file. At the end of each fiscal year, GAD will automatically delete any credit memo that has been on the IT file for more than one year after printing out and filing that item from the 530 screen.

3.1.14 Petty Cash and Working Fund Reimbursements

Petty cash and working funds should be submitted on separate transmittals, i.e., not with regularly processed invoices. When preparing a petty cash or working fund reimbursement transmittal, the following supporting documentation must also be submitted:

- A summary must accompany each reimbursement on a transmittal list and should itemize:
 - the date;
 - the name of the vendor;
 - accounts charged; and
 - the amount paid for each expenditure.
- When agencies seek reimbursement for expenditures paid through their working funds, the transmittal package should include copies of invoices and copies of related checks issued. A copy of the bank statement must also accompany any reimbursement request for bank service fees.
- All original petty cash receipts and vouchers should remain with the transmittal list, and be forwarded in the usual manner to the General Accounting Division. Other than for transmittals submitted on CD-ROM, these receipts and vouchers should not be folded, but rather, they should be opened flat and stapled to the summary to facilitate verification.

Petty Cash/Working Fund accounts should be used only for emergency cash purchases in nominal amounts, for travel or emergency payroll advances under certain circumstances, or for freight charges. Under no circumstances are petty cash or working funds to be used to circumvent transmittal procedures, or regulations of the Department of General Services Procurement Department.

The service date and due dates should be carefully completed with a current date so that the reimbursement is not reflected as a late payment and is processed immediately. Additional procedures pertaining to petty cash and working funds are described in

Section 3.13.

3.1.15 Expense Accounts

All State agencies submitting transmittals containing expense accounts from their employees are required to adopt the uniform expense account form (GAD X-5). The GADX-5, State of Maryland Expense Account Form in the *Forms* section should be used. If an agency is using an expense account form adapted to its specific needs, this office will accept such form providing a sample is submitted for prior review and approval. All requests for reimbursement should be submitted on a timely basis, should not cover periods in excess of 60 days and should not be reimbursed through the working funds.

The expense account form may be completed using the last four digits of the employee's social security number. The employee should check with their agency's fiscal officer to be sure this does not create a problem when entering payment information in the accounting system. The agency fiscal officer should coordinate with GAD as to appropriate payment certification.

3.1.16 Expedite / Emergency Payments

If an agency needs to process a payment immediately, and cannot wait for the nightly batch cycle to create the warrant for payment the next afternoon, then the agency should request General Accounting Division to "expedite" the payment. If R*Stars is not available, the procedures in Section 3.1.21, Emergency Checks, should be followed. General Accounting Division may use the Disbursement Maintenance Screen, Screen 41, to expedite payment of a limited number of documents each day. The expedite cycle is run about 11:00 a.m. every day. In R*STARS, regularly processed payments (DMI = 'R') can be released by GAD in three work days once the Transmittal Cover Sheet and Documents are received. Therefore, most payments should be processed as regular payments.

Expedited Documents – Agency Procedures

(1) The agency cannot enter a DMI of 'E' for Expedited. They will use a DMI of 'R' for Regular and call the Pre-Audits Section to request Expedited payment processing for the Document.

(2) The agency must justify the need for less than the three day payment processing since in R*STARS the check can be ready on the third work day after the transmittal is received in Pre-Audits, i.e., the document is not just transmitted, (Action Code 456), but the paperwork is received by Pre-Audits (Action Code 700). The agency must be able to document that there is a property or legal settlement date that cannot be met without the Expedited Processing, or there is a vendor hardship that precludes the vendor from

waiting two additional work days.

(3) Under the expedited payment processing, checks are produced the same day if the paperwork is received early enough for Pre-Audits to audit the documents, change the document DMI from 'R' to 'E' and approve the document (Action Codes 700, 709,749) by 11:00A.M. If the deadline is missed, the check will be produced the next work day.

(4) R*STARS will release Automated Clearing House (ACH) payments for payment processing two days before the due date, so that the Bank Settlement date is the same date as the due date recorded for the payment. The transmittal should be received by the GAD Pre-Audits Section eight work days before the Settlement/Due Date to be sure the settlement date is met. The minimum number of days that it is possible to settle an ACH through the regular process is five work days. The regular ACH's are processed as two day settlements from the date of the warrant by the STO. ACH transfers are one day settlements when processed under "Expedited." ACH's received early enough to meet the 11:00 deadline are bank settlement dates the next work day. ACH's received after the 11:00 deadline are bank settlement dates on the second work day.

(5) The Pre-Audits' Auditor Control Officers (ACO) will endeavor to eliminate unnecessary Expedited payment processing since there is a limited amount of time to run the process, reconcile the system and distribute the checks. Therefore, agencies must be prepared to justify their requests. Agencies should have all the details and date requirements available when they call Pre-Audits to request Expedited payment processing.

(6) If the payment that needs to be Expedited has already been transmitted in an Archive and is in Pre-Audits processing or waiting for its payment Due Date, the ACO can recall the Document or a Vendor Number and Mail Code within the Document on the 41 screen and Expedite the payment. In the same manner, the ACO can also change the Due Date and/or PDT.

3.1.17 Payment Distribution Types

The Payment Distribution Types (PDT's) are included on the payment transaction when the payment will not be mailed in the normal procedure. See Exhibit 3.1 for the current valid PDT's. Agencies must have written permission from GAD to have checks returned to them. Agencies should also be aware of the different uses of the PDT's for the Automatic Clearinghouse (ACH) payments.

Exhibit 3.1

R*Stars Payment Distribution Types

<u>Code</u>	<u>Distribution</u>
00	1st Class Mail
01	Air Mail
02	Courier - Annapolis
03	Courier - Baltimore
04	Courier - University Of Maryland
16	Air Mail - Counter Pickup
17	Air Mail – Attachments (requires GAD approval)
18	Attachments (requires GAD approval)
19	Counter Pickup (requires GAD approval)
21	Lottery Prize Checks Returned To Agency
28	Agency Counter Pickup
29	Checks Returned To Submitting Agency
35	Failed ACH - Bank Info Not On File / STO – Replacement Check
53	Reissued Checks from the Undeliverable Check Fund (by STO)
54	County Grants, RAD
60 - 68	Restricted Use - GAD Assigned Only
70	Employee Expense Accounts - checks
80	ACH for employee expense accounts
86	Statewide ACH – X-10 Form
87	ACH – BGE only
88	ACH – exempt from tax offset
89	Agency ACH X-9 Form (no remittance)
90	Foreign Currency Transfer
91	Fed Wire - Foreign Or Domestic
93	Emergency (non-R*Stars) checks
95	Replacement/Reissued Checks
97	One–Time Refund - MVA

3.1.18 Automated Clearing House - ACH Payments (PDT 80, 86, 87, 89)

Payment transactions that should be paid using the automated clearing house - ACH, will include the vendor mail code that contains a PDT 86 or 89. If a payment transaction is input with an 86 or 89, and the mail code is not set up with the bank account information, the system will generate an error message. Also, if the vendor is set up as an ACH vendor, there will be a warning message if a check will be generated to advise the agency that the payment could be made using the ACH process.

The GADX-9 Form is generally used for payments to governments and State agencies, e.g., working funds. In order for an agency to set up a government or State agency bank account for ACH payments, a completed GADX-9 Form, Electronic Funds Transfer Request Authorization, must be sent to the GAD for approval by GAD and the State Treasurer's Office. See Section *Forms*, for a sample form.

The GADX-10 Form is the statewide ACH registration form which provides ACH payments to vendors with a statewide registration. Vendors should complete the form, which is available on GAD's website, and mail it directly to GAD. GAD will assign mail code 000 as the statewide ACH mail code if the vendor chooses to receive ALL payments through ACH to a single bank account, and all other mail codes will be inactivated. Vendors will have the ability to track their payments' status and review remittance advice information via the GAD website. The ACH vendor numbers set up with the X-9 Form will not be affected by the statewide ACH registration for vendors.

Agencies will not be able to add mail codes after GAD has registered the vendor for Statewide ACH payments. All mail codes other than the 000 mail code will be inactivated. Requests for changes to the vendor name or address should be sent to the GAD using the Vendor Information Change Request Form (COT/GAD 710). Interface agencies' vendor tables will also be affected by the same requirements and changes. Interface agencies will be notified as each change occurs and will be required to update their tables accordingly.

PDT 80 is used for ach payments to employees. When an employee signs up for direct deposit through Central Payroll, they will automatically be set up in the State-wide vendor table for direct deposit of their expense accounts and any other payment from the agency.

PDT 87 is used for ach payments to BGE

ACH Payments for Contracts requiring approval by the Board of Public Works:

All vendors doing business with the State are encouraged to receive their payments through Electronic Fund Transfers. Accordingly, all vendors awarded contracts greater than \$200,000 that require approval by the Board of Public Works (BPW) are required to

register for Electronic Fund Transfers by the Board of Public Works Advisory, Number 2003-3. Vendors are required to submit a completed GAD Form X-10 to the General Accounting Division of the Comptroller's Office or to request an exemption from GAD before the contract is approved by the BPW. This form should be provided to all selected bidders as part of the contract process. Agency procurement officers must require adherence to this policy through wording as suggested in the Board of Public Works Advisory, Number 2003-3. In addition, agency personnel must verify that the vendor is registered for, or exempted from, ACH by looking at the vendor information on the 52 and/or 51 Profile in R*Stars. The 52 Profile (and 51 Profile) will have "X-10" completed in the "reason code" field if the X-10 request has been received from the vendor and is in process. If the vendor has been granted an exemption, the fourth line of the vendor address of the 52 Profile will state "X-10 Exempt". Once the registration process is complete, the 000 mail code in the 51 profile will have a PDT value of 86.

3.1.19 Foreign Currency Wires (PDT 90)

The General Accounting Division (GAD) has established a separate payment distribution type (PDT Code 90) for Foreign Currency Transfers (FCT). FCT are transmitted as FED Wires and each currency must be purchased in advance by Banking Services in the State Treasurer's Office (STO).

PDT Code 90 for FCT will be set in the Vendor Mail Code Profile (Screen 51) by the GAD after the STO purchases the foreign currency and approves the GADX-9 Form. State agencies that enter PDT 90 in the disbursement transaction, (Screen 505) will be limited to the agencies that submitted the foreign currency purchase requests and are named on the GADX-9 Forms approved by the STO and GAD. When preparing the disbursement transmittal, the agency must include two copies of the R*STARS X-9 Form "Electronic Funds Transfer Request Authorization" approved by the GAD & STO. There is no process in R*STARS to default failed FED Wires to checks, and it is very difficult to recover funds that are transmitted via FED Wire, so the X-9 bank information must be accurate. Since these funds sent by FED Wire are transmitted to a foreign country, the agency must also include a second copy of the foreign vendor's invoice for the GAD to forward to the STO.

The agency will input the transaction. When keying the batch header, the disbursement method indicator (DMI) will be "M" for Manual. The PDT will be 90 for FCT. The due date must be immediate. These transactions must be entered as a direct voucher from R*STARS. ADPICS will not allow this entry. The transaction code (TC) should be 245 for expenditures or 246 for a revenue reduction.

Agencies do not fill the Warrant Number with seven "1"s. The Warrant Number (Payment Number) must be left blank for FED Wires, so the system can automatically fill the field during the payment processing cycle.

After the agency transmits the documents on-line, they will submit to GAD:

- Two copies of the DAFM03R Transmittal Cover Sheet
- Supporting documents (Invoices)
- Two copies of the R*STARS X-9 form
- Three copies of the Emergency Remittance Advice that are annotated 'FCT' in the Emergency Check Number space.
- A second copy of the foreign invoices.

The system assigned Warrant Number (payment number) will be recorded on screen 44, 84, 85, & 86 after the AC 749 is appended and the system batch cycle is run. It will be nine characters: X, the last two digits of the fiscal year, followed by six sequential numbers starting with 000001 (e.g., X97000001).

The STO Banking Services will use the X-9 bank information, which should match the bank information in the Vendor Mail Code Profile, and the foreign currency they have purchased to wire the payment.

3.1.20 FED Wire (PDT 91)

The General Accounting Division has established a separate Payment Distribution Type (PDT Code 91) for FED Wires. Fed Wires are individual wire transfers that are not transmitted using the Automated Clearing House. They are recorded as a "manual" transaction in R*STARS. The Director of Banking Services in the State Treasurer's Office must approve each FED Wire transaction in advance.

The PDT Code 91 for FED Wires will not be set in the Vendor Mail Code Profile (Screen 51). State agencies will enter PDT 91 in the disbursement transaction, (Screen 505) only with the prior approval of the Director of Banking Services in the State Treasurer's Office.

The agency will input the transaction directly into R*STARS. ADPICS will not allow this entry. When keying the batch header, the disbursement method indicator (DMI) must be "M" for manual. The due date must be immediate. The transaction code (TC) should be 245 for expenditures or 246 for a revenue reduction. Agencies do not fill the Warrant Number with seven "1"s. The Warrant Number (Payment Number) must be left blank for FED Wires, so the system can fill the field later. It will be nine characters: X, the last two digits of the fiscal year, followed by six sequential numbers starting with 000001 (e.g., X97000001).

Agencies must include two copies of the R*STARS GADX-9 Form "Electronic Funds Transfer Request Authorization" completed with a minimum of the agency, vendor and bank information with the documentation submitted to GAD. There is no process in

R*STARS to default failed FED Wires to checks, and it is very difficult to recover funds that are transmitted via FED Wire. Accordingly, the GADX-9 bank information must be accurate. If the funds sent by FED Wire are to be transmitted to a foreign country, the agency must also include a second copy of the foreign vendor's invoice for the GAD to forward to the STO.

After the agency transmits the documents on-line, they will submit to GAD:

- Two copies of the DAFM03R Transmittal Cover Sheet
- Supporting documents (Invoices)
- Two copies of the R*STARS X-9 form
- Three copies of the Emergency Remittance Advice that are annotated "FED Wire - Foreign" or "FED Wire - Domestic" in the Emergency Check Number space.
- A second copy for foreign invoices.

3.1.21 EMERGENCY CHECKS (PDT 93)

The General Accounting Division and Banking Services in the State Treasurer's Office are restricting the use of this Emergency Check Processing procedure to when R*STARS is not available and the STO payment processing system is available and a check must be cut. GAD must approve each transaction in advance. GAD will establish a separate PDT Payment Distribution Type (PDT 93) for manual checks. The PDT 93 will only be used on the R*STARS 101/102 form and when inputting the disbursement transaction on screen 505. It will not be set in the Vendor Mail Code Profile (screen 51).

The agency will first call GAD Pre-Audits section for approval to submit a transmittal under the "Emergency Check Processing" procedure. Only the transactions specifically approved can be included on the Emergency Disbursement. Since R*STARS will be down as a requirement for this procedure to be used, the R*STARS 100 and 101/102 forms will have to be manually completed. An Emergency Remittance Advice will also have to be completed. Sample forms are included in the section, *Forms*. When the agency calls Pre-Audits for approval, they will be given a check number to input when R*STARS comes back on line, and they are able to record the transaction.

If R*STARS is down the agency will complete and bring or fax to GAD Pre-Audits:

- Two copies of R*STARS - 100 Emergency Disbursement Cover Sheet.
- Two Copies of R*STARS - 101/102 Emergency Disbursement Transmittal
- Supporting Documents (invoices)
- Three copies of the Emergency Remittance Advice

R*STARS 100 - the agency will complete the Batch Agency Code Number, the original Archive Number if one was transmitted before R*STARS went down, the aggregating

amount, the ending Fiscal Year, the Agency Contact Name and Telephone Number, the Gross Amount of Invoices, the Credit amount if any, the Net amount, the Number of Documents, the Number of Pages, sign and date the form. Pre-Audits will complete the Emergency Archive Number and the Final Archive Number.

R*STARS 101/102 - the agency will complete the Batch Agency Code Number, Signature and Submission Date. For each line used, they will number the lines beginning with 01. The Agency will: complete the PDT with 93, Vendor/TIN Number-use the vendor number and mail code if known or supply either the Federal Tax Identification Number or Social Security Number whichever is appropriate, complete the Invoice Number and Date, Service Date, (GAD will fill in the Payment Number), complete the Distribution Amount which is the amount of the invoice or credit, complete the Current Document Number-if one was established before the system went down, complete the Financial Agency, Appropriation Year, PCA, Index, Comptroller or Agency Object, manual Transaction Code, and Reverse Code 'R' if a credit. The Vendor Name and Address are from the Vendor Number MC (R*STARS 51 screen) if known or taken from the invoice. Make sure the Vendor information is as accurate as possible, because the check payee and remittance address will be taken from this and the Emergency Remittance Advice.

Emergency Remittance Advice - Complete the State Agency with your agency information, the Vendor's Name and Address from the Vendor Number and MC or the invoice, and the Vendor Number and MC if known or the Federal Tax Identification or Social Security Number from the invoice; GAD will complete the Emergency Check Number. If the check is to be picked-up or sent by express courier, complete the check pick-up contact name and phone number. Complete the Invoice Date, Invoice Number, PDT with 93, Document Number if one was established, invoice or credit amount and Batch Agency. GAD will complete the Emergency Archive Number. At the bottom of the Emergency Remittance Advice very carefully give the full and accurate Payee Name. This field is one line with 50 positions. The net amount of the invoices and credits for the vendor is the "Total". The Payee Name and Total are used for the check; please make sure they are accurate.

When the R*STARS 100 & 101/102 forms are used, the agency is responsible for retaining a copy of these forms and inputting the transactions under these 'Emergency Check Processing' procedures when R*STARS comes back on-line. The agency will use DMI 'M', manual TC's, and the manual check number given to them by Pre-Audits. If the agency has not already submitted the original supporting documents (invoices), they must be sent with the DAFM03R to the Manager or Lead ACO's attention. A copy of the R*STARS 100 & 101/102 with the DAFM03R should also be sent.

If a Document has been paid as an Emergency on R*STARS 100 & 101/102 forms:

- The agency is responsible for deleting any documents that were input or posted (but

not received in Pre-Audits) before the system went down.

- The agency is responsible for immediately supplying Pre-Audits with the ARN's and Document Numbers of any Documents that were transmitted to Pre-Audits before the system went down so Pre-Audits can delete them.
- The agency is responsible for immediately supplying Pre-Audits with the ARN's and Document Numbers of any Documents that were approved (GAD appended AC 750) before the system went down, so Pre-Audits can delete them or capture the checks for cancellation.
- **The agency is responsible for recovering the funds if a duplicate payment is made.**

The STO will draw the checks from the Emergency Remittance Advice with the Emergency Disbursement R*STARS 100 & 101/102 or DAFMO3R attached. The STO will use the Emergency Check Numbers written for the Emergency Remittance Advice by Pre-Audits.

If an Emergency check has been processed from an R*STARS 100 & 101/102, the ACO must coordinate the receipt of the DAFMO3R to record the transaction in R*STARS with the agency as soon as R*STARS is back on line.

The ACO will review the DAFMO3R transactions to assure that: the DMI is 'M' for manual, manual check transaction codes have been used, the manual check PDT 93 has been used, the accounting codes and TIN on the R*STARS forms match the DAFMO3R, the Payee Name and Address match if the Vendor Number and MC were known or are a reasonable match if an invoice and TIN were used. The ACO will append AC 700 & 709. The Manager or Lead ACO will change each manual check number to the actual manual check number issued, review the transaction on the 505 screen, and approve the transmittal by appending Action Code (AC 749).

When the system comes back on-line before the regular warrant is signed and sent to the STO, the ACO's must ascertain that any payments made through the Emergency process will not be duplicated.

3.1.22 Agency Vendor Table

The General Accounting Division is responsible for creating and maintaining the Statewide Agency Vendor Table on a centralized basis. Additions to the agency vendor table may be done by the agencies, but GAD controls changes.

In order for an agency to establish a new vendor in the agency vendor table, the agency must designate a vendor coordinator(s). This is done on the FMIS Security Form.

NOTE: Refer to section 5.11 for security access allowed for a vendor coordinator.

Thereafter, all new vendors for the respective agency can be added to the agency vendor table by the designated vendor coordinator(s).

NOTE: Detailed procedures applicable to the entry of new vendors in FMIS are enumerated in the *R*STARS Data Entry Guide* and the *Vendor Coordinator Guide Training*. These materials are available on DoIT's website, <https://stateofmaryland.sharepoint.com/sites/doit/fmisdocs/Pages/RSTARSdataEntryGuide.aspx> and <https://stateofmaryland.sharepoint.com/sites/doit/fmisdocs/Pages/RSTARSadpics.aspx>. Click on 'Vendor Coordinator Guide Training'.

To request a change or inactivation to the existing agency vendor table, an agency must submit a GAD-710, "ADPICS/R*STARS Vendor Information Change Request Form", (See Section, *Forms*). Appropriate supporting documentation for the change must be forwarded with Form GAD-710 to the GAD for review and approval. The General Accounting Division will make approved changes or inactivations.

The GAD inactivates duplicate and incorrect mail codes on a continuing basis. In addition, when advised by the vendor or the agency of an incorrect TIN number, GAD will inactivate the 52 Screen and mail code 000 and refer to the correct TIN number on that screen. Inactivation of mail code 000 prevents all other mail codes from being used. Therefore, if an agency can not use a mail code, and can not see why it was inactivated on the screen, the 000 mail code should be reviewed as well. **Note that reason codes such as IRS and BUWH could mean that the vendor will be subject to backup withholding of 28% on his payments and may need to submit a completed W-9 to GAD to resolve a problem. Discuss this with GAD when requesting activation of the mail code.**

The following are various fields and codes that should be carefully reviewed when a new vendor is input.

R*STARS VENDOR PROFILE STANDARDS

1. Vendor Number

The ten character vendor number should represent the R*Stars prefix ("1" for the statewide table) followed by the vendor's Federal ID number or Social Security number. Review the invoice; make sure the TIN on the invoice agrees with the vendor number.

2. Vendor Number Coding

There are four methods of coding the vendor number. They include:

- System-wide Vendor Number - The first position must be coded with "1" plus the 9 characters which represents the vendor's Federal ID number or Social Security number.
- Interfacing Vendor Number - has an alpha prefix (assigned by GAD) plus the 9 characters, which represents the vendor's Federal ID number or Social Security number.
- Foreign Vendor Number - for those vendors that are truly foreign vendors and do not have a TIN, the vendor is input with (an appropriate prefix, i.e., "1" or a letter) an F, the 3 digit Agency code and 5 zeros filled. See the foreign vendor coding procedures in the *Statewide Vendor Tables Manual*.
- Other - for certain tax exempt programs. A request must be sent to GAD, Pre-Audits to use this option.

3. Search Name

The system will use the first search name line to repeat the vendor name with up to 25 characters. The second, third and fourth lines can be input by the agency for additional 25 character search names. These fields are used by the Vendor Alpha Inquiry Screen (3A). This permits users to find the Vendor Number / Mail Code by entering any of these names in the 3A Vendor Alpha Inquiry Screen. The State's TIN (52-6002033) includes its financial/batch agency number as a search field to find the state agency's mail codes.

4. 1099 Indicator (See also Section 4.2.1.)

Determine whether the vendor is subject to 1099 reporting by using the following guidelines:

"Y" should be coded for:

- Individuals (including employees, students, patients, prisoners)-a SSN must be provided.
- Sole Proprietorship - a SSN or FEIN must be provided.
- Partnership - a FEIN must be provided.
- Medical or Health Provider Corporations, but not Hospitals - a FEIN must be provided.

"N" should be coded for:

- Governments and other tax exempt non-profit organizations.
- Corporations, except for Medical or Health Provider Corporations that are not

hospitals.

5. Med. Pay Id: According to IRS Regulations, corporations do not get a 1099 unless the payments are for medical and health care services. However, if the corporation is a hospital or extended care facility, it does not get a 1099, even for medical and health care services. Accordingly, the Med. Pay Ind. should be set to a "Y" for all medical corporations that are not hospitals or extended care facilities.

6. FEIN/SSN Id - If the vendor has a Federal ID number, enter F. If the vendor has Social Security Number, enter S. For Foreign vendors - see foreign vendor coding procedures referenced in 2.

7. Reason Code

Vendor Update Reason Code, "VURC," may be entered up to four characters if the vendor name, address, or any field in the vendor profile is changed. Reason codes as defined in the D53 Titles Profile Table ID, "VURC," include:"

ACHG	Changed vendor record from ADPICS
ADD	Add a new vendor
ADDR	Changed the address portion
BNOT	Change due to B Notice from IRS
ADPX	Added a new vendor from ADPICS
BUWH	Changed backup withholding status
CORR	Change based on correspondence from vendor
CG34	Change address lines 3&4
DBAR	Debarred vendor
DX10	Delete X-10 information
F&S=	Duplicate TIN
INTF	Vendor interface
INVC	Changes from review of invoices
IRS	Inactivate-Incorrect TIN/Name match per IRS
MAIL	Inactivate -duplicate mail code
NAME	Changed/corrected vendor name
OWN	Changed ownership code
PDT	Changed PDT
REMT	Remittance advice changes from agencies
RTCK	Returned Check; Address Correction
SRCH	Added/changed search name(s)
STO	EFT changes from Treasurer's Office
TAX	Changed tax offset status (TOEX)
TEL	Changed telephone information
TIN	Inactivate - Incorrect TIN

TYPE	Changed vendor type
USPO	United States Postal Office
W-9	Inactivate/Change due to W-9 received from vendor
X-9	Electronic Funds Request
X10	Statewide Electronic Funds Request
X10T	Change to EFT Record
1099	Changed 1099 status
1234	Update reason code
3PTY	Third Party Billing
3040	Change from DAFR3040, Undeliverable Checks Listing
3931	Change from DAFR3931, Undeliverable Checks sent to STO
6220	Change from DAFR6220, Vendor Activity Report
710	From a 710 request form

8. Vendor Type

Enter the one character Vendor type which most accurately describes the vendor.

- 1 - Employee
- 2 - Federal Agency
- 3 - State Agency
- 4 - Local Government
- 5 - Vendor -Business
- 6 - Vendor -Individual
- 7 - Other

9. Hold Reason Code- This field is reserved for possible future use.

10. Contact- Optional

11. Ownership Code - The one character Ownership Code includes:

- A - State Corporation
- C - Professional Corporation
- E - State Employee
- F - Financial Institution
- G - Government Entity
- I - Individual
- N - Medical Corporation
- O - Out of State Corporation
- P - Professional Association
- R - Foreign
- S - Sole Ownership

T - Partnership

12. Status Code - The one character Status Code includes:

A - Active - Used to activate a vendor status. To add a vendor to R*STARS change "P" to "A"

I - Inactive - Used if vendor is no longer active and cannot be used.

P - Partial - Used if all vendor information is not available. Must be changed to "A" for activation and before payment can be made.

13. Eff Start Date

Effective date will be automatically entered by the system upon permanently saving the records to the vendor.

Exhibit 3.2

Listing Of Valid State Abbreviations

AK	Alaska	MT	Montana
AL	Alabama	NC	North Carolina
AR	Arkansas	ND	North Dakota
AZ	Arizona	NE	Nebraska
CA	California	NH	New Hampshire
CO	Colorado	NJ	New Jersey
CT	Connecticut	NM	New Mexico
DC	District of Columbia	NV	Nevada
DE	Delaware	NY	New York
FL	Florida	OH	Ohio
GA	Georgia	OK	Oklahoma
HI	Hawaii	OR	Oregon
IA	Iowa	PA	Pennsylvania
ID	Idaho	RI	Rhode Island
IL	Illinois	SC	South Carolina
IN	Indiana	SD	South Dakota
KS	Kansas	TN	Tennessee
KY	Kentucky	TX	Texas
LA	Louisiana	UT	Utah
MA	Massachusetts	VA	Virginia
MD	Maryland	VT	Vermont
ME	Maine	WA	Washington
MI	Michigan	WI	Wisconsin
MN	Minnesota	WV	West Virginia
MO	Missouri	WY	Wyoming

MS Mississippi

3.1.23 Cash Disbursements – Stop Payments and Re-issues

Agencies must fill out a “Stop Payment or Cancellation Request Form” and send it to the Banking Services Division for processing. For payroll checks, a separate Form, “Stop Payment Request Form for all Payroll Checks” must be used. Forms are available from STO and also included in Section 6, Forms. If a check is to be re-issued from R*Stars, the agency must review the address on the original check because that is the address that will appear on the re-issued check. The re-issue process DOES NOT go back to the Vendor Table to update the address. The address will remain the same on the new check whether or not the Vendor Table has been corrected. If the address is incorrect, the agency should do a “stop payment and recover,” and issue a new payment transaction through R*Stars.

3.1.24 Check Cancellations

Agencies must submit form STO#401 “Banking Services Approved Signature Request Form” to the State Treasurer’s Office listing the signatures of those employees who are authorized to process state check cancellations.

When a state vendor check is returned to STO, GAD or the agency, the agencies will complete an R*STARS Form #151 "Vendor Stop Payment or Cancellation Request Form” and submit this form with the checks to be canceled to the Banking Services Division of the State Treasurer’s Office. If the check was returned to GAD, the agency should submit the R*STARS #151 form to the Check Distribution Section of GAD. The check will be attached to the form and sent to STO by the Check Distribution Section. If the check cancellation was charged to a prior appropriation year, then the expenditure credit must be adjusted to a revenue object.

When a state payroll check needs to be **reissued**, the agency will complete an R*STARS STO Form #152 "Payroll Stop Payment Request Form for all Payroll Checks Issued Regardless of Issue Date” and submit this form with the checks (as applicable) to the Banking Services Division of the State Treasurer’s Office. When a state payroll check needs to be **cancelled**, the agency will complete a Central Payroll Bureau Form “Request For Payroll Check Cancellation” for all payroll checks and submit this form with the checks to the Central Payroll Bureau. If the check cancellation was charged to a prior appropriation year, then the expenditure credit will be adjusted appropriately by the CPB.

A stop payment request can be initiated before a check is returned, but the check cannot be reissued until confirmation of the stop payment is received from the bank.

3.1.25 Check Status Codes

Agencies should use the 47D Screen, “Payment Status Maintenance History” to view the status of a check; i.e., whether the check has been issued, returned as undeliverable, etc. The following lists (Exhibit 3.3) contain the valid status codes for checks and the valid reason codes for undeliverable checks. The DAFR8161 is a control report that lists all outstanding warrants, i.e., checks, by batch agency.

Exhibit 3.3

Check Status Codes

<u>Status Codes</u>	<u>Title</u>
I	Issued
P	Paid
U	Undeliverable
S	Stop Payment
C	Cancellation
M	Remailed
N	Undeliverable Fund
T	General Fund - (Undeliverable)
G	Forwarded To STO
E	Unpresented Fund
F	General Fund - (Unpresented)
J	Disbursed Out Of Undeliverable Fund
K	Disbursed Out Of Unpresented Fund
R	Replacement

Undeliverable Check Reason Codes

<u>Reason Codes</u>	<u>Title</u>
Adw	Wrong Vendor Address
Amt	Incorrect Amount
Dec	Deceased
Dup	Duplicate Payment
Inf	Insufficient Payment Information
Pay	Incorrect Payee
Poe	Post Office Error
Pos	Returned For Postage

3.1.26 Payment Research

There are several ways to determine whether an invoice has been received and recorded and where it is in the R*Stars process. One Stop Vendor Payment Inquiry (OSVP), RAPI, R*Stars screens, reports available in VIEWDIRECT and the Comptroller's web page may be utilized to research payments.

ONE STOP VENDOR PAYMENT INQUIRY (OSVP IN R*STARS):

One Stop Vendor Payment Inquiry (OSVP) for R*STARS provides the status of vendor payments. Agencies may request access to these screens from their agency's security officer.

When searching for vendor payment information using the R*STARS, OSVP, four screens may be used. In the payment processing menu, press F7 from entry into R*Stars (or "link to OSVP"), there is an option to enter OSVP. This will bring up the menu for payment research. The screens are: the SO01 screen – Vendor Document Inquiry, which provides vendor information search by TIN; the SO02 screen – Vendor Document Details, which provides document detail for batch agency, document, TIN; the SO03 screen – Vendor Payment Inquiry, which provides information for checks; the SO05 screen – Payments by TIN, which provides vendor payment information by TIN; and the SO07 screen – Soundex Name Search.

The OSVP system ignores the first number (prefix) of the ten character vendor number. It performs payment searches by using the other nine characters (positions 2 – 10) of the vendor number. This allows the system to locate all payments to a vendor with only one search inquiry regardless if multiple prefixes have been assigned to the vendor. The OSVP system includes all documents created for a payment, i.e., the purchase order, payment transaction, liability offset, etc. and gives the status (action code) of the document. Accordingly, it is important to know the meaning of the document numbers from the 33 screen and the action codes from the D44 screen (listed in the instructions for Screen 37, document tracking).

The OSVP system is able to search for vendor payments using any one of the following pieces of information: name, document number, vendor number (without prefixes, i.e., social security and federal identification numbers) and check number.

The OSVP system is also capable of searching for vendor payments within set parameters, such as: paid or unpaid payments, date ranges, purchase order numbers, invoice numbers, payment dates, payment amounts, payment distribution types, and by payment status.

To find the TIN when you have a name only - Instruction for Vendor Alpha Inquiry (Screen 3A):

In the Vendor Alpha Inquiry screen, you will need to enter the following information.

1. Key an A (for agency) or a S (Statewide) in the Select Vendors from field.
2. Enter the vendor name in the Search Name Field.
3. Press enter.

A listing will appear, showing Vendor Number/Mail Code, PDT (Payment Distribution Type), status (A for Active and I for inactive) Vendor name and street address.

RAPI

RAPI / R*STARS ARCHIVED PAYMENTS INQUIRY

When researching old vendor payments, i.e., payments not found on-line in R*STARS, RAPI can be used. Once payments are no longer in the R*STARS system, i.e., after the yearly archive of data greater than one full fiscal year old, they will be held in RAPI for five years and then dropped.

RAPI can be accessed from the R*STARS main menu by selecting F7 OSVP (Payment Processing Menu) then F8 R*STARS RAPI Archived Payments Inq. RAPI may also be accessed from any R*STARS screen by keying in RAPI in the LINK TO field, this will take you to screen Q533.

You can enter the TIN or BATCH AGENCY number with either the WARRANT, VOUCHER or INVOICE; **or**, you can enter the TIN number, date range and W/D (Payments or Documents). Please follow the prompts at the bottom of the screen for any additional information.

R*Stars Screens:

Screen 85 for vendor transaction inquiry may be used, or Screens 37 or 86 may be used for document transaction inquiry. If you do not know the vendor number, i.e., the TIN, you may use Screen 3A, Vendor Alpha Inquiry. Fill in the search name field, and the system will list all R*Stars vendors' vendor numbers and mail codes that at a minimum start with the listed letters. Use S for Statewide. (Note the status, ST, gives whether the mail code is active or inactive). GAD has put the state agencies' number, for example, M00, as a search name field for the State's TIN, 526002033.

There is a "toggle" between the 52 and 51 profiles. Pressing F4 on either profile will take the user to the other screen. ANY mail code on 51 will toggle to the 52. The 52 screen

will toggle to mail code 000 ONLY!

If you do not know the document number you may use Screen 85, Vendor Transaction Inquiry or **OSVP**, One Stop Vendor Payment Inquiry. The 85 Screen will tell you if the invoice has been posted into R*Stars and the date that it was created; if the vendor's invoice has been paid, it will give the payment number and date. OSVP lists all vendor transactions and their status.

INSTRUCTIONS: VENDOR TRANSACTION INQUIRY (SCREEN 85):

In the "link to" field, key in 85. This is the Vendor Transaction Inquiry Screen; you will need to enter the following information.

1. Vendor Number (with prefix)/Mail Code. (Mail code is optional.)
2. Financial Agency Code.
3. Doc Type (i.e., D5, V5, VZ).
4. Invoice Number is optional
5. Record Type will be A (active).
6. Press Enter.

If the payment that you are looking for is not there, change RECORD TYPE to I (inactive) and follow the above instructions. If payment was made on a Purchase Order, you can go into ADPICS SCREEN 1490 to see if any payments were made against the Purchase Order. This will give you a document number, then look for Invoice Number and dollar amount. From this screen, you can link to the 37 Screen to view the status of the transaction.

If you can not find the invoice you may need to have the vendor send you another copy so that you can research it. Remember that before sending a copy of an invoice to the General Accounting Division for payment, you must do the research to be sure that this is not a duplicate payment. The copy of the invoice must be certified that payment has not previously been made.

If you know the Document Number you will be able to find the payment, payment number and date processed by using one of the vendor inquiry screens. The instructions for using these screens follow.

INSTRUCTIONS: DOCUMENT TRANSACTION INQUIRY (Screens 86 & 84)

The 86 Screen is the Document Transaction Inquiry Screen. The 84 Screen is the Accounting Event Record Inquiry Screen.

To locate the payment number of a document use the following steps.

1. In the “link to” field key 86, press enter.
2. Key in your financial agency code, document number and fiscal year, press enter.
3. The transaction line or lines for that document will be listed. The payment number will be under the payment # heading.
4. For more detailed information, select the line that you need and press F2. This will take you to screen 84 (accounting event record inquiry).
5. Find PMT-NO: (payment number) and date that the payment was made. This information is located half way down the screen on the left.
6. If PMT-NO is blank please check the payment due date, or Screen 37 to be sure payment was processed.

Payment Number Description

0xxxxxxx = Check Number
5xxxxxxx = (ACH) Wire
Xxxxxxxx = Fed Wire

INSTRUCTIONS FOR DOCUMENT TRACKING INQUIRY (Screen 37)

To view a document’s history use the 37 Screen, the Document Tracking Inquiry Screen.

1. In the “link to” field key 37, press enter.
2. Key in batch agency code, document number and fiscal year, press enter.
3. The list of action codes will tell you where the document is in the payment processing cycle:

123	Ready to transmit
456	Transmitted to GAD
700	Received at GAD/ready for pre audit
708	Pre Audit file system assigned
750	Approved by GAD
600	Full pay action code (When check/ACH is generated)
702	Rejected, not accepted by GAD
710	GAD Hold
720	GAD reject pending
730	GAD accept - Recover pending reject
727, 728	GAD Reject, final
588	Change
388	Deleted

INSTRUCTIONS: SINGLE PAYMENT INQUIRY (SCREEN 44):

With access to the 44 screen, payments can be looked up, by the payment, i.e., check, number. The accounting distribution and check status information are included on this screen.

DAFR 7930 VENDOR PAYMENT DETAIL BY VENDOR TIN NUMBER

This report is accessed thru VIEWDIRECT VIEW/PRINT REPORTS.

You may research payments for your Batch Agency for a fiscal year and month. Once you have entered into VIEWDIRECT and have selected the report that you need, you may find vendor payments for your batch agency by selecting the month needed from the report Version Screen and press enter. Select report needed from the Report Section Index screen and press enter. After you locate the month that you need, KEY into the COMMAND field F space and the TIN # (F 526002033) press enter. The system will search the report for your vendor number.

General Accounting Division will run the report Statewide on a monthly basis and at year end. Agencies can access their batch agency.

DAFR 7920 - VENDOR PAYMENT DETAIL BY VENDOR NAME.

This report may be accessed thru VIEWDIRECT: VIEW/PRINT REPORTS. You may research payments for your Batch agency by fiscal year and month. General Accounting Division will run the report Statewide only based on agency request. Agencies should call GAD to have this report run.

PAYMENTS CAPTURED BY LIABILITY OFFSET (State or Federal)

There are three things that can happen to a payment that has been captured by Liability Offset. First, the entire amount may be applied to the outstanding balance of the vendor's debt account (the agency invoice is considered paid to the vendor). Second, the entire amount that was captured is released. Third, the vendor may have set up a payment plan with liability offset where liability offset transfers part of the money to pay a tax liability and releases the balance to the vendor.

An agency can determine if a payment has been captured by Liability Offset by using R*STARS screens 86, 84, & OSVP (instructions found in Procedures for Payment Research, R*STARS Screens, above). On screen 84 in the payment number field there will be a Liability Offset document number beginning with LO (state offset) or LF (federal offset); this also appears in OSVP.

Once it has been determined that a payment has been captured by liability offset, agencies can go into R*STARS' One Stop Vendor Payment Menu (OSVP) to research further action for this payment. Agencies should key "OSVP" in the "link to" field and select screen S002 Vendor Document Details. See above for more directions on OSVP. On this screen, key the Financial Agency, document number and the vendor TIN number and press enter. The Vendor Document Detail screen will show your document number with a status code (ST) of 750 and a LR or LG-----document number (Liability Release). The status will be 600 action code indicating that the payment, either in full or partially, has been released and paid. Transfers for payment of taxes are not shown.

Agencies can also check VIEWDIRECT by looking at the DAFR 4050, Notice of Vendor Payments Held. These are letters created to notify the vendor which invoices were captured. Any other information needed by the vendor or the agency must be obtained from the Comptroller's Compliance Division Liability Offset. For payments that were captured for Federal liabilities, agencies can view the DAFRP07B, Federal Offset Vendor Notification Letter, a copy of which was sent to the vendor. For questions, the vendor will need to contact the federal agency with the information on the letter. Vendors may also call GAD's liability offset section.

ONE STOP VENDOR PAYMENT INQUIRY (WEBSITE FOR VENDORS):

Agencies may also access the One Stop Vendor Payment Inquiry (OSVPI) on the General Accounting Division's web site at

<https://interactive.marylandtaxes.gov/extranet/gad/GADLogin/login.asp>. Agencies must submit a Security form requesting access to the OSVPI using user class 90. These forms must be mailed to Security Services at the Department of Information Technology. When Security is received the agency can go to the web site and follow the step-by-step instructions for first time users, using their R*Stars logon ID as the TIN number to register.

Agencies can then view their paid and unpaid payments processed to vendors. If in the unpaid payments there is a 750 Offset under the Status column, this means that Liability Offset captured this payment. To see if the payment was released, you can go to the Paid screen, look for the amount (or time frame) and click on the check number. This procedure will give you the Agency code of E05 / E00 and Liability Release (LR, LG) document number. It will also reference your agency and original document number. The Federal Offset Notification letters are available here for viewing by the vendors.

In order to minimize phone calls, agencies should encourage vendors to use this website to see the status of their payment.

3.1.27 Security of Confidential Information

Maryland State Government Article 10-633 requires each unit of State government to have a records management program which includes the security of records. Additionally, the Department of General Services Records Management Division's Records Management Handbook provides guidance to State agencies concerning records security, retention and disposal.

Access to Social Security numbers should be restricted to extent practical in the circumstances. Management should be aware and periodically review the list of individuals in their agency that are assigned access to confidential information, including social security numbers. Only those individuals who require access in order to perform their job functions should be given access to confidential information. In addition, the procedures for storing and disposing of this sensitive information should be reviewed and evaluated. Documents containing personal information should be stored in locked cabinets or areas not accessible by individuals who do not need to have access. Reports containing private information should be shredded when discarded.

3.2 Cash Receipts

3.2.1 Cash Receipts - Deposit

All receipts must be deposited intact in State Treasurer designated banking institutions, to the credit of the "State Treasurer of Maryland." Receipts must be deposited no later than the first working day after the day of receipt; however, the preferred method is to deposit receipts on the day received, especially when large amounts are involved. If the agency uses an armored transport service to deliver receipts to the depository institution and it is impracticable to assure arrival the day after receipt, receipts are required to be transferred to the carrier no later than the first working day after the day of receipt. In this case, the carrier must be bonded by a company approved by the Maryland Insurance Administration. The only agencies exempted from this policy are those that collect nominal amounts of receipts and due to their location and/or lack of personnel cannot make daily deposits. Nevertheless, these agencies must make deposits at least weekly or whenever receipts accumulate to \$5,000.

Receipts should be entered in R*STARS using Screen 504 with Batch Type 2 or by an interface. State agencies making deposits with a bank deposit slip are required to complete the deposit reference number in the Document Number field for R*STARS, i.e., the first two digits are the document type, DT, followed by the six digit deposit slip number.

The State Treasurer has established several deposit procedures to be followed by State agencies. These procedures are briefly discussed in the following paragraphs. Specific questions concerning these procedures and banking in general should be addressed to the State Treasurer's Banking Services Section listed in the State's telephone directory.

State agencies are required to record cash receipts in R*Stars within two business days of the deposit. The agency specific Depository Plus deposit slips must be used. These deposit slips contain a five digit ticket number which must be preceded by a 0 and used as the Deposit Reference Number (DRN) or Document Number in R*Stars. To facilitate STO's deposit match process, cash receipts entered in R*Stars must have a document date equal to the actual bank deposit date. The batch date represents the date of the batch, and the effective date represents the appropriate date and fiscal period the transaction should be posted to in R*Stars. All deposits are to be made to the agency's depository plus account, except for a few agencies, which may use correspondent banks due to the non-accessibility of the State's main depository bank. Those agencies should contact the Treasurer's Office for specific instructions.

Agencies will normally make deposits of coin, currency, checks and other negotiable instruments, such as money orders, at a branch bank. Many large agencies, however, utilize the special centralized facilities of the State's main depository bank in order to expedite the availability of funds to the State.

3.2.2 Electronic Funds Transfer (EFT) Deposits

An increasing number of State receipts are accomplished electronically. EFT is the movement of funds electronically. The EFT may be accomplished via the automated clearing house (ACH) network, or by wire transfer (FED WIRE), which is the real-time system for funds transfer operated by the Federal Reserve System. Credit card and lock box receipts are credited to the State electronically on a daily basis. Agencies do not prepare deposit slips for EFT receipts, nor do they prepare Certificates of Deposit for EFT receipts. The Treasurer's Office Courtesy Deposit System obviates the need for agencies to prepare deposit slips and Certificates of Deposit for EFT receipts. The Treasurer's Office will report these receipts on a daily basis to the General Accounting Division for credit to the applicable agencies. Agencies are required to submit Courtesy Deposit Registration forms to the Treasurer's Office for their EFT receipts. The Treasurer's Office will utilize the registration forms to properly classify EFT receipts in the State's accounting system. The Treasurer's Office will also furnish the agencies with copies of the courtesy deposits for maintenance of their administrative accounting systems.

3.2.3 Cash Receipts - Accounting

An expenditure reduction should be recorded only when the amount received represents the recovery or refund in whole or in part of an expenditure made in the *current* fiscal year. This includes the sale of used motor vehicles, office equipment, etc., when the amount received is in lieu of a trade-in allowance. Refunds of *prior* year expenditures should be reported as general fund revenue, unless the receipt should be returned to the federal government. Fees and other charges for services, as provided by the Legislature, must be recorded as revenues to the appropriate fund. Other receipts, such as sales of

surplus equipment or furniture, scrap metal or junk, waste paper, hides, bones, grease, rags, wood and similar items; receipts from rental of facilities such as gymnasium, music room, cafeteria, or auditorium; and other incidental revenues must be deposited in the State Treasury and reported as *General Fund Revenue*. The only exception to this procedure is where the receipts are derived from *sales* or *rentals* of items and facilities which were purchased or supported by agencies whose appropriations are *wholly* supported by Special or Federal Funds. In these cases, receipts should be deposited in the State Treasury and distributed to the respective Special or Federal Fund account as attainment revenue.

However, items such as “commission on public telephones,” should be applied to General Fund Revenue by all agencies, regardless of the source of revenues funding their appropriation, unless approval is obtained from the Board of Public Works to apply them otherwise.

Commissions from vending machine operations must also be deposited as General Fund Revenue unless an exemption is granted in specific instances. Under no circumstances are such revenues to be used to fund employee activities of any nature.

All receipts representing returned and undelivered salary checks, or return of salary paid, must be reported to the Central Payroll Bureau so that appropriate adjustments affecting the employee’s tax withholding records may be made.

Receipts of trust-related activities should be recorded as an increase to accounts payable. Collections of accounts receivable established in R*STARS during the year should be recorded as a decrease to the account receivable.

3.2.4 Chargeback Account

STO’s banking contracts require agencies to receive R*STARS credit for the actual listed amount of each deposit. Failed deposits and other corrections to agency deposits will be recorded in R*STARS by STO based upon bank notifications. The R*STARS program designation “099” for each State agency will be used to record these adjustments. Depending on the volume of agency deposits, failed (chargeback) deposits and other bank debits/credits may be returned directly to the depositing State agency by the bank. In all other cases, STO will return the bank debits/credits to the original depositing agency. The STO will debit/credit the “099” account for all bank corrections. The agency should do a journal entry moving the amount from the chargeback account to the account where the deposit was originally posted.

Additionally, Courtesy Deposits prepared by the STO lacking an up-to-date Courtesy Deposit Registration Form will be coded to a default program, generally program 001, by Financial Agency, using the PCA number, 99DEP.

3.2.5 Receipt of Cash Security

COMAR Section 21.06.07.01.C provides that when a vendor or contractor elects to use cash as security for a bond, GAD or its designee may receive the cash security. GAD has designated the State agency entering into the contract to receive the cash security subject to the requirements of COMAR.

Upon request of the agency, GAD can set up the PCA, Program Code, Appropriation Number, and Object from which appropriations can be made. The profiles will be established in non-budgeted funds. The PCA can be used to post revenue and expenditure transactions. If the cash receipt is recorded as a revenue, the agency should use Transaction Code (TC) 190, Document Type DT and Batch Type 2. The agency is advised that if a revenue is recorded and not entirely returned to the vendor or contractor, it should be reclassified as a liability at fiscal year-end or reported on the appropriate GAAP closing schedule.

If instead of recording a revenue, the agency prefers to record the cash deposit as a liability, TC 165 and Document Type DT can be used. When making the payment, use TC 249 and Document Type VZ.

3.3 Cash Transfers

In addition to the usual receipt and disbursement transactions, there are those which occur between State programs and between agencies for which an accounting is required, but the creation of a check is not. These transactions are recorded as cash transfers (general ledger account number 0062). All Cash Transfer transactions must be entered as edit mode "0" or "1," because all cash transfers transactions are posted during the nightly batch cycle. In order to process a cash transfer document, the net effect on cash for all error free transactions must be zero. Otherwise, all transactions in that document will be rejected.

One option available for posting cash transfers is to use batch type G. The Companion Transaction Entry Screen 509 will become available. This screen allows only one transaction amount and requires accounting information for the charge and the credit to be entered on the screen. It also edits that the TC codes used for the charge and credit will result in a net effect of zero on cash.

3.3.1 Interagency Adjustments

Financial Agencies may only process transactions that increase cash of another Financial Agency, with the exception of certain control agencies. Therefore, the agency being charged (the agency who is posting a credit to cash transfers) must process the cash

transfer document. The billing agency must provide all the accounting information necessary for the billing agency to be credited so the charge agency can enter that information as part of the cash transfer document.

The charge agency may use either ADPICS or R*STARS to record an interagency adjustment. The charge agency can use either the voucher or the direct voucher screens in ADPICS, as long as the appropriate interface type (IR, IC) is selected. (See detail instructions in the ADPICS manual.) The charge agency must also input a “Y” in the interagency field on the invoice header screen. Cash transfers post in the overnight batch cycle.

3.3.2 Cash Transfer Edits

In order for a cash transfer document to be processed, all transactions in that document must be free of any error conditions. To avoid error conditions, especially errors resulting from over-expended appropriation balances, agencies should process cash transfer transactions without “R” Reverse codes. Transaction codes that debit cash transfers will post ahead of the transaction codes that credit cash transfers, regardless of the sequential order they appear in a document. However, that is not the case when the same transaction code is used and one of the entries has an “R” Reverse code. In that situation, the transactions will post in the same sequential order as they appear in a document.

3.4 Revenues

3.4.1 Accrued Revenues

Agencies should either use the accounts receivable system to record their receivables or record an accrual at year end to accrue the amount of revenue that is both measurable and available to liquidate liabilities within 60 days. If the balance of the receivable at year end is greater than the amount expected to be received within 60 days, then an allowance for doubtful accounts should be created for the amount of the difference or a long term receivable should be recorded. Also, any receivables transferred to CCU should either be written off or fully recorded with an offset to the allowance account.

3.4.2 Federal Revenue

Schedules G and G-1

U.S. Office Management and Budget (OMB) “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” (Uniform Guidance) establishes uniform audit requirements for non-Federal entities that administer Federal awards and implements the Single Audit Act Amendments of 1996. Each year the independent auditors will perform the audit on Federal grants and submit the Single

Audit to the Federal Audit Clearinghouse (FAC).

Uniform Guidance also applies to sub-recipients of Federal awards. The pass-through entity has many responsibilities for Federal awards made to sub-recipient entities. Each pass-through entity should be aware of the provisions of the Uniform Guidance and its responsibilities to sub-recipient entities.

Each year at closing, the General Accounting Division will forward a Schedule G to State agencies reporting Federal awards during the previous fiscal year. This schedule will include the beginning accounts receivable balances of the various grants for the current fiscal year. The beginning balances are equal to the final balances reported to the Federal government at the end of the previous fiscal year. Agencies should complete the schedule showing the activity for the fiscal year being closed (including any new grants received during the year) and forward it to GAD. The reconciliation form must be completed after closing adjustments. Reconcile the total balances of Federal fund expenditures and Federal fund accounts receivable recorded on the Schedule G to the Federal fund balances recorded in R*Stars on the DAFR G100.

In addition, agencies need to be aware of the revenue objects that roll up to major object 1100, Reimbursement from the Federal Government. All fund 0005 revenues should be recorded to comptroller objects 8829, 8832, 8835, 8838, 8841 or 8844 unless there is a specific reason not to do this. If there is, GAD should be advised so that we can determine if a GAAP adjustment needs to be made at year end.

COFAR Uniform Guidance, paragraph 200.510, effective Fiscal Year 2016 requires auditees to identify separately “the total amount provided to sub-recipients from each Federal program.”

A Maryland State agency passing through Federal awards to sub-recipients should identify the amount of the expenditures by CFDA number on Schedule G-1. Identify the sub-recipients as another State agency, political subdivision or other entity in the Description.

Federal Grant Application Process

When applying for a grant at the Federal government's website, **grants.gov**, state agencies must register online at the System for Award Management's (SAM) website www.sam.gov, using their DUNS number.

When initially registering through SAM's online registration or updating a registration, agency personnel should provide the following information in the following critical fields:

Taxpayer Identification Number (TIN): There is an edit in SAM that matches the name in the IRS's database with the TIN and name provided by the agency when registering. One of the "Core Data" fields that must be completed during the registration process is the "Business Information" which requires the State's TIN, name and address. If this information does not match the IRS's information, the agency will not be allowed to apply for the grant. Accordingly, the following information is the information as it is in the IRS's database.

The State's TIN: 52-6002033
Name Line One: Comptroller of Maryland
Name Line Two: Central Payroll Bureau
Address: P.O. Box 2396, Annapolis, Maryland 21404

Commercial and Government Entity (CAGE) Code: This code is a five-character ID number assigned by the Federal government's Department of Defense Logistics Agency (DLA). The CAGE Code provides a standardized method of identifying a given legal entity at a specific location. You do not need to have a CAGE Code when the agency's registration is submitted for processing. Information will be routed to DLA for CAGE Code assignment. Once the CAGE Code has been approved, it will be sent back to SAM and added to the registration.

ABA Routing Number and Account Number: The agency's unique Depository Plus account number provided by the State Treasurer's Office should be used.

The Electronic Business Primary Point of Contact (and the Alternate). These are the individuals that receive, via e-mail, requests for approval of changes to the screens in SAM. Because the State's bank account number is a required field and the Federal government intends to use this information for the electronic funds transfer of grant awards, the finance department should have responsibility over these grant applications. Accordingly, the primary point of contact should be the agency's Chief Financial Officer or similar financial individual responsible for the agency's accounting of receipts and expenditures.

3.5 Recurring Transactions Index Profile

The recurring transaction profile (Screen 550) is used for the following:

- 1) To establish entire transactions identified by "Trans No" which can be generated automatically with the use of the 93 recurring transaction request profile. RTI is not a required field when used for this purpose (batch process).
- 2) To store coding block information that can be recalled during on-line data entry by entering an RTI. One RTI can represent multiple Trans Nos. (on-line process).

3) To establish funding splits that can be used on-line during data entry or batch IEU by establishing multiple Trans Nos. for a single unit.

4) To establish coding blocks that are used by certain batch processes such as backup withholding and tax offset to build generated transactions. The RTI is looked up by each program on the D54 system parameters' table where ID='RTIK.' Recurring transactions will fill in certain fields that might need to be cleared before entering the next transaction.

3.6 Encumbrances

Encumbrances include purchase orders, approved contracts (by DBM) and other legally binding obligations and should be recorded when a valid obligation exists (i.e., awarded and vendor notified). The agency control profile (25) determines whether encumbrances are included in the agency budget calculations. Encumbrances are included in the calculation of the encumbrance basis budget and the encumbered-cash available shown on the appropriation financial inquiry screen (62).

Encumbrances through R*STARS (for agencies not in ADPICS):

To enter encumbrance transactions in R*STARS, an agency uses the following transaction codes: 203 to establish an encumbrance, 205 to increase an encumbrance, 208 to decrease an encumbrance and 206 to liquidate or cancel an encumbrance. Valid document types and batch types can be viewed on the 28B Trans Code Description profile.

Encumbrances through ADPICS: See ADPICS Manual.

Encumbrances in R*Stars for year end only. This entry is normally needed for capital projects in budgeted funds that should not revert. Agencies may use transaction code 808 to post an encumbrance in R*Stars that is not interfaced from ADPICS and is created only for closing the fiscal year. This transaction is automatically reversed in the next month, i.e., the new fiscal year, using transaction code 818, (which then gives this document a zero balance.) If the document that is posted with this transaction code needs to be adjusted, transaction code 810 may be used. However, prior to adjusting the transaction, the user must first adjust the reversing transaction, i.e., the 818 TC by posting an 818R to re-establish a balance in the document. Then, a correcting entry may be posted using the 810 TC.

3.6.1 Monthly Reconciliation / Encumbrances

Agencies should review and, or, investigate open purchase orders' balances and status in ADPICS. After completing the review, agencies should compare the ADPICS open PO report (PCHR212) with the R*STARS encumbrance status report (DAFRD100 and the

DAFR6050). The agency should investigate any differences between the ADPICS and R*STARS reports and take appropriate action to resolve the differences.

Agencies should carefully liquidate all prior year encumbrances at time of payment. Otherwise, the encumbrances will have to be canceled, since the payments will create deficit balances if the encumbrance is not liquidated.

3.6.2 General Fund Encumbrances, Reversion Policy

Reductions to General Fund encumbrance balances for prior years that are not the result of payments to vendors will result in an automatic cancellation, in the amount of the encumbrance reduction. Specifically, this policy affects transaction codes 206, encumbrance cancellation, 208, encumbrance decrease and 211, encumbrance without document support decrease, when these transactions are posted to a General Fund encumbrance for an Appropriation Year that is not the current fiscal year. When these conditions occur, a cancellation of that appropriation year's appropriation balance will be generated for the same amount in the next batch cycle for the affected appropriation number, i.e., program, using transaction code 006.

3.7 Inactive Accounting Event Records

Once records are moved to the inactive accounting event file, they will be available for reports only when FMIS makes the records available. Since the reports contain detail transactions, their unlimited availability would reduce reporting efficiency. The following is a list of reports subject to limited availability. Agencies should check with FMIS to obtain a schedule of availability. When requesting a report from those listed below, the report frequency on Screen 91 should be the appropriate batch cycle date (mmddyyyy), and the frequency control should be 'S'. The reports affected are:

DAFR7400 DAFR8650
DAFR7410 DAFR8680
DAFR7470 DAFR8920
DAFR7480 DAFR9200
DAFR7500 DAFR9210
DAFR7550 DAFR9220
DAFR7640 DAFR9230
DAFR7650 DAFR9240
DAFR7670 DAFR9250
DAFR7810 DAFR9320
DAFR7820 DAFR9340
DAFR7830 DAFR9750
DAFR8240 DAFR9760
DAFR8390 DAFRD100 series

DAFR8500 DAFRD200 series
DAFR8510 DAFRT100 series
DAFR8540 DAFRT200 series

The documents will be available for on-line viewing by changing the status on the 91 screen from A (Active) to I (Inactive).

3.8 Appropriations

The State Budget Bill provides six (6) methods of funding appropriations, i.e., General Fund, Special Funds, Federal Funds, Reimbursable and Higher Education, Current Unrestricted and Current Restricted Funds. Agencies funded by the General Fund can expend their appropriation to the extent of the total amount appropriated since General Funds are used to finance most ordinary operating expenses of the general State government and become immediately available.

Special, Federal Fund and Higher Education, Current Unrestricted and Current Restricted appropriations, however, can only be expended to the extent that an agency realized revenue sufficient to fund the appropriation. In most instances, if revenue in these funds exceeds the amount appropriated, the Budget Bill provides that amounts in excess of the original appropriation may be available by budget amendment procedures. (See State Finance and Procurement Article, Title 7, Subtitle 2.)

Reimbursable Fund appropriations can only be expended to the extent that an agency has billed and subsequently received reimbursement from other State agencies. These appropriations are recorded in R*STARS in a separate fund. Expenditures should be recorded at the various sub-object levels for which an appropriation has been provided. Reimbursements from State agencies must be recorded as an increase to revenue object code 9459 (Reimbursable Fund Collections). Agencies must constantly determine that their billings for reimbursements are equal to or greater than the expenditures reported in R*STARS.

As part of the monthly reconciliation, agencies should review the DAFR5990, Over-expended Appropriations Report, for all fiscal years, which lists any appropriation number that has an over-encumbered appropriation balance. An appropriation edit has been set in R*STARS which will not allow cash expenditures plus accrued expenditures to exceed the total appropriation available for an appropriation number, fund and appropriation year combination. Adding unliquidated encumbrances to those expenditures may cause the total appropriation available to be a deficit (over-expended) balance during the fiscal year, because the system does not edit for this condition. However, the total of cash plus accrued expenditures plus encumbrances must not exceed the total appropriation available at the close of a fiscal year. **Note**, payroll charges will post whether or not there is available appropriation, and agencies must properly clear any deficit balances caused by these charges.

Any encumbrances forwarded to the next fiscal year are identified by an AY (Appropriation Year) code, which corresponds to the last 2 digits of the fiscal year when that appropriation was authorized. It is specifically requested that all encumbrances, regardless of fund source, be liquidated by September 30th of the succeeding fiscal year. Renewals of obligations are subject to review and approval of the Department of Budget and Management at the close of each fiscal year.

In accordance with state policy on over-expenditures of state appropriations, “no disbursement will be made on an agency’s behalf unless there is a specific appropriation available as shown in the State’s central accounting system (R*STARS).” Therefore, whenever any expenditure charge would result in an over-expenditure of an appropriation, such charge will not be paid. If an error exists, agencies should take corrective action promptly. If an error does not exist, the General Accounting Division must receive a budget amendment with the governor’s approval before additional expenditures can be recorded to an account that is over-expended.

At the end of a fiscal year any excess Special Fund attainment may become part of the fund balance and will be forwarded to the succeeding fiscal year if retention is permitted by law or other authority. The balance that is forwarded to the succeeding fiscal year becomes immediately available to fund the appropriation of the new year. In the event retention is not permitted, then a cash transfer must be made to the General Fund. When special funds of one program are used as a revenue source in another program, periodic cash transfers should be made to cover the expenditures and minimize a misstatement of cash in the program.

Debt Service Fund accounts are not used by any agencies, except the State Comptroller and the State Treasurer.

Capital Projects Fund accounts are funded primarily from bond sales and any unencumbered appropriation balances do not routinely revert at the end of a fiscal year.

Non-Budgeted accounts are cash accounts, since there are no appropriations within this fund.

3.9 Refunds

A refund consists of a return of a payment made to the State in error, in excess of the amount due, or for any other reason, which requires the State to give back money collected. The agency/appropriation number/fund/revenue object combination used originally to record the receipt should likewise be used to identify the refund. The effect of the receipt entry is to increase cash and revenue, and the effect of the refund entry is to decrease cash and revenue – the expenditure account not being affected.

3.10 Expenditure Reductions

Occasionally, when recording disbursements, an incorrect charge may be made, a payee listed incorrectly, a duplicate payment made, a check requested for an incorrect amount, etc. Recoveries of these incorrect charges are handled as expenditure reductions, thus permitting the agency to again expend these amounts.

An expenditure reduction consists of a return of a current fiscal year expenditure made by the State in error, in excess of the amount due, or for any other reason, which requires repayment to the State. The agency/appropriation number fund/expenditure object combination originally used to record the original expenditure should likewise be used to identify the receipt. However, if the expenditure reduction consists of a return of a prior fiscal year expenditure, then an increase to revenue must be recorded. The effect of the disbursement entry is to decrease cash and increase expenditures, and the effect of the receipt entry is to increase cash and decrease expenditures – the revenue account not being affected for current fiscal year entries. See also, Section 3.1.24, Check Cancellations.

3.11 Monthly Maintenance

State agencies need to perform various monthly functions. Each month, by the 15th of the month, agencies should close the month on the 25 Screen, Agency Control Profile. GAD will normally close the months statewide on the 97 Screen, System Management Profile, on the morning of the 16th. However, General Fund revenue will be closed to transactions for all agencies on the morning of the fifth working day. Once the month is closed, the agency should run their monthly reports and retain them for research purposes.

Agencies should verify that all transactions with an effective date for the month, except for vouchers payable transactions that are awaiting a due date, have been final posted. Agencies can use the 530 Screen or the QAFR7220 Report to see which transactions have not gone to history. Batch headers listed on the 530 Screen with a status of “H” have transactions within the batch that are on hold and must be corrected and released or deleted. Batch headers with a status of “A” have transactions within the batch that need final approval to go to history. Agencies should also perform the reconciliations discussed in Sections 3.6.1 Monthly Reconciliation/Encumbrances and 3.8 Appropriations.

3.12 Advances

The State Comptroller may determine that certain purchases should be paid for directly by certain State departments or agencies in order to accomplish prompt payment and also for the purpose of providing agencies with working fund cash (reference State Finance

and Procurement Article, Sections 7-216, 7-218 and 7-220).

Accordingly, the Comptroller may warrant an advance for such sum or sums of money out of any appropriation standing to the credit of such State departments or agencies. These advances in most instances represent cash charged to the State's general fund balance to the credit of the agency. Advances required for other than general fund purposes are charged against an agency's cash balance in the State Treasury.

Advances will not be approved for loans, pre-paid expenses, or if the payment can be made using the transmittal payment process.

Permanent advances are made to an agency for the purpose of establishing working funds or imprest accounts, which may be used for travel or petty cash and are retained, by the agency for an indefinite period of time.

Temporary advances are usually made to any agency for establishing temporary working funds or imprest accounts; to temporarily increase a permanent working fund or imprest account; or for other purposes of a temporary nature and must be returned to the State Treasury immediately after the purpose has been accomplished.

All advances are charged to the agency on the accounts of the Comptroller, and the agency is held strictly responsible for the safekeeping and accountability of advances from the State Treasury. The agency's fiscal officer, to ensure that the funds are being properly managed and that excess funds are returned to the General Accounting Division, must periodically review advances. Requests for permanent increases to existing working funds/petty cash accounts must be supported by an analysis of the account. Contact the General Accounting Division, Administrative Services, for instructions on completing this analysis.

Requests for temporary "salary" advances are permitted to employees for any payroll incidents in which the employee has not been paid the amount earned. Salary advances should not be for an amount exceeding net pay or 60 percent of gross pay for the pay period. When the employee receives their first check, they must sign it over to the agency. The agency should then reimburse the employee for any excess over the amount advanced.

Requests for temporary advances for "Travel" must also include a certification or statement from the agency's fiscal officer that the agency has complied with DBM standard travel regulations.

In order to facilitate the processing of advances, all requests must be in writing – setting forth the need and justification for the advance. Each request must contain the following information, and the agency representative signing the request must have a signature card on file with the General Accounting Division authorizing requests for advances.

Requests may be faxed to the General Accounting Division.

- Date advance is required;
- Whether the requested advance is Temporary or Permanent and if temporary, the date by which the advance will be returned;
- The requesting R*STARS batch agency Title and three character code;
- The requested payee name;
- How the amount requested was calculated;
- The detail purposes for which the advance will be used;
- The full accounting distribution (financial agency, PCA, and fund code and amount) to be charged;
- If the advance is to be made by check, whether the check is to be held for pickup or the address for mailing;
- The authorized signature of the requesting agency representative;
- Certification or statement that DBM and/or CPB regulations have been followed;
- If the advance is for the purpose of establishing a working fund and requires a special bank account, a State Treasurer's Bank Account Information System: X-1 Request Form, must be attached, or if the purpose is to increase a working fund, the bank name and account number must be listed; and
- If the advance is to be made by electronic funds transfer (EFT) or for a foreign currency transfer (FCT) the following additional information is required:
 - The R*STARS vendor number indicated on your agency's previously approved Electronic Funds Transfer Request Authorization Form (GAD X-9) for both EFT and FCT payments, and
 - Whether the EFT is to be made via ACH or Fed Wire for EFT payments only.

Advances should be requested by an Agency's Fiscal Officer having a signature card on file in the General Accounting Division authorizing advance transactions. The requester/Agency fiscal officer is responsible for the advance regardless of who is named as payee on the advance check. It is extremely important that travel and salary advances are coordinated with the Agency's payroll procedures to ensure the timely repayment of the advance.

A minimum of three working days is required to prepare an advance check. Agency working fund advances will be made payable to the "State agency name – working fund". Petty cash advances will be made payable to the "custodian and petty cash fund." These same rules will apply when requesting a reimbursement of an agency working fund or petty cash fund via the transmittal payment process.

Advances may be returned either in check form or through an R*STARS entry. Advances returned in check form should be made payable to the "Comptroller of Maryland" and must be accompanied by a transmittal letter identifying the financial agency, PCA and fund to be credited. Agencies may also return an advance by depositing a check into the State Treasury and submitting a confirmation to the General Accounting Division. GAD will record the adjustment and credit the agency for return of the advance.

Advances are accounted for by the General Accounting Division by financial agency PCA and fund; therefore, all correspondence concerning advances, i.e., Requests, Corrections, and Return of Advances must reference the appropriate accounting codes. Agency advances will be reflected on the agency's R*STARS reports.

Write-offs of Agency Advances – The following procedures are in effect regarding the write-offs of advances:

- A loss resulting from theft – shall be reported to local or state police or appropriate special police official assigned to the facility.
- Claims shall be made through the State Treasurer's Insurance Trust Fund – or commercial carrier.
- A loss where a specific debtor can be identified shall be referred to the Central Collection Unit.
- Losses (\$10,000 and under), not covered by insurance or transferred to the Central Collection Unit, shall be submitted to the Comptroller's Office (General Accounting) for approval; and

- Losses (over \$10,000), not covered by insurance or transferred to the Central Collection Unit, shall be submitted to the Board of Public Works through the Department of Budget and Management for approval.

Written notification of write-off approval, from either the Central Collection Unit, the Department of Budget and Management, or the General Accounting Division, will serve as official authorization to support an agency transmittal request to the General Accounting Division to restore the working fund by charging existing appropriations. Under no circumstances should an agency charge its appropriation until the write-off is approved. Agencies should also refer to the Budget and Management Manual for further clarification on this subject.

3.13 Petty Cash and Working Funds

To provide a more effective control over Petty Cash Funds and Working Funds, State agency personnel will ensure the following:

- That all disbursements made from working or petty cash funds are for the purpose for which the fund was authorized and comply with established State regulations.
- The working or petty cash fund will be in the sole custody of one specific employee.
- The agency will ensure that bank accounts containing Comptroller issued working funds contain only funds relating to such advance(s).
- The working or petty cash fund should be reimbursed in a timely manner and the Payment Due Date entered in R*STARS must be the date of the transmittal.
- The working or petty cash fund will be maintained on an imprest basis.
- Final reimbursement of the fund as of June 30th of each year is mandatory. Working funds and petty cash funds must be reimbursed at fiscal year end to charge the correct fiscal year on the Comptroller's records.
- Working funds and petty cash funds must be reconciled to R*STARS and the bank statement if applicable. Periodically, the General Accounting Division will require that a ***Reconciliation and Analysis of Agency Checking Accounts and Petty Cash Funds with Funding Sources*** be completed by each agency and submitted to GAD.
- When a reimbursement check is to be deposited in a checking account, the payee shown on the transmittal must be "state agency name – working fund". If, however, the check will be cashed for an office petty cash fund, the payee should be the

designated custodian of the fund for petty cash/agency name.

3.14 Special Bank Accounts

Under the provisions of Article VI, Sections 2 and 3 of the *Constitution of Maryland* and Sections 6-205, 6-206, 6-209, and 6-213 of the *State Finance and Procurement Article of Maryland*, all funds received by State agencies must be deposited into the State Treasury unless specifically exempted by the Comptroller and State Treasurer. The State Treasurer, in conjunction with the Comptroller, may grant State agencies approval for Special Bank Accounts, which are used by State agencies to deposit and disburse funds for various purposes. The State Treasurer and Comptroller must approve the Special Bank Accounts in advance. The State Treasurer's Office is the primary contact for the Bank Account Information.

State agencies must prepare and submit to the State Treasurer's Office a Bank Account Information System Request Form. An example of a X-1 Form is contained on the Treasurer's website under *Forms*. Generally, an approved X-1 Form is required for each bank and bank account used by a State agency except for Investment Trust, Escrow, or Fiduciary accounts. For these accounts one approved X-1 is required per BANK rather than each bank account. Full justification including a description of the internal controls that will be used over these funds must be attached with each request to authorize a new special bank account. Since this request usually accompanies a similar request to establish a working fund, the State agency must allow adequate time for processing by both the General Accounting Division and the State Treasurer's Office.

A copy of the X-1 Form will be returned to the State agency once final action is determined. Agencies must notify the GAD concerning any changes to the approved special bank accounts. A control number will be assigned to each request and this number should be referenced when corresponding with the State Treasurer's Office.

3.15 State Policy and Procedures on Fixed Assets

3.15.1 General Policy:

The Comptroller requires all agencies except those that submit separately audited financial statements to use the R*STARS Fixed Asset Subsystem (FAS) to record buildings including improvements, equipment, infrastructure and software with a cost per item of \$50,000 or more. The cost of an asset includes charges necessary to place the assets in its intended condition and/or location for use, but not interest costs. Costs that represent major improvements and/or lengthen the life of an asset must be distinguished from maintenance costs, which are not recorded in the FAS. The \$50,000 threshold is the minimum reporting requirement for agencies that are required to use the FAS. Agencies may choose to use a lower threshold. All assets acquired through capital leases must be recorded. The acquisition method indicator (5) must be used to show it was a capital

lease purchase. In addition, all land, easements, art, historical treasures, and construction in progress (CIP) must be recorded in the FAS regardless of cost. Exhaustible assets such as buildings, equipment and infrastructure must be depreciated over their estimated useful lives using the straight-line depreciation method. The calculation and posting of depreciation will be done via the R*STARS program. The Comptroller's fixed asset policy is for accounting and reporting purposes only and does not alter or replace the Department of General Services' (DGS) policies. Agencies are required to comply with all of the DGS' inventory control (fixed assets) policies and procedures. All support for information recorded in the FAS will be required to be available for audit review by the independent auditor.

3.15.2 Definitions:

Assets - Capital (Fixed)	Includes land, land improvements, easements, buildings, building improvements, vehicles, machinery, equipment, software, works of art, historical treasures, infrastructure and all tangible and intangible assets that are used in operations and have an initial useful life beyond one year. Includes items acquired through a capital lease.
Building Improvements	Significantly extends the useful life or use or significantly enhances the value of an individual building. Examples: additions, architectural redesigns.
Exhaustible	An asset with a finite life, whose value diminishes over time and/or use.
Inexhaustible	An asset with an infinite life, whose value does not diminish or diminishes very slowly over time and/or use.
Infrastructure	Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples: roads, bridges, tunnels, drainage systems, water & sewage systems, dams and lighting systems. Buildings, except those that are an ancillary part of an infrastructure network should not be considered infrastructure.
Land Improvements	Betterments, other than buildings, that ready land for its intended use. Land improvements that produce permanent benefits, such as fill, grading, utility installation, removal or relocation costs that ready land for the erection of a structure and landscaping are not depreciable. Land improvements that are considered part of a structure or that deteriorate with use or the passage of time, such as parking lots and fencing, are depreciated.

Maintenance Cost	Ordinary, recurring expenditures made for repairs, replacements or upkeep to maintain assets in their original operating condition. Examples: preventative maintenance, replacement of parts, repainting and equipment adjustments.
Network	All assets that provide a particular type of service. It may be one asset that is composed of many components. For example, a dam is composed of the concrete dam, spillway and locks.
Salvage Value	Estimated value of the item that will be realized at the end of the useful life of a depreciable asset. Currently, based on auditor's request, the assumption is that the depreciable assets will have little or no scrap value and there should be no salvage value recorded.
Subsystem	All assets that make up a similar portion or segment of a network of assets. For example all roads could be a network and the different types of roads could be subsystems.

Improvements vs. Maintenance:

Costs incurred to achieve greater service potential (e.g., improve efficiency, or materially extend the useful life of the asset, etc.) which total \$100,000 or more should be recorded as capital expenditures, whereas expenditures that simply maintain a given level of service should be recorded as maintenance, repairs, replacements or non-capitalized improvements. For the initial decision of whether to capitalize an asset, if the original cost of the asset plus any capital improvement cost is \$50,000 or more, then both should be capitalized. Generally, three major types of costs subsequent to original purchase or construction are incurred relative to existing capital assets.

1. Additions (extensions, enlargements or expansions). Any addition to a fixed asset should be recorded as capitalized expenditures since a new asset has been created. For example, the addition of an air conditioning system or a disabled accessibility ramp to an office building increases the service potential of that facility and should be capitalized. Other examples include the addition of a plow to a truck, adding a new wing to an existing structure, the addition of book case to existing office furniture, or adding a sorter to owned copy equipment.
2. Improvements (betterments) and replacements. The distinguishing feature between an improvement and a replacement is that an improvement is the substitution of a better asset having superior performance capabilities for the one currently used (e.g., a concrete floor for a wooden floor), whereas a replacement is the substitution of a similar asset (a wooden floor for a wooden floor).

In both of these instances, agencies should determine whether the expenditure increases the future service potential of the fixed assets, or merely maintains the existing level of service. When the determination is made that the future service level has been increased, the new cost is a capital expenditure.

3. Repairs (ordinary and major). Repairs maintain the fixed asset in its original operating condition.

Ordinary repairs are expenditures made to maintain assets in operating condition. Preventive maintenance, normal periodic repairs, replacement of parts, structural components, and other activities such as repainting and equipment adjustments that are needed to maintain the asset so that it continues to provide normal services should not be capitalized, but charged to a maintenance or repairs account with the appropriate maintenance and repair object code in R*STARS.

Major repairs are relatively large expenditures that benefit more than one operating cycle or period. If a major repair, e.g., an overhaul, occurs that benefits several periods and/or extends the useful life of the asset, then the cost of the repair should be handled as an addition, improvement, or replacement, depending upon the type of repair made.

When recording an addition or capital improvement an agency should use the FAS parent-child capabilities. Each time there is an addition and/or a capital improvement a new asset record is created.

Components:

Agencies adopting the \$50,000 threshold may capitalize asset components that have a unit cost under \$50,000 if they are originally acquired as part of a system and the system cost equals or exceeds \$50,000. A system is defined as a group of interacting, interrelated, or interdependent components forming a whole. For example, the components of computer hardware would include the computer monitor, the keyboard, the central processing unit, the mouse, the printer, and the modem. The software should also be considered part of capitalized expenditures; however, costs associated with the purchase of upgrades for software already owned should be recorded as maintenance expenditures. These components should be considered part of the computer system and capitalized as a unit. Another example is modular furniture that includes the partitions, the work surface, and the shelves that comprise an office cubicle. While individual components may be immaterial, together all the components that comprise modular furniture constitute a system. The logic behind capitalizing each individual component as part of the entire system is that the component, standing alone, cannot function or serve its intended purpose by itself.

Construction in Progress (CIP):

Only capital projects that will result in structures, equipment, infrastructure and/or capital improvements are recorded in the FAS as CIP. Capital projects that are for maintenance are not capitalized as CIP in the FAS. For example, a project to repaint a building would be maintenance and would not be capitalized; a capital project to replace an existing roof with a similar roof would be a replacement and not capitalized. Please refer to the Improvements vs. Maintenance section for further guidance on determining if a capital project is capitalized. When a capitalized capital project is completed, then a transfer out should be recorded in CIP and a transfer in to the asset(s) by the agency in the FAS.

Land Improvements vs. Infrastructure:

Depreciable land improvements and infrastructure are very similar. The distinguishing factor between land improvements and infrastructure is that land improvements are associated with a structure or land, not infrastructure. If the land improvement is part of an infrastructure network, then it is considered infrastructure. For example a building's parking lot would be a land improvement, a park and ride which is part of a highway system would be infrastructure, a fence surrounding a building or a piece of property would be a land improvement, and a fence surrounding a highway would be infrastructure.

Capital Leases / Leasehold Improvements:

All capital leases, including leasehold improvements, need to be capitalized and included in the FAS by the agency making the improvements and depreciated, whatever the cost. Items bought thru a capital lease should be entered with an "acquisition method" "5".

Software:

Externally acquired software is valued at historical cost. Software/software licenses purchased, owned and managed by vendors are expensed until any license is transferred to the agency in accordance with the contract. Internally developed software requires funding commitment and probability that the project will be completed and the software put to its intended use to be capitalized. The following costs are capitalized for internally developed software: direct cost (materials, supplies, etc.), payroll and related costs devoted directly to the project, interest cost during development, testing and parallel processing and upgrades and enhancements that increase functionality. The following costs are not capitalized as part of internally developed software: costs associated with preliminary project phase, research and development, training costs and data conversion costs.

3.15.3 Transaction Types

Interagency Transfers:

Since the \$50,000 threshold is the minimum reporting requirement and lower levels are optional, there will be some agencies using the FAS with a lower threshold than other agencies. Therefore, it will be up to the agencies involved to agree on which way they should account for the transfer of individual assets costing \$5,000 or more, but less than \$50,000. Both agencies must record the transaction in the same manner, i.e., as a transfer or as a disposal and acquisition. The receiving agency can record a transfer in and the transferring agency will record a transfer out, or the receiving agency can record an addition and the transferring agency will record a disposal. Individual assets costing \$50,000 or more must be recorded as a transfer in by the receiving agency and a transfer out by the transferring agency. Individual assets costing less than \$50,000 must be recorded as an addition by the receiving agency and as a disposal by the transferring agency, if they are recording the asset. If one of the agencies involved in the transfer is not in the GAAP general or special fund and does not use the FAS (the agency submits a separately audited financial statement) and the other is in the GAAP general or special fund, then an addition or disposal, respectively, should be recorded even if the asset is \$50,000 or more.

For transfers, the receiving agency should use the date that they receive the asset as their in service date, and the useful life should equal the estimated remaining useful life from the date the asset was received. The transfer in must equal the transfer out. Note, this is the entry the fixed asset subsystem currently generates for transfers out.

Adjustments:

There are two transaction codes available for adjustments in the FAS, C30 for increases and C31 for decreases. These transaction codes adjust the asset's acquisition cost and should only be used for correction of a posted asset's cost. If an asset is accidentally disposed of, transaction code D12 will reverse the disposition.

Partial Disposals; Impairments:

When disposing of a part of an asset an agency must use transaction code D11. The partial disposal amount, entered by the agency, must be less than the historical cost of the asset. Also, if there has been a major impairment to an asset the value of the asset must be adjusted accordingly. If insurance payments from the impairment are received revenue should be recorded. Object code 8124 is available.

Gains, Losses & Trade-ins:

Gains occur when the sales price of the fixed asset is higher than its book value. Book value is the original cost less accumulated depreciation and can be viewed on screen 83. A loss occurs when the sales price of the asset is less than its book value or when an asset is disposed of prior to being fully depreciated. The FAS will generate the appropriate transaction when agencies dispose of an asset in the FAS. Agencies need to record any cash received for an asset as a debit to cash and a credit to revenue, "Sales to the public - real property", in R*STARS. The R*STARS D10 comptroller object codes are 7611, 7614, 7615, 7617 and 7620.

Trade-in allowances are not recorded. Trade allowances are only used to determine the cost of the new asset. No gains are recognized in a trade-in transaction. Material losses (\$50,000 or more) are recognized in a trade-in transaction. The FAS will generate the appropriate transaction when agencies dispose of the old asset in the FAS. However, it is essential that the agency record the new asset at its correct value (cost), which should be the amount disbursed plus the trade allowance of the traded asset.

For example, a trade-in with no loss:

A piece of equipment with an acquisition cost of \$200,000, accumulated depreciation \$125,000, and book value \$75,000, is traded in, and the cost of the new piece of equipment is \$385,000, which includes a trade-in allowance of \$85,000.

Cash expenditure = \$300,000; cost (price) of the new piece of equipment less the trade allowance.

The cost amount of the new piece of equipment to be entered into the FAS = \$385,000; the cash expenditure (see above) and the trade-in allowance.

An example of a trade-in with a material loss:

A piece of equipment with an historical cost of \$200,000, accumulated depreciation \$125,000, book value \$75,000, is traded in, and the cost of the new piece of equipment is \$300,000, which includes a trade-in allowance of \$10,000.

Cash expenditure = \$290,000; cost (price) of the new piece of equipment less the trade allowance.

The cost amount of the new piece of equipment to be entered into the FAS = \$300,000; cost (cash expenditure), of the new piece of equipment plus the trade in allowance. The recognition of the loss will be generated from the FAS and recorded as a GAAP entry for the financial statements by GAD.

3.15.4 Data Elements

Funding Source:

The fund source is a required field in the FAS and must be recorded for each asset, although the proper recording of the actual source of funds is optional for the agency. The FAS allows up to five different fund source codes for each asset that must add up to 100%. The fund source codes correspond to a funding source. The funding source is the type of funds used to acquire the capital asset.

Fund Source Code	Funding Source
01	General Funds
03	Special Funds
05	Federal Funds
06	Capital Projects
09	Reimbursable Funds *
10	Donations
13	Enterprise Funds

*When an agency is being reimbursed by another agency, the original fund source should be used. For example if an agency is reimbursing your agency from their general fund, then your agency should use fund source code 01 for general funds. Only use the reimbursable fund source code if the original funding source cannot be ascertained.

If the funding source cannot be determined then use 01 for general funds.

CI Indicator:

The CI indicator marks a property item as C capitalized or I inventory. All property items that have a C in the CI indicator field will impact the general ledger. All property items with an I in the CI indicator field will not impact the general ledger and no depreciation will be calculated or recorded. The FAS only tracks inventory property items.

Class and Subclass:

A capitalized asset's (a C in the CI Indicator) class determines what general ledger accounts are affected and whether or not a capitalized asset will be depreciated. The depreciation method indicator (0 not depreciated, 1 depreciated) is determined by the asset's class and cannot be changed by the agency. Therefore, it is essential that agencies select the correct class when recording assets in the FAS. The subclass determines the default useful life.

Useful Lives:

Exhaustible capital assets are depreciated based on their realistic estimated useful lives. The FAS has a default useful life determined by the asset's subclass. However, this useful life can be overridden. The useful life field has a range from 1 to 100 years.

Description:

The description line is a required field in the FAS. This field should be used to distinguish assets from one another. For example, if an agency has two buildings, a person should be able to distinguish them by reading the description line, i.e., the Treasury Building, 80 Calvert Street and RAD Building, 110 Carroll Street.

Depreciation:

The FAS will generate the depreciation entry that will automatically be interfaced to R*STARS on all posted fixed assets (see the CI Indicator and the Class and Subclass sections). Agencies need to ensure that all fixed asset entries have completely posted in the cycle before depreciation is run. Depreciation will be run monthly on the last day of the month or after the next week's end batch cycle after the end of the month. After depreciation has been run, agencies should check the 530 screen, View Batch Header, to make sure all of the depreciation entries have posted. If the entries have not posted, the agencies need to correct the error conditions and post the entries.

Salvage Value:

The salvage value of an item should be zero.

3.15.5 Reconciling FAS to R*STARS:

The General Accounting Division recommends that agencies periodically reconcile their 0010 and 0011 comptroller source group expenditures with items recorded in the FAS. This reconciliation will help ensure that all fixed assets meeting the DGS' or the Comptroller's threshold requirements have been recorded in the FAS. If agencies are using the Comptroller's threshold or have done any trades (see the Gains, Losses & Trade-ins section), there will be differences between what is recorded in the FAS and what is recorded under comptroller source group 0010, 0011 and 0014. These will be in addition to those differences caused by comptroller source group 0010, 0011 and 0014 expenditures that did not meet the capitalization criteria.

Because the year-end closing checklist requires that all fixed asset additions, disposals and transfers be posted in the FAS for the fiscal year being closed as of the date the

checklist is submitted to GAD (approximately August 1), not all fixed asset purchases made by DGS on behalf of an agency may be made and reported to the agency for reporting in the FAS. This is due to the cutoff date for making capital expenditures (usually the second or third week in August) being later than the date for submitting the closing checklist. Agencies should adhere to the requirement in the closing instructions to reconcile the balances in the FAS to the balances recorded in R*STARS prior to submitting the closing checklist by August 1. If subsequent capital expenditures are incurred, they should continue to be reported in the FAS until that system is closed.

Agencies also need to regularly reconcile the assets capitalized in the FAS to the general ledger (GL) in R*STARS. For example, if your beginning balance in the equipment GL, 0815, was \$100,000 and during the year, there were no disposals or interagency transfers, but the agency did buy a new piece of equipment for \$50,000, then the ending balance in GL account 0815 should be \$150,000. This balance should equal the total equipment balance in the FAS. Differences can be caused by fixed asset entries not posting in R*STARS.

The 530 screen, View Batch Header, needs to be checked regularly for any F type batches. If an F type batch is found on the 530 screen, this indicates that the GL has not been updated in R*STARS. The Fixed Asset Property Record Suspense Screen (73A) and the Fixed Asset Financial Suspense Screen (71) also need to be checked regularly to ensure that entries have interfaced to R*STARS. If a record is found on the 73A and/or the 71, then neither the FAS nor R*STARS has been updated. Agencies need to review the DAFR4451, R*STARS Fixed Asset Suspense Activity, to determine the reason why an entry on the 73A and/or 71 screen has not posted.

The DAFR 8220 gives the detail of the items that total to the general fixed assets by subclass and class. Agencies should use this to review the propriety of the information for the detailed items.

3.15.6 Implementation Issues, Valuation

Infrastructure Valuation

The "least-cost implementation strategy" is encouraged. The least-cost implementation strategy consist of limiting retroactive reporting to major networks and subsystems of infrastructure, narrowly defining a major network or subsystem, limit reporting of infrastructure assets to those acquired after June 30, 1980 and to use estimates whenever possible. There are four approaches for reporting peripherals (signs, lights, guard rails, etc.): report as a percentage of the related asset, report on the basis of an average amount, report as a separate asset or exclude altogether.

Buildings

The method for the valuation of buildings will be divided into two major categories; original cost and estimated original cost. It is assumed that agencies will have reliable fixed asset information for buildings constructed after June 30, 1980.

1. Buildings with reliable cost information. This is the preferred method for all buildings, regardless of the year they were constructed.
2. Buildings without reliable cost records. As previously stated, original cost is preferable; however, if estimates are necessary, the estimates should attempt to come as close to original cost as possible, within reasonable time and effort constraints.

Category 1

For all buildings with accurate historical construction and improvements costs:

The initial recording of a building in R*STARS should be:

1. The original cost plus the total cost of subsequent improvements, up to 1990. These amounts should be totaled and recorded in R*STARS as the acquisition cost and amortized over forty years from the date the building was placed in service. In general, forty years will be the useful life assumed for all buildings.
2. If the purchase or in-service date of a building is more than thirty-five years old and there have been major capital improvements, an engineer's estimate of the remaining useful life of the building should be made. The remaining useful life is an estimate of how long the building will remain fully functional without further major capital improvements. The estimate should be limited to a number of years between zero and forty, in five-year increments. The in-service date should be recorded in R*STARS with the actual in-service date for the building, and the useful life should be calculated so that this estimate of the remaining useful life is recorded properly. For example, if a building with major improvements was initially put into service in June 1965 and an engineer estimated that it has a remaining useful life of ten years before major improvements would be required, then the useful life of this building would be recorded as 45 years (35 years and 10 years remaining useful life).
3. Subsequent improvements, from 1990 through 2000, with a cost of more than \$100,000, will be added as individual items in R*STARS, for the year they were completed, for each year starting with fiscal year ended June 30, 1991. The improvement's fixed asset record should be linked to the building's fixed asset record through use of the parent property number field in the R*STARS fixed asset system. This is referred to as creating a parent-child relationship, and reports can be run which link these items together. Individual screens will be added for each year an

improvement was completed, and the remaining useful life will equal the useful life remaining for the original item, i.e., building. When buildings are sold, agencies will need to carefully record the proper entries for all records applicable to the building.

4. Once the building and its improvements are initially recorded in R*STARS, subsequent major improvements over \$100,000 will be added as a separate fixed asset item. The improvements will have a distinct useful life, based on a reasonable estimate. The fixed asset record for the building will not be changed. The improvement fixed asset record should be linked to the building's fixed asset record through use of the parent property number field in the R*STARS fixed asset system, referred to as creating a parent-child relationship.

Category 2

When the original cost of a building is not known, then an estimate of the original cost is necessary.

In order to make an estimate of original cost, agencies need to obtain the current replacement cost for the building. This current replacement cost will be used in conjunction with a deflation index, which will go back to the in-service date. This deflated cost will be the estimated historical cost and used as the cost to be recorded for the building. A price deflator index for government fixed assets by type from the federal government's Bureau of Economic Analysis can be found at:

<https://www.bea.gov/data/government/fixed-assets>. Click on Interactive Data then Fixed Assets Tables. These tables may be used to deflate the replacement cost of the building to the year the building was put in service.

1. Also, it is assumed that cost records are available for improvements done after 1980 and, therefore, separate items that are linked to the building should be recorded as described above for major improvements costing over \$100,000 and completed in fiscal years ending June 30, 1991 and thereafter.
2. In order to determine the remaining useful life for the building, a determination or estimate should be performed by a knowledgeable person; e.g., an engineer. The estimate of the remaining useful life of the building should be made based on the premise of how long the building will remain functional without major capital improvements. The estimate should be limited to a number of years from zero to forty, in five-year increments. The in-service date should be recorded with the actual or approximate in-service date for the building, and the useful life should be determined so that the remaining useful life is recorded properly. See the example given for category 1 above. These estimates may be done by individual buildings or for groupings of similar buildings. The basis for grouping similar buildings should be documented for audit purposes.

Sample calculation using the price deflator index to determine the original cost of a building:

A building, which was originally put into service in 2006, is given a current replacement value in FY 2013 of \$1,000,000. Using the index for state and local government office structures, the \$1,000,000, is multiplied by the 2006 (i.e., the year the building was put into use) number of 92.505, which equals 92,505,000. This number is then divided by the 2013 (i.e., the year in which the current cost value was made) number, 74,462, which equals 1,242,312. This amount, \$1,242,312, will be the estimated original cost for the building. (Individual improvements over \$100,000 completed after 1990 will be added with a parent-child link.)

3.16 State Policy on Investment of Funds

Agencies with legal authority to separately invest their funds should do so by following existing State Treasurer's Office investing procedures. Prior to investing, agencies should analyze their cash flow requirements and always maintain a sufficient cash balance to cover payment of payrolls, vendors' invoices and other expenditures.

The General Accounting Division will provide information to the State Treasurer concerning investing cash balances of State agencies on a daily basis. For the Agencies' funds that have legal authority to retain the interest earned on their cash balances, the State Treasurer's Office (STO) will determine the average daily net cash balance for each month for a particular investment account based upon data provided daily from R*STARS records. STO will calculate an average monthly interest rate and will apply that rate to the average balance to determine the interest earnings or charges to be allocated to each account for each month. If the average daily net cash balance for a month is positive, interest earnings will be credited to an agency's revenue account. However, if the average daily net cash balance for a month is negative, an interest charge will be recorded as a reduction to an agency's revenue account.

GAD requires individual funds at the R*Stars D23 Fund Level to be established for all new "funds" created by the legislature. This requirement has been extended to all legally established "funds" and allows GAD to track the way the investable balances report retrieves information at a statewide level.

Questions concerning the definition of funds that can be invested or the interest assessment and requests for the setting of programs in R*Stars to earn interest should be directed to the GAD. Any questions concerning specific requests for the actual investment of funds or income from investments should be directed to the STO.

3.17 Specialized Reports, Procedures

3.17.1 Late Payment of Invoices Report:

The General Accounting Division is responsible for administering COMAR Title 21, specifically, subtitles 21.01.01.02 and 21.02.07. To implement Title 21 regulations, the GAD produces the monthly DAFR 7850 Report, "Agency Processing Days Report", which can be accessed in FMIS, VIEWDIRECT by the agency. This report accumulates information on all invoices paid at the submitting agency level. It lists each invoice that has been received by GAD more than twenty-five days after the later of the invoice date or the service date (the service date is the date the invoice was received or the date the goods and services were received and accepted by the agency, whichever is later). The summary page of the report is used to evaluate the performance of the submitting agency and determine whether the incidences of late payment are excessive. A monthly summary of the detail reports of the agency performances is distributed to the Office of the Secretary, Department of Budget and Management, and GAD management.

In order for the GAD to carry out its responsibilities, certain information is required, and it is, therefore, mandatory that the Agency personnel comply with these requirements. The information requirements are enumerated in Section 3.1.5, Invoices, of this manual. It is imperative that the invoice and service dates be clearly recorded for all invoices. If the invoice is a disputed invoice under Regulation .02C of COMAR 21.02.07, a brief description of the reasons for the delay should be submitted along with the invoice, and the date of the settlement of the dispute should be entered for the service date.

3.17.2 Report of Duplicate Invoices (DAFR3060)

This report should be used by the agency's fiscal personnel to research for possible duplicate payments. The report uses six fiscal months of payment history to determine potential duplicate payments. State agency personnel should research the items printed to determine if a duplicate payment has been made and to take corrective action as necessary. The GAD will run this report monthly, and agencies will be able to access it in FMIS, VIEWDIRECT.

3.17.3 GAAP Reports (DAFR8580 & 8590)

The DAFR8580 is the Balance Sheet by GAAP Fund and shows the current and prior year ending balances. The report should be requested at the g/l level = 3 on the Screen 91 report request profile in order to retrieve balances at the general ledger account level.

Before closing at the end of the fiscal year, Financial Agencies should generate and compare the DAFR8580 and the DAFRG100 Trial Balance/General Ledger (Statutory Basis). The DAFR8580 will combine all statutory funds to give totals by GAAP fund.

Agencies should verify that the general ledger account balances are correct. All

receivable and payable balances on the DAFR8580 must be accurate and documented. Reclassifications and adjustments may be required. Agencies should contact GAD with any questions.

The DAFR8590 is the Operating Statement by Government Fund or the GAAP Operating Statement. This report provides the Financial Agency with current year and prior year revenue and expenditure totals by Comptroller object and source. The report should be requested at the object level = 3 on the Screen 91 report request profile in order to retrieve balances at the comptroller object level. The DAFR8590 also provides information as to how the revenues and expenditures are treated (classified) in the GAAP financial statements.

Before closing, each agency should generate and compare for their agency the DAFR8590, DAFRG400 Statement of Agency Revenue (generated by statutory fund) and the DAFR6000 Statement of Unencumbered Appropriation Balances (Expenditures). The agency should review the GAAP roll-up and classification of all revenue and expenditures to determine whether they are correct. For example, federal revenues should be recorded in revenue sources in the DAFRG400 that roll up to (or are included in) GAAP source 4500, federal revenues, in the DAFR8590. Appropriate adjustments should be made in R*STARS if needed.

In addition, a GAAP Schedule must be submitted with the GAAP closing package, which explains material variances between current and prior years for the balance sheet payables and receivables, for the revenue sources and the total amount of expenditures. These reports should be reviewed to determine the amount of the variances.

3.17.4 DAFR3782 Backup Withholding Capture Letters; DAFR4050 Liability Offset Capture Letters, DAFRP07B, Federal Offset Letters.

These reports are put in View Direct daily by batch agency and provide a listing, by copies of the letters, of the payments that were captured by liability offset, state or federal, or backup withholding.

3.17.5 DAFR7930 Vendor Payment Detail Report.

This monthly report lists all payments and intercepted payments by Batch Agency and Federal Identification Number and can be accessed in FMIS, VIEWDIRECT by the agency.

3.17.6 DAFR3041 Undeliverable Check Status Report.

The DAFR3041 daily report lists checks returned to GAD by the Post Office as undeliverable. Agencies should view this report daily. For all returned checks, the agency should send corrected information to the pre-Audits and Check Distribution

Section of GAD so that the check can be re-mailed and also complete and send a GAD710 Form to the Vendor Table Section to correct the R*Stars vendor address.

3.17.7 Outstanding Warrants Report

The DAFR 8161 "Outstanding Warrants Report" lists all agencies' checks that have not cleared the Treasurer's Office bank account. This report should be reviewed monthly to determine whether further action is needed. All outstanding warrants remain available to be claimed by the intended recipient, although the funds are transferred to the general fund after two years. Accordingly, there is no requirement for the agency to do anything for old payments. However, for current fiscal year payments, agencies should determine whether the check is still in "issued" status (and not cancelled or reissued) via the 44 screen in R*STARS and also determine whether the invoice has subsequently been paid with another payment. Based on this determination and the materiality of the payment, the agency may want to cancel the check to receive a credit to its appropriation or to reissue the check to a better address.

If the agency has a high number of unrepresented checks, there might be procedural issues that the agency should address. In addition, if the agency is making payments to vendors that are greater than \$200,000, you should direct them to GAD's website:

<https://interactive.marylandtaxes.gov/state-agency-accounting/index.php>, click on 'GAD X-10,' where they can sign up for ACH. Afterwards, they can go to GAD's Online Service Center website:

<https://interactive.marylandtaxes.gov/extranet/gad/GADLogin/login.asp>, and sign up to be able to view the status of their payment.

3.17.8 Recommended Reporting Procedures

Agencies should decide on their minimum reporting requirements. The length of the batch cycle each night is dependent on the number of report requests. Agencies should assign a person to monitor report requests and know how to set up the requests properly. Large agencies should utilize FMIS VIEWDIRECT to make reports available to units within the agency in order to reduce the number of similar report requests being processed by each unit or program. Because the financial agency's whole data base is accessed repeatedly for each report request, batch processing time is saved by eliminating duplicate requests. Daily requests should be avoided unless absolutely necessary. Requests for reports that contain detailed cumulative monthly transactions should not be made more frequently than weekly.

Agencies should limit requests for the following reports as suggested, deciding which type of revenue and expenditure reports better meets their needs. Agencies should keep in mind that, in general, the DAFR reports that contain a "G" or "T" in their number use more processing time than the other DAFR reports. See also Appendix I, GAD Reports

Listing.

NUMBER FREQUENCY DESCRIPTION

DAFR6000 Weekly/as needed; Statement of Unencumbered Appropriation Balance
DAFR6320 By date/as needed; Allocation of Encumbrances
DAFR9040 Monthly/Weekly; Statement of Changes in Total Fund Balance (by fiscal year)
DAFR9090 Monthly/Weekly; Statement of Changes in Total Fund Balance (summarizes fiscal years)
DAFR5990 As needed; Over-expended Appropriations
DAFRG110 As needed; Trial Balance by appropriation number and fund
DAFRG400 Weekly; Statement of Agency Revenue by Program and Fund
DAFRG500 Weekly; Expenditures Detail Report by Unit, Appropriation Number, and Fund
DAFRG510 Weekly; Revenue Detail Report by Unit, Appropriation Number, and Fund
DAFRG200 Weekly; Agency Budget Report by Program, Organization and Fund
DAFRG300 Weekly; Revenue Status Report by Program, Organization and Fund
DAFRT100 Weekly; Expenditures Detail Report by Program, Organization and Fund
DAFRT200 Weekly; Revenue Detail Report by Program, Organization and Fund
DAFRG100 Monthly; Trial Balance By Agency/Unit, or DAFRG110, by appn. number
DAFRG900 Monthly/Weekly; Cash Balances by Appropriation Number and Fund
DAFR9170 Monthly/Weekly; Cash Balances by Appropriation Number and Fund
For the **new** fiscal year for the period between the Financial Rollover and Cash Close processes only.
DAFRG630 Monthly/Weekly; Budget, Expenditures by Appropriation Number and Object
DAFR8110 Monthly; Summary Schedule of Fixed Assets by General Ledger
DAFR8190 As needed; Detail Schedule of Changes in Fixed Assets by General Ledger
DAFRA100 Monthly; Capital Project Authorization Balances
DAFR9070 Monthly; Capital Project Authorization Balances
DAFR7930 Run monthly by GAD; Vendor Payment detail by Vendor TIN
DAFR7850 Run monthly by GAD; Agency Processing Days Report, Late Invoices
DAFR3060 Run monthly by GAD; Report of Duplicate Invoices
DAFR8580 End of YEC, Balance Sheet by GAAP Fund
DAFR8590 End of YEC, Operating Statement by GAAP Fund
DAFRG260(160) Annual; Comparison of current and prior year balances for revenue/expenditure by object

3.18 Archive/Purge Process

3.18.1 Cycle

Every January, the Archive/ Purge process will be run to archive data for the fiscal year that is 2 fiscal years prior to the current fiscal year (e.g. January, 20x2, archive fiscal year

20x0; January, 20x3, archive fiscal year 20x1; etc.). This cycle will result in a minimum of 18 months and a maximum of 30 months available in the R*STARS system.

Agencies should assure that all of the reports they require for a fiscal year have been run and are retained, by whatever medium they choose, prior to that fiscal year being archived/purged.

3.18.2 Archiving

All Accounting Event transactions that occurred for a fiscal year will be included in the archived data for that fiscal year. However, some of those transactions will not be purged from R*STARS until a subsequent Archive/Purge cycle. Those exceptions are for Document Financial File transactions pertaining to Accounts Receivable, Pre-encumbrances, and Encumbrances.

3.18.3 Purging

The following requirements have been established for purging transactions each January from the R*STARS system:

- Transactions pertaining to individual documents recorded in the Document Financial (DF) File for Accounts Receivable, Pre-encumbrances, or Encumbrances may be purged only after **all** related documents (e.g. Requisition, Purchase Order, Voucher, Warrant, and Warrant Cancellation) linked by reference document number(s) have occurred and when:
 1. No activity has occurred during the prior fiscal year (Last Effective Date is earlier than the Previous Fiscal Year)
AND
 2. A warrant resulting from the DF information is NOT in issued, undelivered, unrepresented, stopped, pending cancellation, or replaced status in the Payment Control Table
AND

An outstanding credit memo on the IT file is NOT present
AND
 3. (a) Document is Closed
OR
(b) Document has a zero balance and Document Type is not 'SG'

- All other transactions not referenced above will be purged at the same time they are archived.

3.18.4 Retrieval of Purged Data

Data that has been archived and purged from the R*STARS system can be retrieved through the use of Requestable Reports created in the 91 Report Request Profile. However, reports requested for prior fiscal years can only be run in accordance with the guidelines and schedule established by FMIS.

3.18.5 R*STARS Archived Payment Inquiry (RAPI)

Payment information is available in R*STARS for the current fiscal year and the previous six fiscal years. The current and most recent prior fiscal years may be obtained through R*STARS using the 44 Single Payment Inquiry, 85 Vendor Transaction Inquiry, or 86 Document Transaction Inquiry on-line screens and one stop vendor payment inquiry, OSVP. The remaining five years of payment data, which has been archived, may be accessed in RAPI through the Payment Processing Menu in R*STARS. See also "Procedures for Payment Research" under Cash Disbursements.

The agency code(s) established for each user ID in the 96a Security Profile is accessed to determine the specific data that is available for each user. Refer to the *FMIS R*STARS Data Entry Guide* for on-line procedures for accessing data from the various screens established under RAPI.

4 Other Office of the Comptroller Functions

4.1 Tax Offset

4.1.1 Liability Offset Capture – State and Federal Debts

The R*STARS Liability Capture process occurs during the Payment Processing cycle. Vendor payments which have not been exempted from Offset are summarized by Taxpayer ID, Payment key (which include Batch Agency, Vendor Number, Mail Code, and other elements) and Remittance line (which usually includes Invoice or Credit Memo, Document Number and Date). The summarized data is sorted into ascending sequence by Taxpayer ID and Remittance Line Amount. This puts credit memos, reversals and backup withholding before the invoice. Processing in this sequence serves two purposes. First, the vendor is given credit for any credit memos, which have been issued. Second, because the capture process occurs after the payments have been verified as containing positive net amounts, it prevents the capture process from taking invoices in a way that would cause a net payment amount to go negative.

The R*STARS Liability Table is checked for each taxpayer ID to determine the current

liability tax status. The summarized Remittance Items are accumulated (smallest amount to largest) until the total accumulation satisfies the current liability status. Each Remittance Item accumulated is captured by flagging it so it doesn't get paid and then storing it in the Liability Escrow Table.

Two R*STARS Interface (IN) transactions are generated for each payment from which remittance items were taken. The first transaction debits Accounts Payable and credits Transfers to Liability Offset in a similar manner to the Payment Liquidation accounting, which occurs when an invoice is paid. This completes the Agency's processing of the payment. The second transaction establishes the Liability Offset Escrow account in a special program set up for the Comptroller's Compliance Division. If the liability is for a debt owed to the Federal government the transaction is recorded in a special program under the Comptroller's General Accounting Division.

The final step in the capture process produces letters to notify the vendor which invoices were captured. These letters are also put in FMIS VIEWDIRECT, DAFR4050, for the agencies information. Agencies can verify that a payment was captured by the Liability Offset Document Number appearing in the Payment Number field. All vendor payment questions concerning Liability Offset Document Numbers should be referred to the Comptroller's Compliance Division Liability Offset Section. See "Procedures for Payment Research, Payments Captured by Liability Offset", Section 3.1.26 for further research instructions.

If the capture is for a Federal liability, one payment is captured and submitted to the Federal government within a few days. The vendor is notified by letter with all applicable federal information, when the federal government advises us that they processed our transmission. These letters may be seen in FMIS VIEWDIRECT, DAFRP07B, Federal Offset Vendor Notification Letter.

4.1.2 Comptroller's Process

The Comptroller's Compliance Division is responsible for the daily management of the R*STARS Liability Offset Process. Questions concerning intercepted vendor payments must be directed to the Compliance Division. The Comptroller's General Accounting Division Check Research and Distribution Section is also available to assist State agencies and vendors with payment questions.

The Compliance Division has several options available to settle vendor liability issues. Vendor payments may be subsequently released to the vendor by the Compliance Division. In all cases, the Compliance Division will notify the vendor.

The Comptroller's General Accounting Division is responsible for the daily management of the Federal Liability process.

4.2 1099 Process

4.2.1 State of Maryland as Payer

The General Accounting Division (GAD) has been designated as the State's 1099 authority and, accordingly, has the responsibility for coordinating all questions and responses with the Internal Revenue Service (IRS). Federal 1099 reports are informational forms to be filed with the IRS, with a copy to the taxpayer. They report certain types of compensation paid to individuals, sole proprietors and partnerships as defined by IRS regulations.

For all vendor disbursement transactions recorded in R*STARS, the GAD issues on an annual basis 1099 forms to the IRS and the vendors for data accumulated during the calendar year. Additionally, GAD will prepare 1099 forms for agency disbursements issued via working funds and special bank accounts.

No State agency may file its own 1099 forms unless the agency has been granted specific written authorization from GAD to do so. Agencies granted such authorization must comply with both GAD and IRS regulations for filing 1099 reports. Because of the State's volume, all 1099 reports submitted to the IRS must be made through magnetic media as specified by the IRS.

The data for the preparation of 1099's is collected by R*STARS through a process that identifies reportable vendors in the Statewide vendor 52 profile and reportable payment categories in the comptroller object D10 profile. Appendixes E and F identify the reportable comptroller object codes under a special column. Accordingly, in order for the State to report information accurately to the IRS, agencies must:

- make sure that the comptroller object is properly coded or referenced by the agency object on all disbursements.
- make sure that the TIN positions 2-10 of the Vendor Number and 1099 indicator stored in the 52 profile is properly coded.
- review the R*STARS Daily History Detail Report DAFR2261 to verify all disbursements have been processed properly.

Reportable vendors are identified through the R*STARS Statewide Vendor Profile, Screen 52. This identification is established when a 52 profile record is created. Reference the *R*STARS Data Entry Guide*. In addition, the agency must comply with requirements set by the IRS for the proper submission of a Social Security Number (SSN) or Federal Employer Identification Number (FEIN), positions 2-10 of the vendor number.

Each year the IRS sends a listing to GAD of incorrect name and TIN matches that the IRS found when it matched the 1099 information sent to the IRS from Maryland with their records. GAD then sends out W-9 IRS Forms to all those vendors on the list. Based on the returned W-9 from the vendor, GAD inactivates all mail codes, including mail codes in the agency based vendor tables that are incorrect. **If GAD does not receive a completed W-9 from the vendor within 30 days, backup withholding (28%) will begin for payments made to that vendor.**

The following rules shall be used to determine whether a vendor is subject to 1099 reporting and whether a SSN or FEIN is required.

“Y” should be coded in the 52 profile 1099 IND field for:

- Individuals (including employees, students, patients, prisoners, etc. – a SSN must be coded. Additionally, the individual’s name must be coded last name first, first name, and middle name or initial in the name field of the 52 profile).
- Sole Proprietorships (a SSN must be coded).
- Partnerships (a FEIN must be coded).
- Medical or health provider corporations, but not hospitals (a FEIN must be coded).

“N” should be coded in the 52 profile 1099 IND field for:

- Governments and other tax-exempt non-profit organizations.
- Corporations – except for medical or health provider corporations that are not hospitals.

“Corporate” status is indicated if the invoice or contract name contains one of the following words or an abbreviation of one of them:

“Company”, if it is not preceded by the word “and” or symbol for “and” (&); “Corporation”; “Incorporated”; or “Limited” (Refer to Corporations and Associations Article, Section 10-102 of the Annotated Code of Maryland). Additionally, professional associations and professional corporations, PA and PC, respectively, are corporations.

1099 information is captured from data recorded in R*STARS. Agencies can also enter 1099 reportable transactions occurring outside (via working fund or special bank account) of R*STARS into R*STARS via on-line entry or via computer interface creation. Presented below are the requirements for preparation of on-line and batch interface 1099 information. Real Estate (Form 1099S) and Broker (Form 1099B) information can also be entered on line in R*STARS. On-line entry will require that an agency receive the security from the General Accounting Division, Office Systems & Development Section to enter 1099 specific transactions.

ONLINE PROCEDURE FOR ENTERING NON-R*STARS 1099 PAYMENTS.

The agency will need to be able to post and release batches under User Class '75'. This is the only User Class that accesses the 'Z99' Transaction Code (TC). This TC has been developed specifically for capturing 1099 reportable transactions that have occurred outside of R*STARS. Agencies entering transactions via the 500 screen must use Edit Mode '2' and Batch Type '4'. Batch Type 4 is critical because it determines whether the transaction is selected for 1099 reporting purposes.

Once into the 505 Screen, the Current Document must be entered as a Document Type of 'TZ'. The six characters following the Document Type can be used to uniquely identify each transaction. These documents are not tracked; therefore, an agency can choose to use the same document number for all of its transactions. TZ is the only valid Document Type accepted by the Z99 Transaction Code. The TC must be 'Z99'. This TC identifies the transaction as a 1099 reportable payment made outside of R*STARS. The Appropriation Year must be entered along with the Comptroller Object designated for 1099 entry. See listing in Appendix E or F. The objects are statistical object codes beginning with 9901. This combination will determine the Form Type and Box Number used for reporting the transactions. The Effective Date must be in the calendar year of the 1099 to be reported. The fund must be entered as 0096 (1099 Maintenance Fund). The Vendor Number and Mail Code must be entered and be valid in the 51/52 Vendor Profile screens. Agencies can select online vendor entry or the batch vendor update method to add vendors. The agency has the option of completing any other financial information it wishes for internal tracking and information purposes. The State requires that all 1099 reportable payments be recorded in R*STARS no later than January 15 for payments made in the previous calendar year.

ONLINE PROCEDURE FOR 43 SCREEN (1099 REAL ESTATE SUMMARY - 43S & 1099 PROCEEDS FROM BROKER SUMMARY- 43B)

Some agencies also process real estate and broker sales information forms 1099S and 1099B respectively, via direct input into the R*STARS 43 screens. The actual payment may have been made through R*STARS. On the 43S screen, enter the payment year, sequence number, reason code-NEW, date of sale, GRS proceeds and location of the property and hit F10 to save the entry. NOTE: The vendor must be entered in the

R*STARS 52 profile.

On the 43B screen, enter the payment year, sequence number, reason code – NEW, date of sale, CUSIP number, description, and hit F10 to save the entry. NOTE: The vendor must be entered in the R*STARS 52 profile.

No agency can make a correction once the transaction is entered and saved in the 43S and 43B screen. Only GAD is authorized to make changes. GAD requires that all 1099 payments be recorded in R*STARS no later than January 15 for payments made in the previous calendar year.

INTERFACE PROCEDURE

Interface procedures are discussed below. They are divided into two sections, the Batch Header Record and the Batch Detail Record.

The interface has been designed to give the agencies submitting transactions a wide range of data field choices. The Batch Header will identify the Batch Agency that has submitted the file. This information can be used later by GAD or the Financial Agency to investigate vendor inquiries at a detail level. The Batch Detail Record contains many optional financial fields that may or may not be populated by the agency, depending upon the level of detail that the agency wishes to post. However, there are some specific fields in the detail record that must be entered in order for the 1099 transactions to post:

The BATCH TYPE must be equal to '4'. This will ensure that the transactions are processed during the 1099 extract process.

The interface USER ID must be '1099XXX', with XXX representing the Batch Agency submitting the file. The User ID will contain the necessary security to post the 'Z99' Transaction Code.

The OPERATOR CLASS must be '75'. As noted above, the '75' User Class will be the only User Class with the necessary security to post the 'Z99' Transaction Code.

The EFFECTIVE DATE of the transaction must be in the calendar year of the 1099 being reported. For instance, if an agency decides to submit a file in January 20x1 for calendar year 20x0, then the Effective Date of the transactions must be in the calendar year 20x0, i.e. December 01, 20x0. If the Effective Date is in January 20x1, then the transactions will be reportable for calendar year 20x1 1099 processing.

The TRANSACTION CODE for 1099 reporting is 'Z99'. This Transaction Code will identify the transaction as a vendor payment made outside of R*STARS.

The COMPTROLLER OBJECT is used to determine the Form Type and Box Number for 1099 reporting. Special objects have been designated for 1099 entry use only. Each object is associated with a specific form type and box number. Proper Comptroller's objects for 1099 reporting are listed in Appendixes E and F. The objects are statistical object codes beginning with 9901.

The FUND must be entered as 0096 (1099 Maintenance Fund). This is the only fund allowed for 1099 entry.

The VENDOR NUMBER and MAIL CODE must exist in the Vendor Profiles. Those agencies, which need to add vendors, can either enter the vendors on-line into the 52/51 Vendor Profiles or submit a file through the Batch Vendor Interface.

The CURENT DOCUMENT NUMBER and SUFFIX must begin with the Document Type 'TZ'. This is the only valid Document Type accepted by the Z99 Transaction Code. The six characters following the Document Type can be used to uniquely identify each transaction. These documents are not tracked; therefore, an agency can choose to use the same document number for all of its transactions.

Any agency that wishes to use an interface file to enter transactions into R*STARS must arrange security with the General Accounting Division (GAD). Also, all interfaces must first be tested in the User Acceptance Testing Region (UAT) prior to being accepted into R*STARS Production. Agencies can contact the GAD to receive more information regarding the specific requirements for user acceptance testing and setting up interface files in production. The State requires that all 1099 payments be recorded in R*STARS no later than January 15 for payments made in the previous calendar year.

ASSESSMENT OF IRS PENALTIES

Any penalties assessed by the IRS on GAD's submission of centralized 1099 reports due to agency coding error or from 1099 information returns prepared separately by a State agency, will result in an allocation of such penalties being charged to the appropriate State agency's budget.

REPORTABLE AMOUNTS FOR VARIOUS 1099 FORMS

The following forms should be completed for vendors who received payments over the legal reporting requirement. A listing of reportable amounts for various types of forms follows.

Agencies must be careful when making payments for services to an individual through the transmittal process. If the individual satisfies the requirements of an employer-employee relationship, the State is required by the IRS regulations to submit a W-2 (Wage and Tax Statement) and not a 1099 form. The payroll system should be used

when an employer-employee relationship exists. The Central Payroll Bureau's guidelines to determine whether an individual is an employee are stated as follows:

“Every individual who performs services subject to the will and control of an employer, both as to what shall be done and how it shall be done, is an employee. This is so even when the employer permits the employee considerable discretion and freedom of action, so long as the employer has a legal right to control both method and result of the services.

While not always applicable, some of the usual characteristics of an employee are: the employer has the right to discharge employee, and the employer furnishes tools or materials and a place in which to work. Whether an employer-employee relationship exists under usual common law rules will be determined in doubtful cases upon an examination of particular facts of each case. An employer-employee relationship is usually considered to apply unless all three of the following conditions are met:

- The worker is free from control or direction in performance of his work under his contract or services and, in fact;
- The service is performed either outside the usual course of business for which it is performed or is performed outside of all places of business or enterprise for which it is performed; and
- The individual is customarily engaged in independent trade, occupation, profession or business.”

The forms currently prepared by GAD and submitted to the IRS are listed below with an explanation of the box (line) numbers used at present. This information is provided to advise agencies of the type of information that GAD reports and to assist the agency in determining their compliance with 1099 reporting requirements. This information will also help those agencies to enter 1099 reportable transactions occurring outside of R*STARS into R*STARS via on-line entry or via computer interface. A more complete list is included in Appendixes E and F under the statistical objects.

<u>FORM</u>	<u>BOX NO.</u>	<u>DESCRIPTION</u>
1099 INT		Reports interest paid to a taxpayer.
	01	Amounts paid or credited to a person's account, including interest on bank deposits. Also, interest paid in the course of a trade or business.
1099 MISC		Reports miscellaneous income to individuals, sole proprietorships, and partnerships.

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	01	Rental payments for all types of rent, including machines, except for payment of rent to a real estate agent. Also, included are rental assistance payments made by public housing agencies to owners of authorized housing projects.
	02	Payments of royalties.
	03	Prizes and awards that are not for services rendered. Does not include awards to informants in criminal law investigations.
	05	Fishing boat proceeds.
	06	Health care and like payments made under health, sickness and accident insurance plans to doctors and other suppliers of services.
	07	Non-employee compensation to individuals who are independent contractors, professional persons, etc. Included are: (a) Fees for professional services, including fee splitting and referral fees. (b) Payments to witnesses or experts in legal adjudications. (c) Payments for services, including payment for parts or materials used to render services, unless the person rendering the service is in the business of selling parts. (d) Stipends or fees paid to a non-employee and travel reimbursement for which the individual did not provide a detailed accounting to the State. (e) Entertainer services.
	14	Gross proceeds paid to attorneys
1099-G		Reports certain government payments.
	02	Amount of refunds of state and local income taxes.
	03	Year for which refund applies if different from the current year being reported.
	06	Taxable grants, including federal, state or local funds and taxable subsidized energy
1099-S		Proceeds from real estate transactions.

Examples on the following pages are given to assist State agency personnel in determining how certain types of payments should be recorded so that they are properly reported for 1099 purposes. If you have questions concerning any aspects of the federal 1099 regulations, please contact the General Accounting Division, Administrative

Services Section.

Professional Services

George Jones, doing business as George Jones, Architect, does architectural work on a contract basis. During the calendar year, he performed work for three agencies of the State. The Department of Agriculture paid him \$400 for architectural services and the Department of Correction, \$700. The Department of Transportation (DOT) paid him \$62,000. DOT was one month late in paying its bill and, so, also paid \$310 interest to him.

Before making the payment, the agencies must determine if George Jones' company is on the 52 profile, else a 52 profile record must be created. Reference R*STARS Data Entry Guide. Mr. Jones' Social Security Number (position 2-10 of the vendor number), the company's name, and a "Y" in the 1099 indicator should be verified using the 52 profile. When making the payments, the agencies will code Comptroller Object "0803 Contractual Services- Architects" or "1414 Buildings-Professional Fees" on the transmittal. DOT will code "1310 Interest on Late Payment" for the interest charge. George Jones will receive a 1099-MISC form for the \$63,100. He will also receive a 1099-INT form, because the \$310 payment exceeds the \$10 minimum reporting level set by the IRS for interest earnings.

Bind, Boggle & Wowham, Inc., a corporation formed to provide legal services, does legal work for the State. They received payments totaling \$350,000 during the calendar year. When establishing the company on the 52 profile, the agency should code an "N" in the 1099 indicator, since this company is a corporation that is not a medical corporation. Therefore, a 1099 will not be generated for these payments.

Sport Officiating

The State universities pay outside sports officials \$200 for each game they referee, umpire, etc. They additionally pay for all travel expenses.

Mr. Jacob S. Brown officiated at three football games during the calendar year and was also paid a travel allowance of \$200 for each game. A detailed expense report was not required for travel allowance. Mr. Brown should be established on the 52 profile with a "Y" in the 1099 indicator and his name coded "Brown, Jacob S." in the name field. The comptroller's object, 0212- Athletic Service Support" should be used on the transmittal when the payments are made. This will generate a 1099-MISC form for \$1,200, the total amount paid to Mr. Brown.

Miss Susan Green umpired at four baseball games during the year and was paid \$800 plus expenses. She was reimbursed for her travel expenses when she submitted a detailed

expense report. Her expenses were \$225 during the year. Miss Green must be established on the 52 profile with a “Y” indicator and her name coded “GREEN, SUSAN”. When the payments are made for officiating, Comptroller Object 0212 – Service Support” should be used. When the reimbursement for expenses are paid, however, 0401/0404 – Reimbursement for in-state or out-of-state Travel” should be used because these payments are reimbursements for itemized expenses and, therefore, are not taxable. Miss Green will receive a 1099-MISC for \$800.

The university also hires a substitute referee, Mr. Thomas Smith, when the scheduled referee cannot make the game. Mr. Smith, who officiated at four games, was paid \$800 out of the university’s working fund. The university should keep track of the payments and send in a 1099 file maintenance form to the General Accounting Division in January so that Mr. Thomas Smith will receive a 1099 form for \$800.

Medical Services Payments

The Department of Education administers a training program to rehabilitate certain of its clients. The department pays doctors for physical examinations given to clients. During the calendar year, the department paid Doctor Arnold Pardow \$3,000; Physician’s Physical, P.S.C. \$4,000; and Physician’s for Public Health, a tax-exempt non-profit organization, \$5,000. When establishing the vendors on the 52 profile, Doctor Pardow, and Physician’s Physical P.S.C., which is a medical services corporation, should both be coded with a “Y” for the 1099 indicator and Dr. Pardow’s name should be coded PARDOW, ARNOLD in the 52 profile name filed. Physicians for Public Health should be coded with an “N” since it is a tax-exempt organization. Dr. Pardow works for a partnership. Therefore, the partnership’s name and address and FEIN, position 2-10 of vendor number would be coded in the 52 profile. A FEIN would also be coded for the corporation and the tax-exempt organization. The agency should code comptroller object 0205 – Medical Service Support” when making the payments by transmittal. Dr. Pardow’s partnership and Physician’s Physical P.S.C. will each receive 1099-MISC for their services.

Doctor’s Park, Inc. is a medical service corporation consisting of doctors, a laboratory, and a pharmacy. It does business with the general public. The pharmacy sells prescriptions to individuals independent of the doctor’s services. All invoices itemize between services rendered and drugs sold.

Under the State’s program, the State paid Doctor’s Park, Inc.:

Physician’s Services - \$100,000
Prescription Drugs - \$ 25,000

Doctor’s Park, Inc. should be set up in the 52 profile with a “Y” indicator because it is a

medical service corporation. Comptroller objects that could be used include 0205 – Medical Services Support” or 0820 – Medical Care” for services and 0909 – Medical Supplies” or 0911 – Medicine, Drugs, and Chemicals” for prescriptions. Doctor’s Park, Inc. will receive a Form 1099-MISC for \$100,000. The \$25,000 for the prescription drugs will not be reported because they were for goods purchased, itemized separately, and the pharmacy is in the business of selling them to the general public.

Payments for Services and Labor

The Department of the Environment made a payment to Harold’s Repair Shop, owned by Harold Jones, for repair of an automobile. The payment was \$300 for labor and \$700 for parts. The purpose of the contract was to repair the automobile. The repair shop does not hold itself out as a dealer in parts. In dealing with customers it supplies suitable parts and materials as needed. The obligation to furnish parts is incidental to the obligation to repair the car. IRS regulations require the whole payment, parts and labor, to be reported. The agency should establish the repair shop in the 52 profile, coding a “Y” for the 1099 indicator and Mr. Jones’ SSN for the TIN, positions 2-10 of the vendor number. When paying the invoice, the agency should use Comptroller Object – 0703 – Passenger Cars – Maintenance and Repairs. Mr. Jones will receive a 1099-MISC for \$1,000.

4.2.2 State of Maryland as Payee

State agencies may receive completed 1099 forms from companies which have paid them during the calendar year. State agencies may also receive inquiries from various companies concerning the correct TIN and taxpayer name to use on the 1099 form. However, IRS regulations exempt payments made to governments by companies from 1099 reporting to the IRS, and the company may be so advised.

The TIN for the State of Maryland is 52-6002033, and the first line of the State’s taxpayer name is “STATE OF MARYLAND”. The second line of the taxpayer name may be the specific name of the State agency. Do not ignore W-9 forms received from a company with whom your agency does business, since the company may erroneously perform backup withholding on the payments to your agency. Verify the accuracy of the W-9 information and advise the payer of the State’s exempt status.

4.2.3 Backup Withholding

The State will institute Federal Backup Withholding (BUWH) on all State agency payments to vendors who have missing and/or incorrect name/tax identification numbers. This procedure is mandated by the U. S. Internal Revenue Service (IRS) regulations. If a vendor is subject to BUWH, 28% of all State agency reportable payments payable to the vendor will be deposited in a non-interest bearing escrow account and transferred to the IRS. The BUWH amount withheld during the tax year will be reported to the vendor at

calendar year end on Federal Information Return Form 1099 MISC, 1099 INT, 1099 DIV, 1099 GOVERNMENT AND 1099 BROKER. The vendors will be required to report the BUWH amount withheld by the State as federal income tax withheld on their year-end IRS tax return.

Vendors will be subject to BUWH when the IRS notifies the General Accounting Division (GAD) that the vendor's name and taxpayer identification number (TIN) is incorrect. GAD will notify the vendor by letter to submit the correct name and TIN information to GAD within 30 days of the date of notification. If the vendor does not provide GAD with the correct information, i.e., return the completed W-9 Form, GAD will begin BUWH. GAD will notify vendors by letter each time that a payment is offset for BUWH. The check remittance advice will also have the BUWH capture information recorded on it (agency's original payment document number, invoice number, invoice date, invoice amount, and the BUWH document number, and amount).

State agencies can determine if vendor payments have been applied to BUWH by logging onto VIEWDIRECT. In VIEWDIRECT on the field titled REPORT/TOPIC ID: request DAFR3782 (BUWH capture letters). This function will list all BUWH capture letters that have been sent to vendors.

State agencies must insure that they have received correct TINs from vendors before entering vendor payment information into R*STARS. Entering incorrect TINs into the R*STARS vendor table will result in BUWH being applied to all State payments to the vendor. In order to discontinue BUWH, the General Accounting Division must receive an IRS W9 form (for the first occurrence) or an IRS letter 147C or a copy of a social security card (for second occurrence within a three-year period) from the vendor.

4.3 Corporate Purchasing Card Program

The General Accounting Division (GAD) is responsible for the Statewide Corporate Purchasing Card (CPC) Program.

The Purchasing Card is issued to State employees normally authorized to buy goods and services for the agency. The cardholder's name and agency are embossed on the card. The individual is responsible for the proper use of the card. Both the cardholder and the agency's Purchasing Card Program Administrator (PCPA) are required to keep accurate records. Only a PCPA may request changes to information in an agency cardholder's account. The CPC is used mainly to purchase small dollar items (\$5,000 or less). Emergency Response cards have a \$25,000 Single Purchase Limit. An R*STARS accounting code is part of the information stored for each account holder in the bank's system. GAD will use this accounting data to record the entry in R*STARS. Merchants doing business with the State are paid through their card-issuing bank, in accordance with

the card regulations. GAD will record the agencies portion of the summarized total using the R*STARS transaction adjustment process.

The *State of Maryland's CPC Program Policy and Procedures Manual* contains details concerning the CPC program. Copies of this manual are available from the agency's PCPA, or from the Comptroller's web site: <https://www.marylandtaxes.gov/state-agency-accounting/corporate-purchasing-card-program.php>, and click on Corporate Purchasing Card Manual or from the CPC Program Coordinator at GAD.

4.4 Fees and User Charges Report

The *Fees and User Charges Report* of the State of Maryland is required to be submitted to the Governor and the General Assembly under Section 2-107, of the *State Finance and Procurement Article of the Annotated Code of Maryland*. The Comptroller of the Treasury, General Accounting Division, adopted regulations under COMAR 03.09.01 to comply with this requirement. The regulations define the required fees and user charges data to be submitted to the State Comptroller by units of State government and reported by the Comptroller to the Governor and General Assembly in a biennial report on or before December 1 of the even years.

Each unit of State government that imposes fees or user charges shall accumulate and report up-to-date data to the Comptroller as specified by this regulation. The data accumulated will be reported in the format prescribed by the Comptroller and sent to the Comptroller's General Accounting Division.

The format prescribed to report the current year's data will be contained in the biennial reporting instructions distributed to each unit of State government by the General Accounting Division. These instructions will be distributed in February, for preliminary completion, and June, for final completion, of each even calendar year to report the current fees and user charges information for the fiscal year ending June 30.

State agencies are required to comply with the Comptroller's directives as promulgated in the manual and directed by correspondence from the General Accounting Division. Each unit of State government is responsible for providing current data no later than September 15, of each even calendar year for the final report.

The *Fees and User Charges Report* will contain for each fee and user charge, a description of the service or function and a comparison of actual revenue generated with the total cost of providing the service or function.

Appendix D of the manual is a complete *Fees and User Charges Report* instruction packet, which includes an introduction, instructions, forms, and definitions in detail.

5 Internal Controls

State agencies are responsible for establishing an effective system of internal control. The *Internal Control Manual for Use by State Departments and Independent Agencies* was developed by the Comptroller's Office to provide the necessary guidance for the development, implementation and maintenance of a sound system of internal control. This manual may be found on GAD's website. The following is an overview of the internal controls agencies should implement.

Internal control is the overall plan of organization and all the coordinate methods used to safeguard assets; ensure the reliability of accounting data; promote efficient operations and ensure compliance with established governmental policies, laws, regulations and contracts. To accomplish these objectives, certain basic standards must be present in any effective system of internal control. The general standards concern reasonable assurance of achieving control objectives, supportive attitude, competent personnel, and control objectives and techniques. Specific standards which are central to the standard of control objectives and techniques involve documentation, recording of transactions and events, execution of transactions and events, separation of duties, adequacy of supervision, access to and accountability for resources, and efficient and effective use of resources.

The specific internal control procedures needed by an agency will vary with each situation encountered. In determining which controls should be in place, estimates and judgments are required to assess the expected benefits and related costs or risks of implementing or not implementing control procedures. For example, it is recognized that certain agencies may not have sufficient personnel to fully or adequately segregate duties. Under these circumstances, it is the responsibility of management to exercise prudent judgment to ensure that the best internal control procedures are in place.

Basic internal control procedures include, but are not limited to, the following:

5.1 Cash

- Centralization of the cash receipts collection function to the maximum extent possible.
- Immediate recording of cash receipts for accounting control purposes (e.g., utilization of mail receipts listings, cash registers, pre-numbered receipt forms).
- Restrictive endorsement of checks "for deposit only" immediately upon receipt.
- Provision of separate cash drawers (or similar control devices) for each employee responsible for collections to affix individual responsibility and accountability for collections until deposited.

- Segregation of the cash receipts handling duties from the cash receipts and accounts receivable record keeping, billing and reconciliation functions.
- Reconciliation of cash receipts recorded on cash register tapes, pre-numbered receipt forms and/or mail listings with the cash receipts ledger and amounts deposited (e.g., per validated deposit tickets, R*STARS records) by an employee independent of the cash receipts functions.
- Independent verification of the continuity of cash register tapes by comparing the ending transaction number from one tape to the beginning transaction number of the next tape.
- Accounting for the numerical sequence of pre-numbered receipt forms as to issued, voided and on hand.
- Supervisory review and approval of voided transactions and adjustments to cash receipts and accounts receivable records.
- Existence of adequate facilities to store and safeguard cash receipts until deposit.
- Prompt and intact deposit of cash receipts.
- Monitoring of advances for proper use and prompt reimbursement.
- Substantiation of the use of petty cash with vouchers that are signed and dated.
- Surprise cash counts performed by someone other than the Petty Cash Fund custodian.

5.2 Accounts Receivable

- Maintenance of adequate records to account for billings and related collections, as follows:
 - Billings should be pre-numbered and accounted for.
 - Cash receipts totals should be periodically compared with corresponding totals of credits to accounts receivable.
 - Detail accounts receivable records and a control account should be maintained; the aggregate balance of the detail records should be periodically reconciled to the control account balance.
- Written and implemented credit and collection procedures.

- Accounts that are aged, reviewed and sent to the Central Collection Unit in a timely manner.

5.3 Revenues – Taxes, Licenses, Fees, Etc.

- A method to establish that taxpayers have reported payments due.
- Review of remittances, tax returns, forms, etc., for mathematical accuracy.
- Initial control of returns, i.e., pre-numbering control totals or control log.
- Reconciliation of total of cash and checks with total of returns, license applications, forms, etc.

5.4 Payroll

- Use of positive recording for attendance records which are compared to the exception time report submitted to the Central Payroll Bureau.
- Segregation of duties for:
 - preparation of exception time report.
 - approval and submission of exception time report to Central Payroll Bureau.
 - receipt of checks.
- Procedures to ensure compliance with DBM’s Personnel regulations.
- Procedures to ensure proper use of special payments payroll.

5.5 Procurement

- Segregation of duties for functions of:
 - requisitioning and receiving,
 - purchasing,
 - approval, and
 - accounting.
- Procedures which ensure compliance with the *Procurement Manual* issued by the Department of General Services.

5.6 Accounts Payable/Cash Disbursements

- Prompt processing of invoices.

- Checking of invoices (ADPICS should be used)
 - against purchase orders and receiving reports for terms, prices and quantities.
 - for proper Federal Identification Number.
 - to verify it is an original and not a duplicate payment.
- Verifications made to assure that:
 - recurring payments are not missed or duplicated.
 - proper object/subobject codes are charged.
 - proper vendor number is used and address is current.
 - payment is made through vendor number table.
 - all transmittals with supporting documentation are reviewed and approved by authorized personnel.
- Periodic review of undeliverable and canceled checks by someone independent of the transmittal process.
- A listing maintained of all outstanding travel advances and compared to appropriate expense reports when received.
- Designation of an employee to act as an agency travel coordinator to monitor compliance with the Standard Travel Regulations.
- Adequate approval process and review of “Expedited” payments in R*STARS.

5.7 Inventory

- Maintenance of perpetual inventory records when required under the guidelines promulgated by the Department of General Services.
- Performance of physical inventories with comparison of counts to recorded amounts and needed write-offs approved by the department head or designee.
- Segregation of duties for store keeping, record keeping and inventory taking.
- Preparation of a receiving document and verification with actual goods received.
- Assignment of accountable officers for custodial responsibility of equipment.
- Timely identification and reporting of excess equipment for transfer or disposal.
- Identification by etching or labeling of all items.

5.8 Financial Reporting

- Segregation of duties for:
 - responsibility of approval of journal entries and financial reports from responsibility for their preparation.
 - maintenance of general ledger and custody of the assets.
- Monthly reconciliation of separate agency-based systems' interfaces to R*STARS.
- Journal entries clearly referenced to indicate their source, and reviewed and approved by a responsible official.
- Procedures to ensure that all required forms and reports are submitted within the prescribed time frame.

5.9 Grant Administration

- Assignment of a specific individual for overseeing compliance with major terms of grants received.
- Formalized written procedures to assist personnel in adhering to Federal grant guidelines.
- Monitoring of sub-grantees or subcontractors to provide reasonable assurance of their compliance with grant requirements.
- Adequate support for all billings and financial status reports sent to the Federal government.

5.10 Automatic Data Processing

- Security controls to protect hardware and software.
- Segregation of duties for programming, computer operation and manual control.
- Standard documented procedures.
- Batch controls to assure:
 - batches balance.
 - rejected entries/corrections are identified and properly reentered.
 - manually prepared totals verified against computer posted totals.
- Verification of accuracy of inputted critical data.
- Programmed validity checks for data.

- Consultation of auditors in systems design development.

While the aforementioned procedures should apply to many of the internal control situations encountered by State agencies, the indicated procedures are not meant to be all inclusive. These specific internal control techniques should be further developed and expanded by management personnel as is deemed necessary under the circumstances in order to minimize the vulnerability of the State's assets to fraud, waste and abuse.

In addition, it is the State agency's responsibility to ensure that the security accesses requested for employees to FMIS applications are appropriate and consistent with the duties and responsibilities of the employees for whom accesses are requested. When making requests, the following factors should be considered:

- Proper segregation of duties and responsibilities so that no one person performs two or more of these functions:

- Authorizes transactions
- Records transactions
- Custody of assets related records
- Approval of transactions
- Reconciliation of assets with recorded amounts.

- Proper review procedures are in place to prevent, detect or correct errors and irregularities. Reviews should be made for validity, completeness, authorization, accuracy and proper classification.
- Proper authorization of transaction (approval paths) should specifically delineate the lines of authority from the highest to the lowest level position.

Details of the ADPICS internal control and security requirements are enumerated in the ***FMIS Internal Control and Security Policy and Procedures Manual***.

5.11 User Class Guidelines

The following guidelines, which are also included in the FMIS security manual, should be considered by the agencies when establishing internal controls and assigning the R*STARS user class combinations.

Inquiry user class 90 should be comprised of view access only. The single allowed exception is for statewide auditors needing the ability to run reports.

Agencies will decide, based on the complexities of their accounting operations, how to set up and assign R*STARS user classes. If the agency has sufficient personnel, segregation of duties can be accomplished at a detailed level. For example, groups of

individuals may be given user classes for grants, user class 05; accounts receivable, user class 06; cash receipts, user class 07; and journal entries, user class 08. Each of these groups can have a supervisor who has “level 1 approval” for agency action codes, i.e., includes user classes 15, 16, 17 and 18, respectively; and if needed “level 2 approval” i.e., user classes 25, 26, 27 and 28, respectively, for each function. User class 11 or 21 (assigned depending on the number of approval paths or agency action codes established) will give the accounting manager their ability to approve all transactions. If the accounting operation has limited personnel and an accountant inputs all accounting entries, then master user class 01 may be given to the accountant. However, in all cases, these transactions must be reviewed and approved before final posting. Accordingly, there should be a supervisor or manager with master user classes 11 and/or 21 to approve transactions.

Agencies must carefully segregate the disbursement transaction data entry and the ability to change on approved documents from 1) the final approval of these transactions and 2) the subsequent transmission to General Accounting Division.

Agency vendor coordinators (R*STARS 51=3, 52=3 and/or ADPICS 5150=U, 5200=U) must not be a part of the final approval process for disbursements in R*STARS (user class 89, 32=2) and/or ADPICS (interface security class 05, user class 89, 32=2).

Individuals must not be able to create a disbursement in R*STARS (i.e., User Classes 01, 02, 11, 12, 21, 32, 34, 35, 40, 42, 43, 46, 50, 55, 80, 91 and 99; Accounting trans >0; Release Flag=1) or create the Interface file (for interfacing agencies) and also perform the 89 user class approval (i.e., apply the action code 123 via the 35 or 39 screen).

Individuals must not be able to create a disbursement in R*STARS or create the Interface file (for interfacing agencies) and also transmit to GAD via 32 screen (i.e., apply the action code 456).

Individuals must not be able to change a disbursement in R*STARS (i.e., User Classes 01, 02, 11, 12, 21, 32, 34, 35, 40, 42, 43, 46, 50, 55, 80, 91 and 99; Accounting trans >0; Disbursement Method Indicator >1; Release Flag=1) or modify the Interface file (for interfacing agencies) and also perform the 89 user class approval (i.e., apply the action code 123 via the 35 or 39 screen). Individuals must not be able to change a disbursement in R*STARS or modify the Interface file (for interfacing agencies) and also transmit to GAD via 32 screen (i.e., apply the action code 456).

Persons performing the 89 user class approval must carefully review supporting documentation for 100% of the transactions to ensure that the related goods or services were received, and their review should be evidenced on the underlying documents.

For agencies using ADPICS approval paths, individuals who have R*STARS User Class 99 (needed to create or approve in ADPICS) with approval capability in ADPICS (i.e.,

interface security class 05 which applies the action code 123) must not have the ability to create the ADPICS voucher (i.e., screen 1410=U/D or 1800=U/D).

For agencies not using ADPICS approval paths, individuals who have R*STARS User Class 99 (needed to create or approve in ADPICS) with create/approval capability in ADPICS (i.e., screens 1410=U/D or 1800=U/D and interface security class 05 which applies the action code 123) must not have the R*STARS 89 user class or the ability to transmit to GAD via 32=2. Specifically, persons doing the approval via the R*STARS 32 screen must carefully review supporting documentation for 100% of the transactions to ensure that the related goods or services were received, and their review should be evidenced on the underlying documents.

The Office of Legislative Audits strongly advises that even in the smallest of agencies no one individual should have the ability to create and change disbursement transactions, append the 123 action code and release the batch via the 32 screen (456). Having the transmittal thoroughly reviewed and approved by the individual authorized to sign the transmittal's cover sheet provides no control when an individual can both initiate and approve an R*STARS disbursement. Employees with the aforementioned incompatible accesses can forge transmittal cover sheet signatures keeping the transmittals from ever being seen by the authorized signer. Agencies must carefully monitor the approval process and establish internal control procedures to minimize the risk associated with incompatible user class combinations.

6. Forms and Appendixes

The forms and appendixes listed below may be found on the Comptroller's General Accounting Division's web site, address:
http://comptroller.marylandtaxes.com/Government_Services/State_Accounting_Information, click on "Accounting Procedures", then "Accounting Procedures Manual" and downloaded as needed.

<u>Name Of Form</u>	<u>Document Name & Extension</u>
Report of Agency Accountability	GADX-18.doc
Individual Request for Out-of-State-Travel	GADX-3.doc
State of Maryland Expense Account	GADX-5.xls
Electronic Funds Transfer Request Authorization	GADX-9.doc
Vendor Electronic Funds Transfer (EFT) Registration Request Form	GADX-10.doc
R*STARS Vendor Information	

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Change Request Form	GAD-710.doc
User Fee Collection Form	GAD X-51.doc
Remittance Advice	Remit5.xls
R*STARS Emergency Disbursement Cover Sheet	Rstar100.xls
R*STARS Emergency Disbursement Transmittal	Rstar102.xls
R*STARS Vendor Stop Payment or Cancellation Request Form	ST-151.doc
R*STARS Payroll Stop Payment Request Form, for all Payroll Checks Issued Regardless of Issue Date	ST-152.doc
Banking Services Approved Signature Request Form	STO#401.doc

Appendixes:

- A. Financial Agencies Listing - a listing of the R*Stars' Financial Agencies, i.e., Departments and Independent Agencies.
- B. Financial Agencies - Chart of Agencies' Accounts; a listing of the R*Stars' financial agency codes and appropriation numbers (programs).
- C. Closing Instructions - Statutory & GAAP & Closing Example
- D. Fees and User Charges, Directions & Forms
- E. Comptroller Sub-Objects - Expenditures & Revenues; a listing of the R*Stars' D10 objects for expenditures and revenues, grouped by D09 order, i.e., Comptroller Source Group
- F. Comptroller Sub-Objects - Expenditures & Revenues; a listing of the R*Stars' D10 objects for expenditures and revenues, listed in D10 order, with D09 Comptroller Source Group.
- G. Expenditure Objects and Definitions; a listing of the D10 Comptroller Objects of Expenditures and their definition for use-**Revised April 2018**
- H. R*Stars' Batch Agencies' Listing
- I. GAD Reports Listing – GAAP, Financial and Payment Reports used by GAD.