



WILLIAM McNAMARA
COMPTROLLER

Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
(617) 727-5000
MACOMPTROLLER.ORG



EXPENDITURE CORRECTIONS (EX)

Effective: February 13, 2006

Last Updated: November 1, 2006

Executive Summary

Expenditure Correction Documents (EX) will be processed to correct an incorrect chart of account element or when an incorrect account has been charged. The Department submitting the request for the EX is responsible for complying with this policy and requesting corrections for only those scenarios outlined in this policy. The Department is responsible for maintaining all documentation, in whatever form specified, to ensure that the correction conforms to this policy and the laws governing such adjustments.

Considerations

Expenditure corrections are occasionally needed when payment transactions have inadvertently been posted with an incorrect chart of account element or to the incorrect spending account. Department personnel are responsible for the prompt reconciliation of accounts and, therefore, the prompt submission of any EX Documents required as a result of that reconciliation. Expenditure Corrections (EX Documents) are automatically work flowed to the General Accounting Bureau of the Office of the Comptroller for review.

Policy

The Comptroller has broad authority to prescribe accounting rules and instructions for all state departments and the appropriate use of the state accounting system. Pursuant to [M.G.L. c. 7A, § 7](#), [M.G.L. c. 7A, § 8](#), [M.G.L. c. 7A, § 9](#) and [M.G.L. c. 29, § 31](#), the Comptroller is required to implement a state accounting system (including a centralized payroll system) and issue instructions for the accounting practices to be used by all Departments for supplies, materials, assets, liabilities, equity, debt, encumbrances, expenditures, revenues, expenses and obligations of all Commonwealth funds and accounts, including payroll, unless specifically exempted by general or special law. The Comptroller has full authority to prescribe, regulate and make changes in the method of keeping and rendering accounts and is authorized to direct state departments to implement changes in their systems to meet these statewide standards. The Office of the Comptroller will process adjustments (Expenditure Corrections - EX) to correct the posting of expenditures where appropriate. **Expenditure Corrections may be approved for the following scenarios:**

- The original expenditure contained a chart of account element the department has determined, through its reconciliation, requires a change (non-statutory EX);
- The original expenditure charged a spending account, which the department has determined, through its reconciliation, requires a change;

- The Budget Fiscal Year of the original expenditure must be the same as the Budget Fiscal Year evident on the correction document;
- When the correction being requested involves a capital account, the correction will not result in positive net liquid assets for the sub-fund from which the correction will be made (Departments should confirm this with CTR);
- The account to which the expenditure is being moved was available, the expenditure was allowable under the account, and the account had sufficient funds to support the expenditure at the time the original expenditure was made;
- The object code for all lines on the EX Document do NOT contain any object codes that indicate the expenditure had originally been processed as part of the payroll cycle; this includes objects codes within the AA, BB and CC object classes as those transactions are completed by a Labor Redistribution Request document in LCM (LARQ) and create Payroll Adjustment documents in MMARS;
- The EX Document lines indicate that the correction activity does not cross departments. Cross department activity is customarily managed through allocation accounts under Interdepartmental Service Agreements (ISAs) or other accounting transactions as determined appropriate by CTR;
- The expenditure was posted to the incorrect subsidiary. In these instances, the Comptroller’s Office will review the appropriateness of procurement methods used if different procurement rules are required. Certain additional adjustments are allowed under US Code Title 23 with regard to contingent reimbursable costs related to grant anticipation notes payments. These items will be approved on an exception basis.

Documentation and Submission Requirements for Expenditure Correction (EX) Documents

All Expenditure Correction (EX) Documents which pass normal system edits will attain a “Pending Status” and enter the Workflow process for review and approval by CTR General Accounting staff. Departments are required to maintain the appropriate documentation for all EXs as outlined below.

Internal Documentation

Both for internal department review and internal control purposes, and for audit and quality assurance purposes, the Chief Fiscal Officer (CFO) should oversee maintenance of documentation supporting a full explanation of the necessity for the EX including the legislative authority for the correction; the DOC ID reference to original payment document upon which the error(s) was made; the specific accounting error(s) that was made; what fields require correction on the expenditure; why the error occurred; and an explanation of what internal control steps are being taken to ensure that the same mistake or need for correction will not occur in the future. This documentation DOES NOT have to be submitted with the EX for review unless specifically requested by the General Accounting Bureau.

Enter and submit EX document in MMARS using “Comments” field

In an effort to expedite the review and processing of EXs, Departments are required to enter the key information for the EX in the “Comments” field of the EX document.

The “Comments” field in the EX must contain:

- The payment reference number for the correction justification;
- The error(s) or field(s) to be corrected;
- The authority for the EX (if applicable);
- A brief explanation of why the EX is necessary

The “Comments” field has approximately 1500 characters, which should be sufficient to provide a reasonable explanation. Departments do not have to submit additional EX documentation unless requested by the General Accounting Bureau. Thoroughness in the use of the “Comments” field will in most cases obviate the need for submission of additional documentation. No approval on an EX will occur unless sufficient information is contained in the “Comments Field” to enable review.

State Finance Law Requirements related to EXs

Pursuant to [M.G.L. c. 29 § 26](#), [§ 27](#) and [§ 29](#), departments are required to expend funds only for the purposes set forth by the Legislature and within the funding limits established through appropriation, allotment and subsidiary. Departments may not incur a liability for the Commonwealth in excess of their appropriation or allotment. This means that a department cannot authorize performance to begin under a contract (including a grant, ISA, chargeback, lease, rental or TELP), request or accept commodities or services (including personnel) in excess of an existing appropriation and allotment, or sufficient non-appropriated available funds.

Available funding means funds that have been appropriated and allotted, or otherwise available which can be encumbered and expended (including federal funds that have been authorized and are available for draw down, or trust funds with sufficient cash). Funding identified in a filed but not yet enacted appropriation act, supplemental budget or other legislative act shall not qualify as available funding and will not be sufficient authorization for continued performance or new performance. Authorization by House and Senate Ways and Means Committees, the Governor’s Office, Executive Office for Administration and Finance or any other oversight agency shall not be sufficient authorization for continued performance or new performance since this authorization is not legislative authorization for expending appropriated funds.

Appropriations and allotments must be spent in accordance with prescribed subsidiary schedules. [M.G.L. c. 29 § 27](#); [M.G.L. c. 29, § 26](#). Departments must do everything legally allowed to manage within their appropriation. Departments must immediately notify ANF and House and Senate Ways and Means Committees of the estimated amount of anticipated deficiency in any appropriation. [M.G.L. c. 29, § 9E](#). In addition, to support the series of reliance and delegation, departments must also notify CTR.

If funding is not available for encumbrance and expenditure, a department may not authorize performance to begin or continue, and any performance must halt, personnel reassigned or suspended, or other business adjustments made so that no obligations will be incurred in excess of current available funding.

If accounts are not reauthorized past the termination date (such as on June 30th for operating accounts or at the end of a capital bond authorization) or for federal grant awards that have not been made (even if recurring), departments may not continue to incur obligations or continue to accept services from employees or contractors in these accounts. **Contracts must be terminated or suspended, personnel**

must be terminated, or contracts and personnel transferred to another appropriate account legislatively authorized to fund these types of obligations and expenditures.

Therefore, a department may not post expenditures to an existing account while the department is awaiting the set-up of a new account (new federal grant, supplemental budget, allocation account, ISA child account, etc.), which did not exist at the time of the original expenditure. Expenditures may not be made against other accounts to “front” funds or hold funds during this time period and such expenditures may not be retroactively transferred (EX) to these accounts should the accounts be re-authorized or a new account(s) established. The Comptroller may not make journal entry (expenditure correction) between accounts if the account ultimately to be charged had insufficient funds at the time the amount was expended from the other account, unless prior notice is sent to House and Senate Ways and Means. (See [M.G.L. c. 7A, § 3](#)).

“The Comptroller shall refuse to permit a disbursement or incurring of an obligation if funds, or allotments of funds, under an appropriation account or subsidiary account under an appropriation account, sufficient to cover such disbursement or obligation are not available and shall immediately give notice of such refusal to the department, office, commission, or institution proposing the expenditure.”. See [M.G.L. c. 29, § 29](#).

This means that expenditures made to another current account because a supplemental budget has not yet passed, a federal grant or ISA funding has not been set up, cannot later be charged to the new accounts or reauthorized accounts when the supplemental budget passes, without prior written notice to the House and Senate Committees on Ways and Means (unless the supplemental budget account is authorized with an effective date prior to the date of the expenditures).

If delays are anticipated for any source of funding (including delays in bond funds or the re-award of federal grant funds), the Chief Fiscal Officer (CFO) has an obligation to immediately notify CTR of the anticipated delay, as well as their budget analysts at ANF (if applicable) to seek guidance.

The CTR General Accounting staff will review EX requests, and may reject the EX Document, or file the notification required to House and Senate Committees on Ways and Means before approving the document. In any case, the Comptroller’s decision to approve or reject is final.

Department Head Certifications When Submitting and EX to Final Status

By submitting the EX to final status it is presumed that the EX has been approved by an authorized department head signatory with the appropriate signatory MMARS security, that the EX complies with this EX policy, that the EX is being submitted for a legitimate mistake or accounting error and not for an improper purpose, as outlined above, that there were sufficient funds in the account to be charged at the time of the original expenditure, that for capital expenditures the expenditure correction will not generate positive net liquid assets for the sub-fund from which the correction will be made that the department maintains a complete file with all documentation related to the EX that will be available for inspection, that the EX complies with other requirements of state finance law, and that the department will take appropriate steps to ensure that similar mistakes or errors do not occur in the future.

By submitting the EX, the authorized signatory is certifying that any officer or employee who knowingly violates, authorizes or directs another officer or employee to violate any provision of state finance law relating to the incurring of liability or expenditure of public funds, including this EX policy, may be considered to be in violation of [M.G.L. c. 29, § 66](#), and therefore the Department agrees to ensure that the EX complies with, and that all fiscal, contract and programmatic staff involved are provided with sufficient training and oversight to ensure compliance with state finance law and this EX policy. (See [Department Head Signature Authorization and Electronic Signature for MMARS Documents](#))

Internal Controls

The EX Document should be initiated only after the Department has determined, as part of its account/program reconciliation, that there was an error on the original expenditure, which requires correction. It is the responsibility of the Department CFO or the appropriate Department Head authorized designee to validate the appropriateness of the correction, and to ensure that the request for the correction is consistent with the policy of the Comptroller and state finance law. Furthermore, in determining that a correction is necessary, the department should also determine why the original expenditure was entered incorrectly and take the steps necessary to prevent a recurrence.

EX documentation will be subject to review by the Quality Assurance Bureau in CTR.

Information Sources

Related Policy:

- [Key State Finance Law Compliance Appointments and Responsibilities](#)
- [Department Head Signature Authorization and Electronic Signature for MMARS Documents](#)
- [Payroll Accounting: Payroll Expenditure Adjustment Transactions](#)
- Contracts Policies
- Accounts Payable Policies
- [Records Management Policy](#)
- Grants Management Policies

Legal Authority:

- [Expenditure Classification Handbook](#);
- [M.G.L. c. 7A](#) (Office of the Comptroller); [M.G.L. c. 29](#) (State Finance Law);
- [M.G.L. c. 29, § 29D](#) (Debt Collection); [M.G.L. c. 29, § 29E](#) (Revenue Maximization);

- [M.G.L. c. 30, § 27](#) (Revenue Receipt); [M.G.L. c. 10, § 17B](#) (Revenue Receipt); Massachusetts Constitution [Article LXIII](#) Section 1 (Revenue Receipt);
- [Comptroller regulations](#) (815 CMR 2.00 10.00);
- [M.G.L. c. 29, § 66](#) (State Finance Law Violations)

Contacts: [CTR Solution Desk](#)

Revisions

- **November 1, 2006** – Removed language referencing the Knowledge Center and updated relevant links to [Mass.gov/osc](#) portal site.