

OFFICE OF ACCOUNTS AND CONTROL

**OAC-EXPENDITURE RECOGNITION & ACCOUNTS PAYABLE CUT-OFF**

**OFFICE OF ACCOUNTS & CONTROL**

**EXPENDITURE RECOGNITION &  
ACCOUNTS PAYABLE CUT OFF  
POLICY A-62**

**Division Contact:**  
**Louise Sawtelle**  
401-222-2704

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**Effective 1/23/14**

**Revised**

**4/12/2023**

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**1. Purpose**

This Policy provides guidance to State departments, agencies, and personnel regarding the appropriate recording of expenditures and accounts payable transactions.

**2. Definitions**

- a. **Expenditure:** cost incurred during the fiscal year related to the acquisition of goods and services *whether or not payment has been made.*
- b. **Office:** The Office of Accounts and Control (the Office) within the Department of Administration
- c. **Fiscal Close Timetable:** annual communication from the Office to all agency Chief Financial Officer's (CFO's) highlighting the activities and related deadlines required to be met for fiscal close. It is also posted on the Office website.
- d. **Retainage Payable:** Retainage payable is a portion of the agreed upon contract price deliberately withheld until the work is substantially complete to assure that the contractor or subcontractor will satisfy its obligations and complete the project. (Also see Retainage Policy A-78)

**3. Applicability**

This Policy shall apply to all departments and agencies of state government utilizing the State financial system.

**4. Timing of Expenditure Recognition**

- a. Expenditures should be recognized upon the delivery of goods or services, including personal services, contractual services, capital outlay, interest on fund liabilities, materials and supplies, insurance, and rent.
- b. Expenditures should be recognized for goods when the State acquires legal title to the item. For example, if an item is ordered during June, but the item is not shipped until after June 30th, legal title has not passed to the State prior to the fiscal year-end; therefore, it is not a payable at year-end. It is instead an expenditure of the next fiscal year. In contrast, if a service is rendered prior to June 30th, it is a payable at year-end.
- c. In certain cases, expenditures should be recognized when due, such as principal and interest on general long-term liabilities, claims and judgments, compensated

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absences, pensions, or other post-employment benefits (OPEB).

- d. Expenditures are recorded in the state finance system when invoices are entered into the accounts payable module. To ensure a smooth fiscal close and prompt payments to our suppliers, agencies must make every effort to have invoices entered into the state finance system accounts payable module on a timely basis. For several days during the beginning of July each year, as specified in the fiscal close timetable, agencies may enter invoices into the state finance system for the prior fiscal year. Agencies should take full advantage of this additional time and have prior year invoices entered that are received through the deadline specified in the fiscal close timetable.

**5. Process for Recording Accounts Payable at Year End**

Accounts payable that relate to significant invoices or other payables which are received after the deadline for invoices to be submitted, or after the June period has been closed, may be recorded using the process set forth below.

- a. Included in the fiscal close communications each year is an ADI spreadsheet template for electronically recording accounts payables at fiscal year-end. Agencies must transmit their completed ADI spreadsheets to the Office by the date set in the annual fiscal close timetable.
- (i) Agencies may report individual accounts payable items that equal or exceed the threshold listed in the fiscal close timetable. For example, an individual vendor invoice or an internal payroll that exceeds the communicated threshold may be submitted.
- (ii) Agencies may report totals for a single line sequence that equal or exceed the threshold listed in the fiscal close timetable or that exceed 20% of the funding source for the fiscal year. Examples include:
- (a) Several vendor invoices less than the threshold are funded by the same line sequence. If the total of all invoices funded by the same line sequence equals or exceeds the threshold, the invoices may be submitted.
- (b) A vendor invoice(s) is less than the threshold. However, the invoice(s) total exceeds 20% of the total fiscal year budget for the line sequence. This invoice(s) may be submitted.
- (iii) Detailed backup may include but is not limited to copies of invoices, purchase order numbers where applicable, payroll summary reports, or a detailed accounting of other payables, must be included with ADI spreadsheet

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submissions.

- b. If an agency has no payables to report, it is required to send a memo indicating such.
- c. All ADI spreadsheets and/or memos relating to year-end accounts payable must be accompanied by a signed certification as to the completeness and accuracy of the data submitted. The certification form is available as Attachment C to the annual fiscal closing timetable.
- d. All documents submitted must be signed by the agency's Chief Financial Officer.
- e. CFOs responsible for making payments from the State's various Internal Service Fund accounts may list amounts for those expenditures less than the threshold listed in the fiscal close timetable.
- f. Agencies for which an accounts payable amount less than the threshold listed in the fiscal close timetable represents a material part of that agency operating budget may list that amount on its accounts payable spreadsheet. A justification must be included with all accounts payable requests less than the threshold; the Office will consider recording each of these smaller accounts payable on a case-by-case basis.
- g. Requests to record accounts payable amounts after the deadline set by the Office of Accounts and Control will not be recorded. Exceptions to this rule will be considered on a case-by-case basis if they are submitted with appropriate supporting documentation by the director of the agency in question.

**6. Payables Relating to Construction Projects**

Agencies must be especially careful to report payables for construction costs incurred before July 1 regardless of the funding source for the project (i.e., costs incurred for projects including RI Capital, Bond and COPS financed projects all must be accrued). The amounts reported as accounts payable for construction projects must include all retainage payable (both for prior years and the current year). Retainage should be accrued per Retainage Policy A-77.

**7. Payables Relating to Claims and Judgements**

Claims and judgments must be considered at year-end to determine if a payable should be recorded. There can be claims or judgments related to grants, such as fines, penalties or grant recoveries imposed due to non-compliance with grant award stipulations. There also may be claims or litigation related to contracts, for delays or inadequate specifications. Other types of claims or judgments may arise from State employment-related cases regarding workers' compensation, unemployment, or employee lawsuits against the State. The actions

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of State personnel, such as damage from State-owned equipment operated by State employees, or improper conduct may also be the subject of claims. Finally, there may be personal injury or property damage claims against the State.

It may be difficult to estimate the ultimate liability relating to such claims and judgments, due to unreasonably high claim amounts, lengthy delays between the occurrence and filing or the filing and settlement of litigation, or a process. However, if the settlement of a claim is probable, meaning it is likely to occur, and the amount of the payment is estimable, then a liability for the contingency loss must be recorded. If the probable loss falls within a range of estimated amounts, then the minimum amount will be recorded as a liability, and the potential for additional losses over that amount will be considered for disclosure, if material, in the notes to the State's financial statements. If there are existing claims that are likely to result in a material liability, but the amount cannot be reasonably estimated, they will be considered for disclosure in the notes to the State's financial statements.

Loss contingencies related to claims and judgments, when recorded, are a fund liability if the amount is payable from expendable current (within the next fiscal year) financial resources. The amount will include legal and other related costs and the settled or adjudicated amount, net of any insurance recoveries. Any remaining liability will be recorded as a general long-term liability in the government-wide statements.

**8. Financial Statement Disclosure Questionnaire**

In July of each year the Office distributes a financial statement disclosure questionnaire to the Chief Financial Officer of each department and agency. The questionnaire is designed to identify issues at the agency level that may need to be either recorded or disclosed in the State's financial statements.

Included among the areas addressed in the questionnaire are:

- a) accounts payable and other liabilities
- b) disallowances related to regulatory reviews
- 3) liabilities related to other claims and judgments

**9. Accounts Payable Balances**

Each agency that has accounts payable balances on its books as of June 30 must either

- a) take action that ensures the balances are liquidated by September 30, OR
- b) justify to the Office why the balances must be retained on the books beyond

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September 30, for instance because of legal issues or an unsatisfactory product or service.

The Office may request additional documentation for these exceptions and will notify the agency if any payables are not re-recorded. In the absence of a justification letter, the Office will liquidate any accounts payable balances still outstanding by a date set and communicated by the Office.

At the end of May of the following year, the Office will liquidate any accounts payable balances still on the books, including those that were originally exempted by agency notifications received prior to September 30th. Agencies may, however, re-establish these as payables when they submit their new ADI spreadsheets during the following year-end accounts payable process.


**10. Signatures:**

*Dorothy Pascale*

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State Controller

April 18, 2023

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Date



\_\_\_\_\_  
Director of Administration

*4/19/23*

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Date