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Expenditure Corrections (EX) Policy

Effective: February 13, 2006
Last Updated: March 2, 2026

Executive Summary

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 and 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.

Expenditure Correction (EX) transactions 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.

Policy

EXs 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 transaction required as a result of that reconciliation. EXs are automatically work flowed to the Office of the Comptroller (CTR) Statewide General Accounting Team for review.

CTR may approve and process EXs to correct the posting of expenditures for the following scenarios:

- The original expenditure contained a chart of account element the department has determined, through its reconciliation, requires a change (also known as a 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 transaction;

- The correction being requested involves a capital account and 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 by emailing the Budgetary Team at 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 transaction 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 Payroll Labor Redistribution Request (PREXC) transaction in Labor Cost Distribution and Labor Cost Redistribution Request (LCRR) and create Payroll Adjustment transactions in Mosaic;
- The EX transaction 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; or
- The expenditure was posted to the incorrect subsidiary. In these instances, CTR will review the appropriateness of procurement methods used if different procurement rules are required. Certain additional adjustments are allowed under 23 U.S.C. with regard to contingent reimbursable costs related to grant anticipation notes payments. These items will be approved by CTR on an exception basis.

Documentation and Submission Requirements for EX Transactions

All EX transactions which pass normal system edits will attain a "Pending Status" and enter the Workflow process for review and approval by CTR Statewide General Accounting staff. Departments are required to maintain the appropriate documentation for all EXs as outlined below.

Internal Documentation

In accordance with the CTR Fiscal Records Management Policy, for internal department review and internal control purposes, and for audit and quality assurance purposes, the department's 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 Transaction 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 Statewide General Accounting Team.

Enter and submit EX transaction in Mosaic 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 transaction.

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.

Capital EXs

When a Capital EX accounting line is reducing expenditure (fund, sub-fund) for a prior payment error and the increasing accounting line is for a different fund/sub-fund, the department must take the following steps.

1. Complete the Capital Expenditure Correction Approval Form.
2. Provide a detail Excel spreadsheet for all accounting lines and list the funds, sub-funds, appropriations and the original payment (i.e. PRC, GAX etc.)

Since expenditures are being reduced in a Capital bonded account(s), the department must complete the Capital Expenditure Correction Approval Form and an Excel spreadsheet showing the accounting line information from both accounting lines to the CTR Solution Desk.

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 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.

Departments may not post expenditures to an existing account while the department is awaiting the set-up of a new account (i.e. 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 (EX) 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 or the supplemental budget account is authorized with an effective date prior to the date of the expenditures. (See M.G.L. c. 7A § 3 and M.G.L. c. 29 § 29).

If delays are anticipated for any source of funding (including delays in bond funds or the re-award of federal grant funds), the CFO has an obligation to immediately notify CTR of the anticipated delay and, if applicable, their Executive office of Administration and Finance budget analysts, to seek guidance.

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

Department Head Certifications When Submitting and EX to Final Status

By submitting an EX to final status the department represents that the EX has been approved by an authorized department head signatory with the appropriate signatory Mosaic security, that the EX complies with this EX policy, and all 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.

For more information about Department Head Signature Authorization, please see the CTR Department Head Signature Authorization Policy.

Internal Controls

Department heads are required to annually certify that the department has a system of written internal controls, training, and monitoring actively in place as part of daily operations to achieve the department's mission, ensure compliance with CTR's published guidance (PowerDMS, MAComptroller.org, fiscal year memos, CTR statewide trainings), and prevent fraud, waste, and abuse of Commonwealth resources. This policy is included in the annual certification. See the CTR Internal Controls Policy.

The EX transaction 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 this policy 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.

Contacts

- CTR Solution Desk