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Investments Policy

Effective: July 27, 2007
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Executive Summary

The Office of the State Treasurer and Receiver-General (Treasury) is authorized to invest funds on behalf of the Commonwealth. When general laws or statutes require a department to manage its cash flow outside of the general fund by establishing a separate trust fund, the department must work with TRE to ensure that cash flows are managed in accordance with the applicable laws or statutes. The Office of the Comptroller (CTR) will work with Treasury and the department to ensure that investment activity is properly recorded in the Commonwealth's statewide enterprise accounting and financial reporting system ("Mosaic").

Considerations

When directed by statute to invest funds in a separate trust fund, a department is responsible for notifying Treasury of:

a. its authority to invest funds in a separate trust fund,
b. the amount available for investment and
c. the time period available for investment.

Departments are also responsible for monitoring their cash flow needs on a regular basis and notifying Treasury when an investment should be redeemed to satisfy the department's cash expenditures.

Policy

Article LXIII, Sec 1 of the Massachusetts Constitution directs that - *Collection of Revenue. - All money received on account of the commonwealth from any source whatsoever shall be paid into the treasury thereof.* Treasury is authorized to invest those funds on behalf of the Commonwealth. The Legislature, through general or special laws, provides specific language within certain funds' enabling statutes (mainly trusts and non-budgeted special revenue) allowing assets to be invested and interest to be earned and, when directed, retained. This language (usually anything synonymous with "any income derived from the investment of monies") necessitates the setup, authorization, maintenance and reconciliation of investments for any unspent balances.

Treasury invests these accounts on behalf of and in consultation with departments. The interest earned may be credited to individual department spending accounts, unless otherwise directed.

When a new fund is established for a department, a request to CTR should be made to review the legal authority and, if appropriate, establish an account on Mosaic. If the language authorizes investments outside the General Fund pool, the department must then request Treasury to open an investment account on its behalf. It is the responsibility of the department to manage, reconcile and report issues with investment balances to Treasury and CTR. In certain circumstances, receipt of monies anticipated for a department may necessitate a special request that an expendable trust be established through the Secretary of Administration and Finance.

Procedure

If an enabling statute allows the creation of a separate trust fund, the following steps are required:

- Departments must submit a request for a trust fund in writing to the general accounting bureau at CTR with supporting documentation such as the enabling statute or trust vehicle.
- CTR will review the request within five business days and determine if the enabling statute contains proper language for investment revenue and retention outside the General Fund pool for investments.
- CTR will establish the appropriate structures on the state accounting system to receive the revenues as well as any investment proceeds.
- CTR will work with the Executive Office for Administration & Finance (A&F) to link the revenue structures to a spending structure.
- CTR will then notify both the department and Treasury, via e-mail, that the structures have been established. CTR will also provide both parties with the chart of account elements including the fund, sub-fund, revenue source codes, and balance sheet account for the collection of revenue as well as the posting of interest earnings.
- When the department responsible has collected revenue and then determines, through an analysis of their cash flow needs that the account contains cash in excess of their immediate needs, the department should submit a request, in writing, to the cash management unit of Treasury. This request must include:
    - the amount to be invested,
    - the length of time for that investment,
    - the chart of account information necessary for Treasury to move the available funds to investments and subsequently credit interest earnings to the account:
        - fund,
        - sub-fund,
        - department, and
        - revenue source code.

Treasury will post the interest income earned to the department's revenue structure established for that purpose. The revenue source in most cases is 2100.

Departments may monitor their investment balances on the Mosaic table (BBALD) ITD Balance Sheet Detail by entering the fiscal year, fund and sub-fund.

Internal Controls

All requests for investment purchases or investment redemptions submitted to the Treasury Cash Management Division must be in writing and requests must be signed by a department head or authorized signatory.

CTR will review a department's authority to invest funds at the time the department requests the establishment of an account to record the inflows/investment proceeds.

Departments are responsible for monitoring the cash balances in their accounts and immediately notify Treasury if all or part of an investment should be liquidated to cover current cash flow needs.

Information Sources

Legal Authority

- M.G.L. c. 7A (Office of the Comptroller); M.G.L. c. 29 (State Finance Law);
- Comptroller regulations (815 CMR 2.00-10.00);
- M.G.L. c. 29 § 66 (State Finance Law Violations)
- 801 CMR 50.00 (A&F regulations for Trust Fund Delegation)

Related Policies

- M.G.L. c. 10
- CTR Key State Finance Law Compliance Appointments and Responsibilities Policy
- CTR Department Head Signature Authorization Policy

Contacts

- MAComptroller.org
- CTR Solution Desk