

## Procedures for Payment of Prior Year Deficiencies

This document provides procedures for processing Prior Year Deficiencies (PYD). Through a legislatively authorized account, the Comptroller's Office (CTR) processes payments on behalf of all state agencies for outstanding vendor bills, employee reimbursements, and employee payrolls from prior fiscal years, which are charged to the department's current fiscal year, budgetary appropriation accounts. Most PYDs process through MMARS, the state accounting system. While employee payroll deficiencies and reimbursements will be processed through HR/CMS.

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Departments are required to pay their bills consistent with the Bill Paying Policy and will be required to adhere to the following procedures to pay Prior Year Deficiencies. These procedures include the following:

- Departments must have and follow internal controls ([Chapter 647 of the Acts of 1989](#)).
- Contracts must have been executed and filed prior to the start of performance ([M.G.L. c. 7A, §5](#)).
- Obligations must not be in excess of current year appropriations ([M.G.L. C29, §26](#)).
- Vendor invoice numbers, check descriptions, and any comment fields MUST NOT contain personal information (such as non-vendor individual or client names, SSN numbers, bank account numbers, date of birth, addresses, etc.) or other information that could jeopardize privacy or facilitate identity theft ([Commonwealth's Bill Paying Policy](#)).
- The prior year deficiency account must not be used as a budgeting mechanism for paying prior payments from future obligations.

Departments with an excessive and repeated use of PYDs will have the Risk Management Team review their procurement practices, internal control compliance, and procedures.

The instructions below explain the method for processing payments through MMARS. See attachments A through E for instructions on processing deficiency payments.

## Payment Procedures

1. Departments must complete and submit one *Prior Year Deficiency Appropriation Information Form* ([Attachment A](#)) per appropriation per budget fiscal year with the deficient invoices.
2. Prior year deficiencies submitted to CTR will be paid through the prior year deficiency account (CTR 1599-2040). To fund payments, the statute requires that CTR acquire funds from the appropriation account that the deficiency payment would have been made. If that appropriation does not exist, or is invalid in the current fiscal year, the funds may be acquired from the current fiscal year appropriation for the general administration of the requesting department.
3. If funds in the EE subsidiary of the appropriation to be charged are insufficient to pay for the prior year deficiency, departments must transfer funds (BGTS) from other subsidiaries of the same account to cover the chargeback (IET). **This should be done before the deficiency backup documentation is submitted to CTR for processing.** All accounting lines in the IET will be directed to object code E27, but the payments listed in the Excel file must be coded with the appropriate object code (**not E27**)
4. Departments submitting payment request transactions must submit sufficient information regarding the PYD in an Excel file format supplied by CTR (**see [Attachment B](#) for instructions to complete Excel file**).
5. Prior to the issuance of the Internal Exchange Transaction (IET), CTR will determine if the payment can be made from the prior year deficiency account. The following circumstances must be met:
  1. The prior year expenditures must be from a state budgetary appropriation.
  2. If the payment is for contracted services or lease order, a valid (RPO, PC or CT) should have been in place at the time the services were provided. The MMARS document ID for the RPO, PC or CT must be provided in the Reference subsection of the spreadsheet.

**If a RPO, PC or CT was not in place or the RPO, PC or CT had insufficient funds at the time the services were provided, see section titled “Obligations Made and Accepted Without a Valid Contract” for further instructions.** PCs and CTs that reference master service agreements are considered to have had sufficient funds, if the master service agreement was in place at the time the service was

performed. If there were insufficient funds remaining in the encumbrance to cover the prior year deficiency but:

3. There was a master service agreement in place, reference the MA on the Excel file.
4. There were enough funds remaining in the contract, submit a copy of the contract.

6. Before paying deficient bills, CTR will complete an IET in order to transfer funds from the Department's current fiscal year appropriation account to the Prior Year Deficiency account.

### Obligations Made and Accepted Without a Valid Contract

Departments that submit payments for the Prior Year Deficiency Account, but for which a contract was not in place at the time the performance was provided, should submit the payment as outlined in this memo and complete **Section E** in the *Prior Year Deficiency Appropriation Information Form* ([Attachment A](#)) and a completed release ([Attachment C](#)) signed by an authorized signatory of the vendor.

### Documents to be Submitted in Prior Year Deficiency Packages

Non-Payroll Prior Deficiency package must contain original documents and should be assembled in the following order:

1. [Attachment A](#) - Prior Year Deficiency Appropriation Information Form (one per appropriation per BFY), (See Section E if required).
2. [Attachment C - Release](#) (if required).
3. Vendor invoices must be submitted with transaction ID written at the top.
4. Paper Documents should be delivered to the Attention of the Comptroller's Accounts Payable Team.
5. An Excel file must be completed and sent to [PYD@MassMail.State.MA.US](mailto:PYD@MassMail.State.MA.US).

Required format for document IDs.

- o **Doc Code** - Actual Document Code
- o **Doc Department** – “CTR”
- o **Doc Identifier:**
- o **First four characters** - “INTF”.
- o **Next four characters** - BFY.
- o **Next three characters** - “PYD”.
- o **Next three characters** - Department Code.

- **Next Two characters** – Current Accounting Period
- **Last four characters** - Counter Numbers (0001)
- For example: INTF2012PYDEHS020001

**Effective immediately, old forms will no longer be accepted.**

If you have any questions regarding this procedure, please contact Comptroller Help Desk at (617) 973-2468 or [comptroller.info@state.ma.us](mailto:comptroller.info@state.ma.us) .

### **Attachments:**

[A - Prior Year Deficiency Appropriation Information Form](#)

[B - Instructions for Excel File](#)

[C - Release](#)

[D - Procedure for Payroll Deficiencies](#)

[E - Employee Reimbursement Form](#)