

# CASH BOOKS & ANNUAL STATEMENT Calendar Year 2020



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FEBRUARY 25, 2021

2020

# AUDIT UNIT UPDATE

Presenter: Caryn Shea

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## Audit Unit Update

### ■ Auditing Through the Pandemic

- Review of Annual Statements
- Remote Audits
  - Reviewing electronic documents
  - Visiting sites periodically
  - Emails/phone calls
- Audit Follow-Ups

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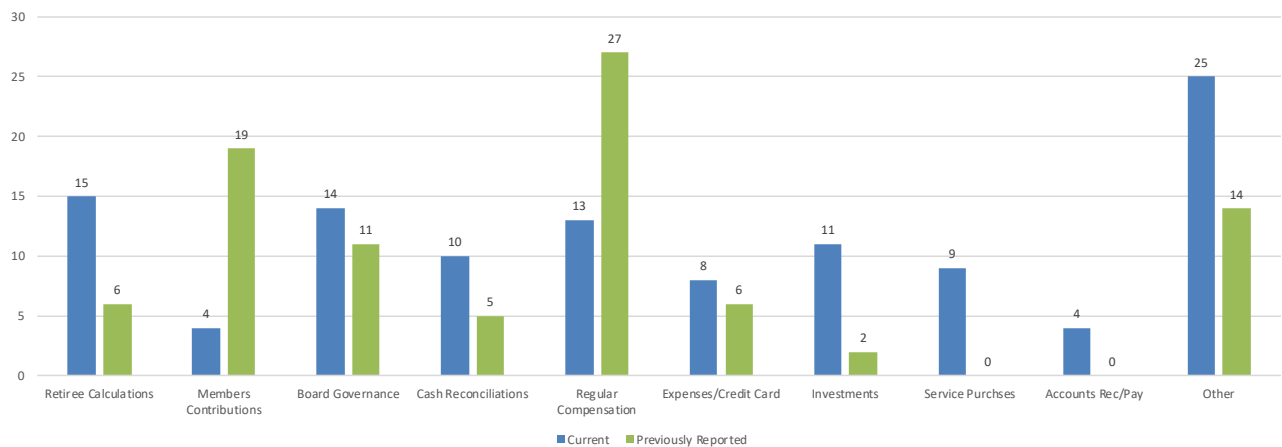
### NOTES:

## Reported Audit Results

- Results of the 65 audits completed since 2018
- There were findings in 42 of the 65 reports (65%)
- Issues totaled 113, broken into 10 categories

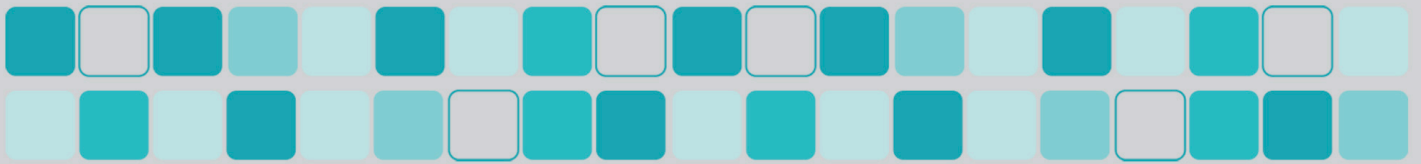
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## PERAC Audit Findings



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### NOTES:



## PERAC Audit Findings *(Continued)*

### ■ Board Governance

- Missing minutes
- No monthly financial reporting reviewed
- No executive session minutes
- Monthly meeting was not held

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## PERAC Audit Findings *(Continued)*

### ■ Credit Cards/Debit Cards

- Within PERAC's Travel regulations there is a specific regulation (840 CMR 2.11) regarding credit cards that limits what purchases a Board can make using a credit card
  - 840 CMR 2.11(2) states - Credit cards issued to the Board are not to be used to purchase supplies or other items that the Board, the Board Members or the Board's staff use on a regular basis and which can be readily anticipated and purchased by way of a competitive process.

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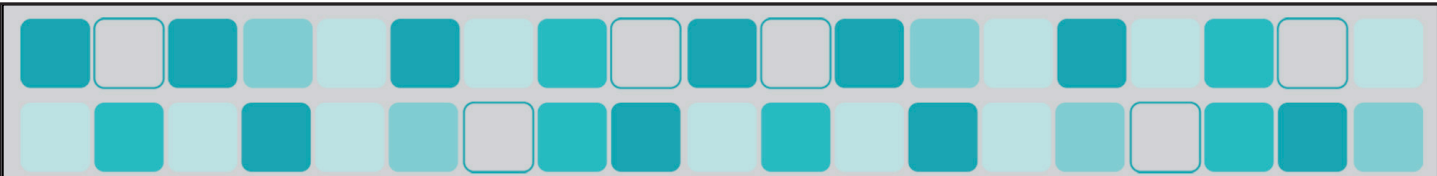
### NOTES:

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# PERAC Audit Findings *(Continued)*

- Examples in Other include:
  - 91A Overearners
  - Refunds
  - 3 (8)(c) Billings
  - Retiree Affidavits
  - Pension Appropriations
  - Membership/Members Folders

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**NOTES:**

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# CASH BOOK OVERVIEW

Presenter: Sarita Yee

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## Overview

- Intro
- Reporting Components and Requirements
- What does PERAC do with the cash books?
- Recommended Accounting Practices & Practices to Avoid
- Summary

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## NOTES:



## ? POLL QUESTION

**How Many Years Experience Have You Had Processing Cash Books?**

- A. < 3 years
- B. 3-8 years
- C. >8 years

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## REPORTING COMPONENTS AND REQUIREMENTS

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**NOTES:**

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## Monthly Cash Book Package (The “Standard Package”)

- Year to Date Trial Balance (TB) report
- Month to Date Cash Receipts (CR), Cash Disbursements (CD), Adjustments (AJE), and General Ledger (GL) reports
  - Example September Cash Book Package:
    - YTD TB: 1/1/2021 – 9/30/2021
    - MTD CR/CD/AJE & GL: 9/1/2021 – 9/30/2021

*Ref. Memo #16/2019 – Cashbook Submissions*

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## December/Year End Reporting

- December cash books:
  - Pre-Close books: (Before closing entries) In addition to regular monthly entries, should also include all year-end accruals and adjusting entries (i.e.- Everything up until, but before, closing entries).
  - Post-Close books: (After closing entries) There should not be any additional activity reflected except for the closing entries. 4000 and 5000 accounts on TB should be zero.
- The Pre-Close books should reconcile to Assets, Liabilities, Receipts, and Disbursement accounts of the Annual Statement.

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### NOTES:

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## When Are They Due?

- Monthly Cash Book Packages are due within four (4) weeks of the close of each month.

*(Memo #16/2019 & 840 CMR 4.03)*

- Cash book Reminder Notices:
  - First notice: 45 days late. E-mail will be sent to cash book preparer and Admin
  - Second notice: 60 days late with no response to first notice. E-mail will be sent to Chair and Admin
  - Suspension notice: 90 days late with no response to previous notices. Physical letter sent to Chair. Board members and Admin are CC'd

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## Additional Components:

- Pooled Fund Worksheets (PFW) or Investment Manager Statements (IMS) (Monthly/Quarterly)
- Custodian reports (Monthly)
- Consultant Statements (Quarterly)

*(Ref. 840 CMR 4.03)*

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### NOTES:

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## How Should We Submit Them?

- Monthly Cash Book Packages can be e-mailed to [PerCashbooks@per.state.ma.us](mailto:PerCashbooks@per.state.ma.us). Can also CC the PERAC Investment Analyst for your retirement board: [Syee@per.state.ma.us](mailto:Syee@per.state.ma.us) or [Vecolon@per.state.ma.us](mailto:Vecolon@per.state.ma.us)

*(Ref. Memo #16/2019)*

- Manager Statements, Custodian Reports, Consultant reports should be sent directly to your PERAC Investment Analyst and should not be e-mailed to the PerCashbooks
- Pooled Fund Worksheets can be filled out online:  
<https://www.mass.gov/forms/pooled-fund-worksheet>

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## WHAT DOES PERAC DO WITH THE CASH BOOKS?

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### NOTES:

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## What Do We Do With The Cash Books?

- Ensure monthly cash book submissions are continuous. (i.e.- last months ending balance + current month activity = current month year-to-date total activity)
- Verify that Investment related activity is booked to the correct accounts and cross-compare asset values on TB with PFS/Manager statements, Custodian, and Consultant reports.
- Track proper clearing of accounts receivables and payables from Prior Years Schedule A.
- Calculate Performance: Monthly, Quarterly, and Annual

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## Trial Balance Flow Check

Retirement Board				Cash Receipts Report		04/01/2019 03:28:45	
Transaction Date				Transaction Date Between 02/01/2019 & 02/28/2019		Page 3	
ID	Transaction Date	DRUCR Acct #	Debit/Credit Account Description	Transaction Description	Journal Number/Payor	Debit Amt	Credit Amt
Records Reported On: 19						887,619.91	887,619.91

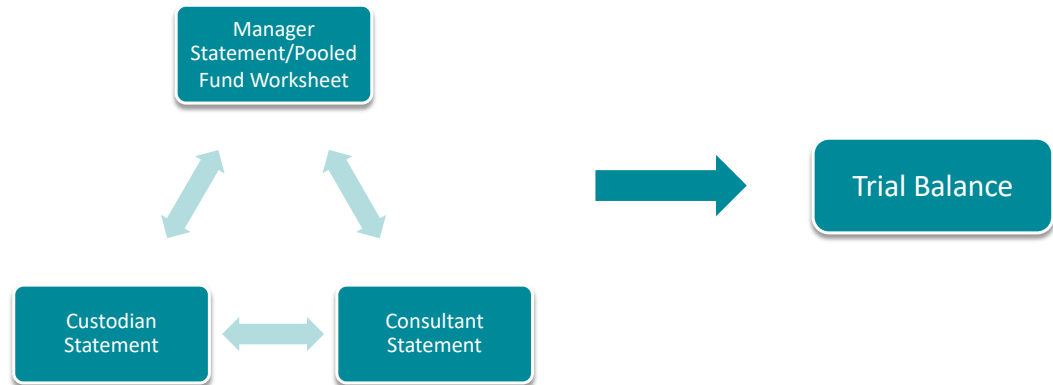
Retirement Board: Trial Balance Monthly Tie-Out Check			
2019	January	February	
Prior Month	\$ -	\$ 7,806,135.33	
CR	\$ 771,232.64	\$ 887,619.91	
CD	\$ 795,165.87	\$ 816,245.05	
AJE	\$ 6,239,736.82	\$ 2,935,715.81	
Activity Sub-Total	\$ 7,806,135.33	\$ 4,639,580.77	
Expected Current Month	\$ 7,806,135.33	\$ 12,445,716.10	
Actual Current Month	\$ 7,806,135.33	\$ 12,445,716.10	
Difference	\$ -	\$ -	

Retirement Board				Trial Balance		06/19/2019 10:58:13	
For Period 01/01/2019 Through 02/28/2019				Page 1			
Acct Nbr	Description	Beginning Balance	Debits	Credits	Ending Balance		
9015-0000	International Investments	0.00	0.00	0.00	0.00		
9025-0000	Treasurers Masters Trust	0.00	0.00	0.00	0.00		
9025-0000	Commission Receipts	0.00	0.00	0.00	0.00		
9025-0000	Invested Funds (Item Cash, 5)	0.00	0.00	0.00	0.00		
9030-0000	Invested into Credit to Member Assets	0.00	0.00	0.00	0.00		
9031-0000	Invested into Credit Annuity Plan #2	0.00	0.00	0.00	0.00		
9032-0000	Invested into Credit for Surv Paid	0.00	0.00	0.00	0.00		
9033-0000	Invested Investment Income	0.00	0.00	0.00	0.00		
9034-0000	Investment Income to Expense	0.00	0.00	0.00	0.00		
9100-0000	Person Paid Subsidiary Control	0.00	0.00	0.00	0.00		
9110-0000	Invested into Subsidiary Control	0.00	0.00	0.00	0.00		
9114-0000	Total Assets @ Mkt	0.00	0.00	0.00	0.00		
9130-0000	Fixed Income Securities @ Mkt	0.00	0.00	0.00	0.00		
9200-0000	Prior Year Due And Accrued	0.00	0.00	0.00	0.00		
9210-0000	Prior Year Due And Accrued	0.00	0.00	0.00	0.00		
9201-0000	Report Information Record	0.00	0.00	0.00	0.00		
9900-0000	Report Information Record	0.00	0.00	0.00	0.00		
9905-0000	Report Information Record	0.00	0.00	0.00	0.00		
9906-0000	Report Information Record	0.00	0.00	0.00	0.00		
9907-0000	Report Information Record	0.00	0.00	0.00	0.00		
9908-0000	Report Information Record	0.00	0.00	0.00	0.00		
9909-0000	Report Information Record	0.00	0.00	0.00	0.00		
9910-0000	Report Information Record	0.00	0.00	0.00	0.00		
9911-0000	Report Information Record	0.00	0.00	0.00	0.00		
Sub Total		0.00	0.00	0.00	0.00		
Grand Total		0.00	12,445,716.10	12,445,716.10	0.00		

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## NOTES:

## Cross-Comparison Verification



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## RECOMMENDED ACCOUNTING PRACTICES & PRACTICES TO AVOID

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### NOTES:

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## Recommended Accounting Practices and Tips:

- Recording Asset Value changes: Consolidated vs Multi-entry
- Using Investment Manager statements and Custodian statements to book asset values
- AR/AP relief: Single vs Double entry
- Use of Sub-Accounts

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## Recording Asset Changes: Multi-entry

Adjustments Report							10/01/2019 11:40:10
Transaction Date Between 08/01/2019 & 08/31/2019							Page: 1
Retirement Board							User:
ID	Transaction Date	DR/CR Acct #	Debit/Credit Account Description	Transaction Description Journal Number	Debit Amt	Credit Amt	
2605	08/31/2019	1199-0000 4821-0000	Prit Core Fund Investment Income Received	PRIT GAA 8/2019 Investment income J #:2605	169,623.98	169,623.98	
2606	08/31/2019	5304-0000 1199-0000	Management Fees Prit Core Fund	PRIT GAA 8/2019 Management fees J #:2606	12,648.60	12,648.60	
2607	08/31/2019	4887-0000 1199-0000	Unrealized Losses Prit Core Fund	PRIT GAA 8/2019 Unrealized losses J #:2607	703,709.70	703,709.70	
2608	08/31/2019	1199-0000 4884-0000	Prit Core Fund Realized Gains	PRIT GAA 8/2019 Realized gain J #:2608	241,767.57	241,767.57	

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### NOTES:

## Recording Asset Changes: Consolidated Entry

Retirement Board		Adjustments Report		Transaction Date Between 08/01/2019 & 08/31/2019		09/25/2019 08:58:31	
Retirement Board						Page: 3	
ID	Transaction Date	DR/CR Acct #	Debit/Credit Account Description	Transaction Description Journal Number	Debit Amt	Credit Amt	User:
7944	08/31/2019	4887-9316	Unreal Loss - PRIM Vintage PE 14	08/19 MV Adj Prim VY14	121,889.76	44,074.00	
		5304-9316	Inv Fees - PRIM Vintage PE 14		149.13		
		1193-0016	PRIM Private Equity Vintage Year 2014			3,578.42	
		4821-9316	Inv Inc - PRIM Vintage PE 14			24,145.63	
		4884-9316	Real Gain - PRIM Vintage PE 14			94,314.84	
						122,038.89	
7945	08/31/2019	4887-9317	Unreal Loss - PRIM Vintage PE 16	08/19 MV Adj Prim VY16	1,034.69		
		5304-9317	Inv Fees - PRIM Vintage PE 16		140.62	1,175.31	
		1193-0017	PRIM Private Equity Vintage Year 2016				
7946	08/31/2019	4887-9319	Unreal Loss - PRIM Vintage PE 17	08/19 MV Adj Prim VY17	12,843.91		
		5304-9319	Inv Fees - PRIM Vintage Year 17		85.04	8,974.06	
		1193-0019	PRIM Private Equity Vintage Year 2017			3,954.89	
		4821-9319	Inv Inc PRIM Vintage PE 17			12,928.95	
7947	08/31/2019	4887-9320	Unreal Loss - PRIM Vintage PE 18	08/19 MV Adj Prim VY18	3,865.63		
		5304-9320	Inv Fees - PRIM Vintage PE 18		41.46	3,907.09	
		1193-0020	PRIM Private Equity Vintage Year 2018				
7948	08/31/2019	4887-9901	Unreal Loss - PRIM - General Allocation	08/19 MV Adj Prim GAA	2,275,518.35		
		5304-9901	Inv Fees - PRIM - General Allocation		40,900.56	986,141.35	
		1199-0001	PRIM - General Allocation			546,496.85	
		4821-9901	Inv Inc - PRIM - General Allocation			781,780.71	
		4884-9901	Real Gain - PRIM - General Allocation			2,316,418.91	

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## Recording Asset Changes

Retirement Board		Adjustments Report		Transaction Date Between 03/01/2018 & 03/31/2018		11/06/2018 02:09:22	
Retirement Board						Page: 1	
ID	Transaction Date	DR/CR Acct #	Debit/Credit Account Description	Transaction Description Journal Number	Debit Amt	Credit Amt	User:
3176	03/31/2018	1193-0000	Pooled Alternative Investments	Increases to Pooled Funds	72,596.00		
		1193-0000	Pooled Alternative Investments	J #: 12	16,544.00		
		1193-0000	Pooled Alternative Investments		247,532.00		
		1193-0000	Pooled Alternative Investments		42,179.00	378,851.00	
		4886-0000	Unrealized Gains				
3177	03/31/2018	1172-0000	Pooled Domestic Equity Funds	More Increases	103,824.36		
		1172-0000	Pooled Domestic Equity Funds	J #: 13	42,758.35		
		1181-0000	Pooled Domestic Fixed Income Fund		111,057.87		
		1183-0000	Pooled Global Fixed Inc Fnds		82,596.16		
		1181-0000	Pooled Domestic Fixed Income Fund		147,904.03	486,180.77	
		4886-0000	Unrealized Gains				
3178	03/31/2018	1193-0000	Pooled Alternative Investments		97,270.00		
		1181-0000	Pooled Domestic Fixed Income Fund		19,170.76	116,440.76	
		4886-0000	Unrealized Gains				
3179	03/31/2018	4887-0000	Unrealized Losses		949,805.19		
		1172-0000	Pooled Domestic Equity Funds			322,740.08	
		1181-0000	Pooled Domestic Fixed Income Fund			14,444.51	
		1181-0000	Pooled Domestic Fixed Income Fund			84,008.62	
		1173-0000	Pooled International Equity Funds			304,857.02	
		1173-0000	Pooled International Equity Funds			223,754.96	
3180	03/31/2018	4887-0000	Unrealized Losses	Additional Decreases	2,768,255.50		
		1173-0000	Pooled International Equity Funds	J #: 16		1,010,475.47	
		1172-0000	Pooled Domestic Equity Funds			725,459.19	
		1172-0000	Pooled Domestic Equity Funds			369,416.36	
		1173-0000	Pooled International Equity Funds			578,712.75	
		1193-0000	Pooled Alternative Investments			84,181.74	

Consolidating entries does **NOT** mean netting the activity for multiple pooled funds into one entry!

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### NOTES:

## Investment Manager Statements and Custodian Reports

- PERAC recommends that Boards compare the Investment Manager Statements with Custodian statement to ensure accuracy when posting monthly/quarterly asset value changes. Entries should never be made solely based on the Custodian's report.
- PERAC also performs this reconciliation as part of our review of the cash books. But the expectation is that this reconciliation has already been performed by the Board when preparing their cash books.

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## AR/AP Relief (Clearing): Single Entry Method

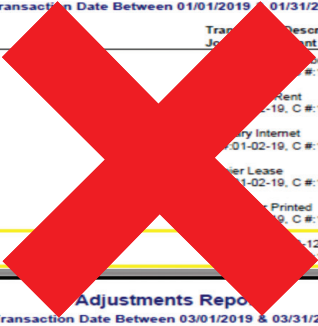
ID	Transaction Date	DR/CR Acct #	Debit/Credit Account Description	Transaction Description Journal #/Warrant #/Chk #/Chk Dt/Chk Prt Flg/Vendor	Debit Amt	Credit Amt
5828	01/31/2019	2020-0000 1041-0000	Accounts Payable Vendor checking	TWIN Mgmt Fee A/P/ W #0119, C #5549, C Dt:01/31/2019, CPF:Y, V:TWIN Capital Mgm..	11,463.75	11,463.75
5829	01/31/2019	2020-0000 1041-0000	Accounts Payable Vendor checking	Rhumblin Russell Mgmt Fee W #0119, C #5550, C Dt:01/31/2019, CPF:Y, V:Rhumblin Advisers	877.00	877.00
5830	01/31/2019	2020-0000 1041-0000	Accounts Payable Vendor checking	Rhumblin S&P A/P W #0119, C #5551, C Dt:01/31/2019, CPF:Y, V:Rhumblin Advisers	2,125.00	2,125.00
5831	01/31/2019	2020-0000 1041-0000	Accounts Payable Vendor checking	Lyrical Mgmt Fee A/P W #0119, C #5552, C Dt:01/31/2019, CPF:Y, V:Lyrical Asset Mana..	16,388.70	16,388.70



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### NOTES:

## AR/AP Relief (Clearing): Double Entry Method



**Cash Disbursements Report**  
Transaction Date Between 01/01/2019 & 01/31/2019

ID	Transaction Date	DR/CR Acct #	Debit/Credit Account Description	Transaction Description	Debit Amt	Credit Amt
7915	01/31/2019	5119-0000 1040-0000	Staff Salaries Checking	Disbursement 12/24/18-1/18/19 #1720, C Dt:01/31/2019, CPF:Y, V:	11,261.86	11,261.86
7916	01/31/2019	5312-0000 1040-0000	Rent Expense Checking	Rent #1721, C Dt:01/31/2019, CPF:Y, V:	1,595.00	1,595.00
7917	01/31/2019	5589-0000 1040-0000	Administrative Expenses Checking	Internet #1722, C Dt:01/31/2019, CPF:Y, V:	148.94	148.94
7918	01/31/2019	5311-0000 1040-0000	Service Contracts Checking	Lease #1723, C Dt:01/31/2019, CPF:Y, V:	107.91	107.91
7919	01/31/2019	5589-0000 1040-0000	Administrative Expenses Checking	Printed #1724, C Dt:01/31/2019, CPF:Y, V:	300.00	300.00
7920	01/31/2019	5308-0000 1040-0000	Legal Expenses Checking	Legal #1725, C Dt:01/31/2019, CPF:Y, V:	2,204.08	2,204.08

**Adjustments Report**  
Transaction Date Between 03/01/2019 & 03/31/2019

ID	Transaction Date	DR/CR Acct #	Debit/Credit Account Description	Transaction Description Journal Number	Debit Amt	Credit Amt
2541	03/31/2019	2020-0000 5755-0000	Accounts Payable 3(8)(c) Reimb To Other Systems	Adjust '18 3(8)(c) to actual	748.52	748.52
2542	03/31/2019	2020-0000 5308-0000	Accounts Payable Legal Expenses	reverse accrual from 12/31/18	2,204.08	2,204.08

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## Use of Sub-Accounts

- Useful for Boards with Multiple Pooled Funds or Separate Managed Funds
- Can be created for any account
- Handy for fees, income, gains, and losses
- Easier if the same sub-account refers to the same investment
  - The ABC investment company is 4821-12, 4884-12, 4885-12, 4886-12, 4887-12



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### NOTES:

08/03/2018 09:27:27  
Page: 1  
User:

**Trial Balance**  
For Period 01/01/2018 Through 06/30/2018

Retirement Board

Acct Nbr	Description	Beginning Balance	Debits	Credits	Ending Balance
1043-1000	Citizens - Main #	4,739,645.83	13,143,301.48	17,673,723.50	209,223.81
1044-1000	Citizens - Expense #	0.00	3,497,377.17	3,496,607.28	769.89
1045-1000	Citizens - Contrib #	0.00	14,137,634.20	14,137,634.20	0.00
1046-1000	Citizens - Non-Contrib #	0.00	41,648.26	41,648.26	0.00
1051-0000	RTC - Cash (Russell Investments)	333,785.58	27,272,335.29	27,521,515.69	84,605.18
1174-0001	RTC - MAC (Multi-Asset Core Fund)	239,638,006.05	13,215,336.73	33,462,625.56	219,390,717.22
1174-0003	RTC - International Fund	0.00	14,819,039.94	1,292,533.72	13,526,506.22
1181-0005	RTC - Bond Fund (Multi-Manager)	31,139,401.92	1,974,499.70	3,031,110.87	30,082,790.75
1193-0002	Harbour/Vest - VII Buyout	710,425.00	51,123.00	198,604.00	562,944.00
1193-0003	Harbour/Vest - VII Mezzanine	106,608.00	9,636.00	42,732.00	73,512.00
1193-0004	Harbour/Vest - VII Venture	441,524.00	13,249.00	70,171.00	384,602.00
1193-0005	Harbour/Vest - VIII Buyout	1,539,708.00	111,939.00	330,952.00	1,320,695.00
1193-0006	Harbour/Vest - VIII Mezzanine	137,281.00	5,391.00	29,686.00	112,986.00
1193-0007	Harbour/Vest - VIII Venture	639,532.00	76,189.00	103,566.00	612,155.00
1193-0008	Invesco - Non-US Partnership	2,473.00	0.00	2,308.00	165.00
1193-0009	Invesco - US Buyout III	1,701.00	0.00	1,560.00	141.00
1193-0010	Invesco - Venture Partnership III	16,158.00	0.00	16,044.00	114.00
1193-0011	Invesco - Partnership Fund V	3,774,526.00	0.00	369,808.00	3,404,718.00
1193-0014	Lexington	719,215.00	46,832.00	105,710.00	660,337.00
1193-0016	PRIM Private Equity Vintage Year 2014	3,034,177.43	876,620.28	26,937.85	3,883,859.86
1193-0017	PRIM Private Equity Vintage Year 2016	938,663.47	735,617.74	14,872.61	1,659,408.60
1193-0018	Harbourvest Dover St. IX	2,102,616.00	1,273,158.00	73,267.00	3,302,507.00
1193-0019	PRIM Private Equity Vintage Year 2017	246,684.69	522,429.36	38,274.07	730,839.98
1193-0020	PRIM Private Equity Vintage Year 2018	0.00	71,129.18	788.93	70,340.25
1194-0001	AEW VIF II	15,055.00	0.00	720.00	14,335.00
1194-0003	Hancock Timberland IX	3,656,853.00	103,059.50	62,341.00	3,697,571.50
1194-0004	Sustainable Woodland Funds II	4,295,812.97	0.00	12,407.00	4,283,405.97
1194-0005	RTC - Russell Real Estate Equity FD	10,788,526.43	383,958.38	0.00	11,172,484.81
1398-0000	Accounts Receivable Control Acct	109,436.10	0.00	0.00	109,436.10
1398-1000	Payroll Receivable From Town	0.00	338,362.11	337,219.41	1,142.70
<b>Sub Total</b>		<b>309,127,815.47</b>	<b>92,719,866.32</b>	<b>102,495,367.95</b>	<b>299,352,313.84</b>
2020-0000	Accounts Payable	-11,876.28	0.00	0.00	-11,876.28
2020-1000	Accounts Payable Payroll	0.00	2,610,411.99	2,610,411.99	0.00
<b>Sub Total</b>		<b>-11,876.28</b>	<b>2,610,411.99</b>	<b>2,610,411.99</b>	<b>-11,876.28</b>

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## Back Dating Entries

- Main drivers and possible reasons for back-dating entries:
  - Delayed invoicing or identification of Management fees
  - Mathematical errors and misclassification of accounts
  - Estimates for refunds to members, interest not refunded, etc.
  - AR/AP clearing — specifically the double-entry method

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## NOTES:

## Dangers of Back Dating Entries — Example

- John Smith, Board Admin for Cape Cod Retirement Board, has just submitted November's cash books. After performing a TB Check, PERAC analyst identifies a \$24 million difference between what is reflected on the YTD TB than is supported by the monthly activity reports:

	July	August	September	October	November
Prior Month	\$ 244,037,237.23	\$ 304,184,679.15	\$ 338,414,540.03	\$ 349,584,238.42	\$ 362,758,973.79
CR	\$ 40,724,818.58	\$ 2,541,014.07	\$ 2,856,341.77	\$ 1,974,656.60	\$ 9,791,224.15
CD	\$ 13,743,071.81	\$ 25,840,216.88	\$ 2,064,720.61	\$ 4,661,974.63	\$ 5,107,047.12
AJE	\$ 5,679,551.53	\$ 5,848,629.93	\$ 6,248,636.01	\$ 6,538,104.14	\$ 6,239,439.58
Activity Sub-Total	\$ 60,147,441.92	\$ 34,229,860.88	\$ 11,169,698.39	\$ 13,174,735.37	\$ 21,137,710.85
Expected Current Month	\$ 304,184,679.15	\$ 338,414,540.03	\$ 349,584,238.42	\$ 362,758,973.79	\$ 383,896,684.64
Actual Current Month	\$ 304,184,679.15	\$ 338,414,540.03	\$ 349,584,238.42	\$ 362,758,973.79	\$ 408,158,389.77
Difference	\$ -	\$ -	\$ -	\$ -	\$ 24,261,705.13

Slide 33

## Dangers of Back Dating Entries – Example *(Continued)*

- PERAC Analyst reaches out to John, and after further discussion, finds out that some corrections and additional entries were posted to August, September, and October for late receipt of management fees and manager statements... However, these additional entries were posted after he had already submitted October's cash books. He did not send PERAC revised cash books after making these entries. As a result, John caused a delay in PERAC's review of the cash books and created extra work for himself by having to re-run and re-submit reporting.

	July	Revised August	Revised September	Revised October	November
Prior Month	\$ 244,037,237.23	\$ 304,184,679.15	\$ 346,623,135.96	\$ 365,879,022.76	\$ 387,020,678.92
CR	\$ 40,724,818.58	\$ 6,277,428.27	\$ 6,595,500.10	\$ 5,689,331.13	\$ 9,791,224.15
CD	\$ 13,743,071.81	\$ 29,831,458.36	\$ 6,060,278.18	\$ 8,631,826.71	\$ 5,107,047.12
AJE	\$ 5,679,551.53	\$ 6,329,570.18	\$ 6,600,108.52	\$ 6,820,498.32	\$ 6,239,439.58
Activity Sub-Total	\$ 60,147,441.92	\$ 42,438,456.81	\$ 19,255,886.80	\$ 21,141,656.16	\$ 21,137,710.85
Expected Current Month	\$ 304,184,679.15	\$ 346,623,135.96	\$ 365,879,022.76	\$ 387,020,678.92	\$ 408,158,389.77
Actual Current Month	\$ 304,184,679.15	\$ 346,623,135.96	\$ 365,879,022.76	\$ 387,020,678.92	\$ 408,158,389.77
Difference	\$ -	\$ -	\$ -	\$ -	\$ -

Slide 34

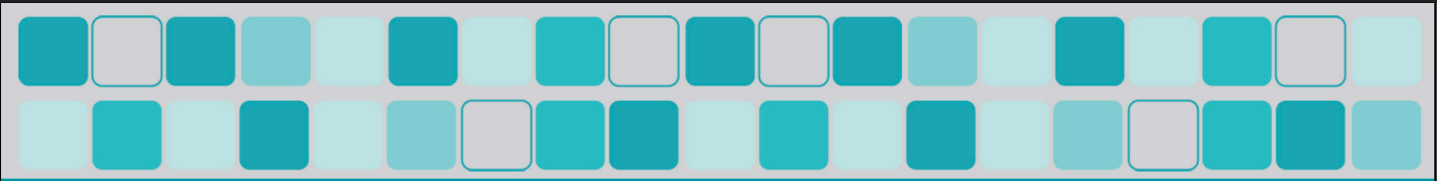
### NOTES:



## Back Dating Entries *(Continued)*

- Could this have been avoided? **Yes!**
  - John Smith should have posted the correcting entries to November's cash books with descriptions detailing the date and the reason for the correction and thus could have avoided the need to re-run reporting and send revised cash books.
- Generally Accepted Accounting Principles (GAAP) practice is to recognize the error in the period in which it was discovered.  
*(Memo #24/2014 & Memo #15/2015 – Retroactive changes to Cashbook Entries)*
- Repetitive errors and changes to cash books undermines the credibility of future cash book submissions and may result in an increased audit risk assessment.

Slide 35



## ? POLL QUESTION

**Which Of These Practices Is Preferred By PERAC? *(May Select More Than One)***

- A. Posting a correction back to its original date
- B. Using sub-accounts
- C. Clearing your prior year A/P management fee directly against the 2020 account (single entry)
- D. All of the above

Slide 36

### NOTES:

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## Summary

- Cash book Package consists of 5 reports:
  - YTD: TB
  - MTD: CR, CD, AJE, and GL
  - Due within four (4) weeks of the close of each month!
- Also includes timely submission of your Manager Statements/Pooled Fund Worksheets, Custodian, and Consultant reports – If not with your cash books, then shortly after!
- Sub Accounts can be helpful
- Accounts Receivable/Payable Clearing – Single entry method is preferred!
- Back-Dating Entries and Netting Entries — Just Don't Do it!

Slide 37

## Questions?



Slide 38

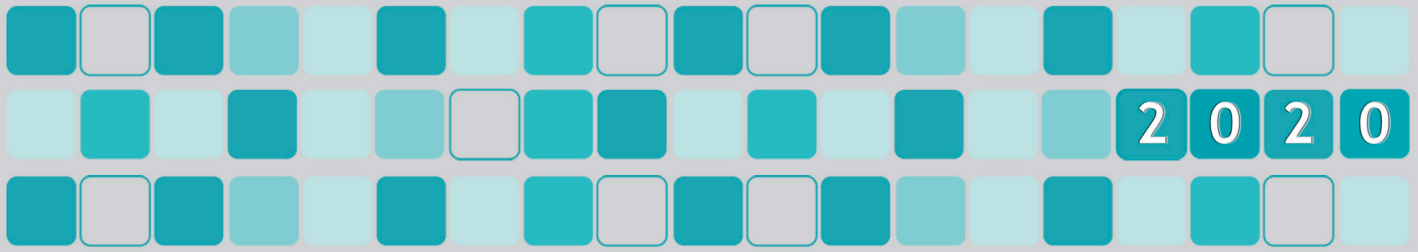
### NOTES:

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# 2020 ANNUAL STATEMENT

Presenter: Scott Henderson

Slide 39



## ? POLL QUESTION

### How Do You Feel About Your Ability To Produce The Annual Statement?

- A. I am a board member and do not have to do it.
- B. I have no idea what is going on.
- C. I know just enough to be dangerous.
- D. I've done plenty of Annual Statements; I am here just for Sarita's part.

Slide 40

### NOTES:

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## Most Important Slide

- There are no format changes for the 2020 Annual Statement
- No new accounts
- No new schedules
- To see a blank Annual Statement on our web site
  - About PERAC ➡ PERAC Units ➡ Audit ➡ Training Materials ➡  
The Annual Statement 2020

Slide 41



## End of Yearly Accounting Cycle

- December — besides normal accounting there are also
  - Unrealized gains and unrealized losses
  - Interfund transfers
    - Negative pension fund
    - 10-year inactives
  - Accruals
    - Accounts Payable (#2020)
    - Accounts Receivable (#1398)
    - Interest Due and Accrued (#1550)

Slide 42

### NOTES:

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## Unrealized Gains, Unrealized Losses

- Posting from custodian's summary sheet
  - Unrealized gains/losses netted
    - Get actual numbers from inside report or
    - Schedules 3A and 4A

Slide 43



## Interfund Transfers

- Pension Reserve Fund to Pension Fund
  - Done to avoid a negative Pension Fund
    - Ledger balance should be a credit
  - Start with amount from page 2 of appropriation letter
    - Far right column
  - If not enough, transfer additional amount to bring to \$0

Slide 44

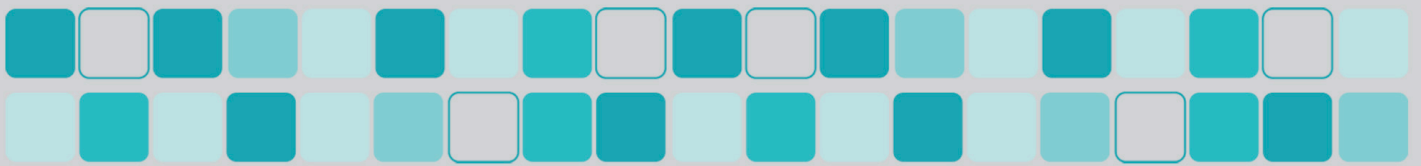
### NOTES:

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## Interfund Transfers *(Continued)*

- Non-vested members inactive for 10 years
  - ASF account goes to the Pension Reserve Fund
    - Section 11(3) of Chapter 32

Slide 45



## Accounts Payable

- Cost of service incurred before year's end, bill paid in January or later
  - 4<sup>th</sup> Q investment fees
  - Utilities
  - Legal fees
- Many involve retirement allowances or small refunds
  - Retiree's final month's payment stopped in time, no clear payee
  - Uncashed checks that have been voided

Slide 46

### NOTES:

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## Accounts Receivable

- Member deductions
  - Paycheck in December, withholdings received in January
- Appropriation payments
  - Due to be paid January-June
  - Equates calendar year amount to funding schedule's fiscal year amount
- Retirees show up here too
  - Waiting for estate of overpaid retiree

Slide 47



## Accounts Receivable *(Continued)*



- Set up a receivable for service purchases?
  - If Board allows installment plans
  - If a significant number of members or dollars are involved
  - Should be tracking the remaining balances, making a total still owed easy to find
- If you have set one up already
  - Need to lower the receivable by amount received
  - Increase receivable for interest on in-process plans and brand new purchases

Slide 48

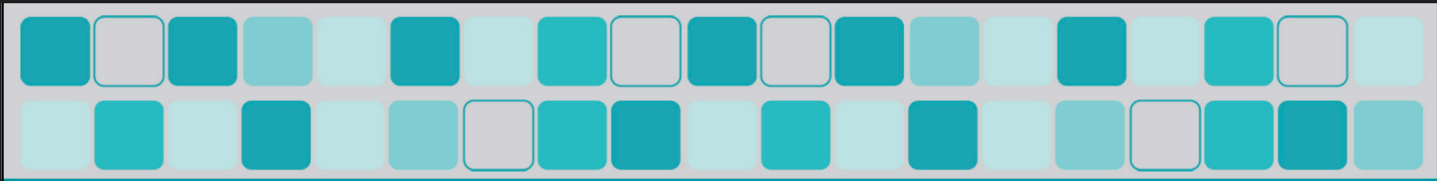
### NOTES:

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## Interest Due and Accrued

- Do I even have this?
  - Schedule 3A from custodian
  - Possibly on Schedule 1
  - Much less likely on Schedule 2A

Slide 49



## Interest Due and Accrued *(Continued)*

- I do have this. What are the entries?
- Get rid of last year's #1550 balance
  - Debit #4820, credit #1550
- Establish this year's balance
  - Debit #1550, credit #4820

Slide 50

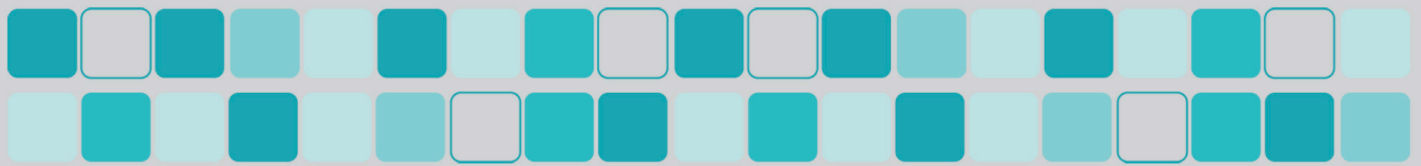
### NOTES:

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## 4820?

- What's #4820 for? Why don't we use #4821?
  - #4820 is the Investment Income control account
    - Year-end close: all income, gains, and losses go here
      - Fund interest comes out of this account
  - When the income is received, it is booked to #4821.
    - Lowering #4821 would throw off matching schedule totals

Slide 51



## Supplemental Schedule

- Try to balance throughout the year
- How deductions should work
  - Paydate 12/30/2020- contributions should be on 2020 Supplemental Schedule
  - Paydate 1/8/2021- contributions should be on 2021 Supplemental Schedule
    - Does not matter that check covers pay for days in December
- If you have a receivable for purchases, do not try to match the make-up payments in the schedule to the ledger
  - Manually add receivable to schedule total
    - Should match 3293

Slide 52

### NOTES:

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## Retiree Payroll

- Does amount from payroll match amount on ledger?
- Any accounting adjustment requires a corresponding manual adjustment to the retiree's record
  - Collected overpayments

Slide 53



## Producing the Annual Statement

- Much is automated
- Manual entries for ...

Slide 54

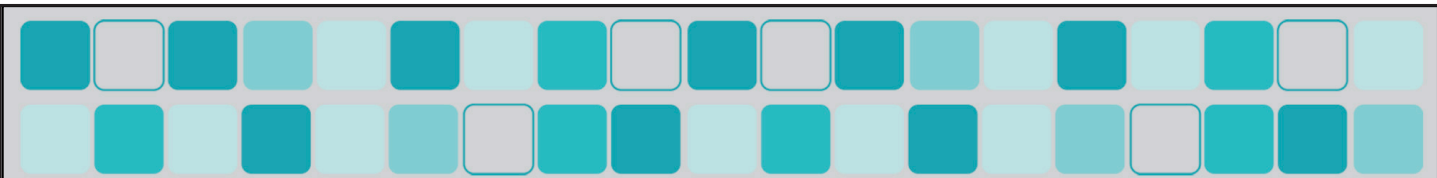
### NOTES:

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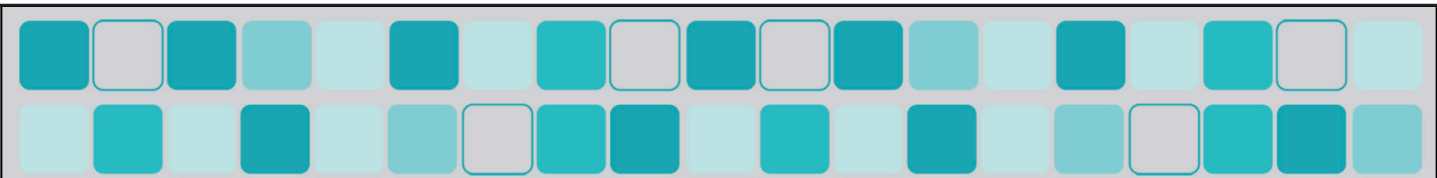


## Annual Statement Manual Entries

### ■ Investment Income

- Booked to #4821
  - Separating by asset class
  - Include securities litigation if booked here- use Commission Recapture line
    - Do not include securities litigation if booked to #4825 Miscellaneous Income
- Total should match #4821 closing entry

Slide 55



## Balance Tests

- Three different ways of looking at the year's activity.
- The result should be the same number for all three.

Slide 56

### NOTES:

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## Balance Tests *(Continued)*



### ■ My balance tests do not have the same result. How does this get fixed?

- Did all accounts close correctly?
  - Produce post-close trial balance.
    - All accounts starting with 4 or 5 should end at \$0.
- Is Investment Income breakdown entered correctly?
  - 4821 total on Investment Income page should match the #4821 closing entry
- Is there part of an entry made to a non-existent account?
  - Put in #5303 instead of #5304



Slide 57

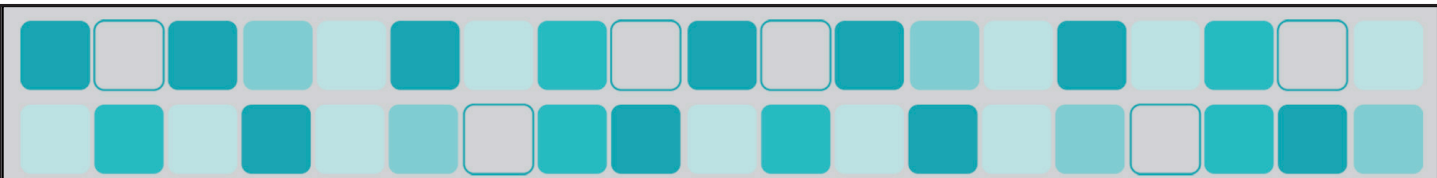
## Balance Tests *(Continued)*

### ■ My numbers are different, but the reasons on the prior slide don't apply.

- Look at the year's accounting entries.
- Any entry using a fund (#3293-3298) for the debit must also use a fund for the credit and vice versa.
  - Does not apply to closing entries- those are half and half by definition.
- Common mistakes
  - #4822 Interest not Refunded
  - trying to write-off a payable or receivable

Slide 58

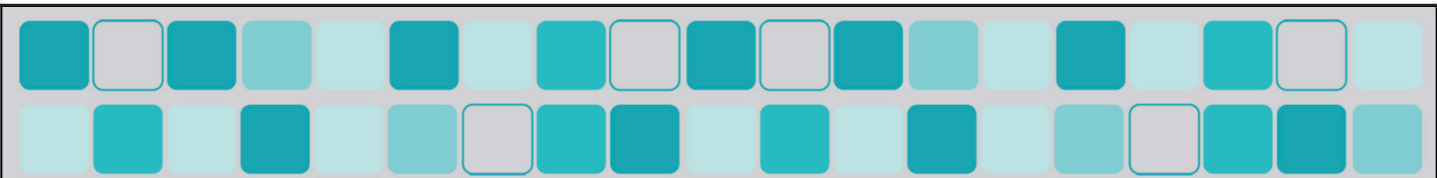
## NOTES:



## Annual Statement Manual Entries

- Interfund transfers
  - Top half has totals by fund, produced by software
  - Bottom half lists each individual entry
    - Goal is to match the top half for all funds

Slide 59



## Annual Statement Manual Entries

- Schedule A
  - Receivables at the top
    - Listed by account number
      - Put dates for all
        - » Buyback receivable use 12/31/2020
  - Payables on the bottom
    - Listed by account number
      - Put dates for all
  - Both sections have blank rows for investments
    - Can use for other purposes too
      - Voided checks

Slide 60

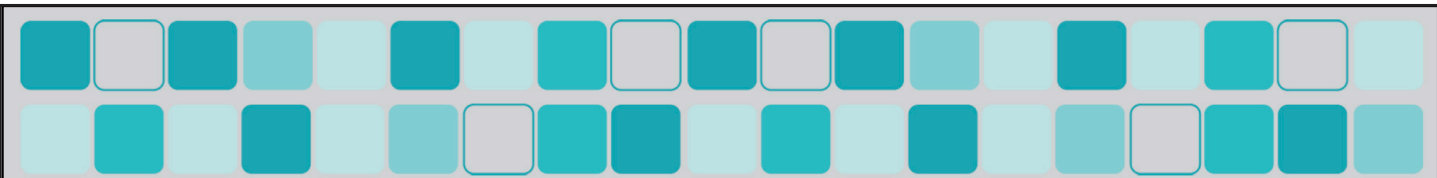
### NOTES:

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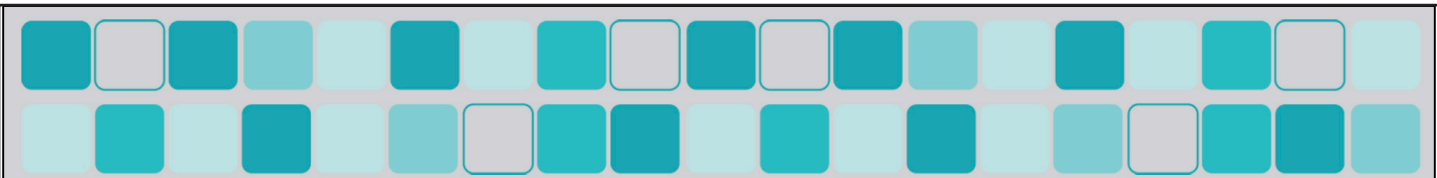
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## Schedules 1-7

- Financial info matches front part of Annual Statement
- Who produces these?
  - Schedule 1- both custodian and Board
    - Add bank accounts
  - Schedules 2, 3, and 4- custodian
  - Schedules 5, 6, and 7- Board
    - Ignore custodian's schedule 5

Slide 61



## Audit Unit Annual Statement Reviews



- Done relatively timely in 2020 for 2019 Annual Statements
  - Asked Boards questions for first time in years
- What did we see?

Slide 62

### NOTES:

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## ? POLL QUESTION

### Did We Contact You Last Year About Discrepancies Involving the Supplemental Schedule or Pensions Paid?

- A. I did not do an Annual Statement last year.
- B. No.
- C. One of those.
- D. SIGH—both of them.

Slide 63



## Audit Unit Annual Statement Review *(Continued)*

- Custodian Schedule 5
  - Income/gains/losses combined
  - Cannot verify any of those on the Investment Income page
    - Auditor will tell you we prefer 5 separate columns
- Supplemental schedule
  - Ending balance does not match #3293
  - Also review individual columns

Slide 64

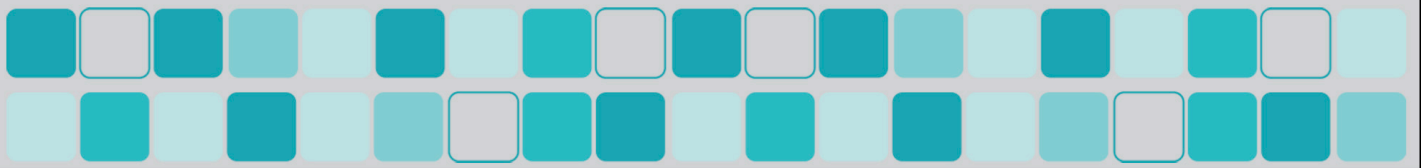
### NOTES:

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## Audit Unit Annual Statement Review *(Continued)*

### ■ #5751 Pensions Paid

#### ○ PTG Boards

- Top row amount should match the breakdown under it — often did not
- Top amount comes from ledger
- Breakdown comes from the monthly payrolls
  - Manual adjustments not made

Slide 65



## Other Things

### ■ Board member page

- List members as of 12/31/2020

### ■ Manager list

- If you say “see attached list”, make sure there is an attached list

### ■ Boards in PRIT do not need to list BNY Mellon as a custodian

### ■ Save a copy of the January-December post-close general ledger



Slide 66

## NOTES:

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## How To Submit

- Go to Interchange
  - [ics.mass.gov](https://ics.mass.gov)
- Sign in
  - Username is your email address
- Go to “Transfer”
- Use [annualstatement@per.state.ma.us](mailto:annualstatement@per.state.ma.us) for recipient
- Attach files
- Should receive confirmation “successfully sent to [annualstatement@per.state.ma.us](mailto:annualstatement@per.state.ma.us)”

Slide 67

## Questions?



Slide 68

### NOTES:

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**COMMONWEALTH OF MASSACHUSETTS**

**Public Employee Retirement Administration Commission**

Five Middlesex Avenue, Suite 304 | Somerville, MA 02145

Phone: 617-666-4446 | Fax: 617-628-4002

TTY: 617-591-8917 | Web: [www.mass.gov/perac](http://www.mass.gov/perac)

