Managing Year-End Close Activities
Fiscal Year 2018

July 12, 2018
## Agenda
Managing Year-End Close (YEC) Activities

<table>
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<th>Topic</th>
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<tr>
<td>Setting the Context</td>
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<td>Revenue and Expense Accruals</td>
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<td>Restricted Gift Funds &amp; Fund Transfers</td>
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<td>OBI Spotlight</td>
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<td>2018 YEC</td>
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</table>
Managing Year-End Activities

Why this is important

Financial Statement Objectives:

- Completeness and Accuracy
- Existence or Occurrence
- Valuation
- Rights and Obligations
- Presentation and Disclosure
Managing Year-End Close Activities

Process flow

Recording all expenses
- Advances
- PCard
- TCard
- Org Suspense Accounts

Recording other transactions
- Accruals
  - Revenue
  - Expenses
  - Unidentified cash receipts

Managing funds
- Restricted gift funds
- Payout
- Reinvestment of Payout
- Transfers
- Overdrafts and deficits

Financial Transaction Approval
Recognizing Revenue & Revenue Accruals
Recognizing Revenue

Key Concepts

- Revenues are considered to have been earned when the entity has substantially accomplished what it must do to be entitled to the benefits represented by the revenues.

- Units should not recognize revenue when you receive cash and you have not earned it yet.

- Revenue should be recognized in the period it is earned.
Recognizing Revenue

Scenario 1 - When Department **Has** Received Cash

Has obligation to earn revenue been performed?

- Yes
  - Deposit cash, use 46xxx revenue object code

- No
  - Deposit cash to deferred revenue, use 21620 Unearned Income Other

When revenue is earned, Submit iJournal

Debit: 21620 Unearned Income Other
Credit: 46XXX Revenue Object Code
Recognizing Revenue
Scenario 2 - When Department **Has Not** Received Cash

Has obligation to earn revenue been performed?

- **Yes**: Submit iJournal to accrue revenue
  Debit: 11221 Other Receivables General
  Credit: 46XXX Revenue Object Code

- **No**: No action required
Policy for Accruing Revenue

**Purpose:** To record external revenue on non-sponsored projects that should have been recognized in FY18 but was not recorded in Oracle during August 2018

**Revenue:**

- Prepare a list of all charges with customer PTAE’s and amounts to be credited (revenue)
- Using the same PTA, use one of these object codes as the debit:
  - 11221 Other Receivables General
  - 11222 Other Receivables Auxiliary and Service Centers
- Minimum threshold is $50,000
- Utilize iJournals AR Accruals to create an Accounts Receivable (AR) accrual journal for AUG-2018 **by September 11, 2018**

**Questions:**

- For Service Centers, email Christine Siu, csiu@Stanford.edu
- For all other revenue accruals, email Emily Cantey ecantey@stanford.edu
## Available Resources

<table>
<thead>
<tr>
<th>Resource</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Object Codes: 46XXX Revenue Definitions</strong></td>
<td>• Fingate &gt; Account Structure: Chart of Accounts &gt; Resources</td>
</tr>
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<td>• <strong>Object Code Listing Active &amp; Inactive</strong></td>
<td>• Fingate &gt; Account Structure: Chart of Accounts &gt; Resources</td>
</tr>
<tr>
<td>• <strong>Object Code Listing Active Only</strong></td>
<td></td>
</tr>
</tbody>
</table>
| • **OBI Expenditure Type and Object Code Search** | • OBI Dashboards > Reference and Data Inquiry  
• Fingate > Account Structure: Chart of Accounts > Resources |
Policy for Accruing Expenses

**Purpose:** To record expenses that should have been recognized in FY18 but were not recorded in Oracle during August 2018

**Expenses:**
- Prepare a list of the expenses that have not yet been recorded in Oracle AP
  - Prepare a debit to these accounts
  - Create a credit (offset) using object code 21300
- Applies to Non-Capital Projects
- Minimum threshold is $50,000
- Utilize **iJournals AP Accruals** responsibility to create an Accounts Payable (AP) accrual journal for AUG-2018 by **September 11, 2018**

**Questions:**
- Email Nini Cruz, tcruz@Stanford.edu or Matt Savage, msavage1@stanford.edu
Restricted Gift Funds
Restricted v. Unrestricted Gift Funds

For University non-sponsored awards...

- **Unrestricted Funds**
  - Operating Budget
  - Designated Funds
  - Auxiliary Funds

- **Restricted Funds**
  - Endowments
  - Expendable Gifts

• When a donor makes a gift to the University, the donor may provide terms for the use of that gift. Those terms would then “restrict” the gift to that purpose.

• If donor terms allow a gift to be used broadly within a school or unit, it is deemed "Unrestricted" at the unit level, but "Restricted" by central University administration.
  • Consider PTA level of control and level of restriction
Restricted Funds Management Reminders
Understanding Donor Intent & Timeliness

Our **Responsibility:**

- Ensure donor expectations are met **100% of the time** by:
  - Spending in accordance with **donor intent**.
  - Spending on a **timely** basis.
    - Generally Spend **Endowment income annually** when possible.
    - Generally **Expendable Gift funds** should be spent **within a few years** of gift receipts unless stated otherwise.

- The **only** acceptable/appropriate response to the question of why was something charged to a donor restricted fund is because the **expense meets donor intent**.
Spending Considerations
Which fund to use first?

- **ALWAYS** match terms & restrictions of the funds

- Then Consider:
  - Charging applicable expenses to the most restricted funds first
  - If there is an end date to the usage of the funds
  - Spending Endowment Income before Expendable Gift
New OBI Endowment Financial Dashboard
Available from Revenue and Fund Management Dashboard
New OBI Endowment Financial Dashboard

- Use to evaluate accumulated endowment payout
  - Run by School, Org, Award and by Fiscal Year to Date GL Period
  - Shows when you have accumulated > 2X annual payout and 4X the annual payout

Endowment Financial Dashboard

Unused Funds Report for FTD APR-2018
Time run: 7/6/2018 19:10:39 AM
Use to evaluate endowment funds that are underwater
- Run by School, Org, Award and by Fiscal Year
- Shows when a fund's book value is greater than its current market value
Fund Transfers
Expense vs Fund Transfers

- **Expense (cost) transfer**
  - Is an after-the-fact reallocation of the cost associated with a transaction from one PTA to another.

- **Fund transfer**
  - Is a transfer of funds from one PTA to another.

- **Business Considerations**
  - Transferring between different types of funds
  - Stewardship of Funds
  - Visibility of expenses
  - Expenses are charged to the PTA that benefited
Fund Transfers

- Anytime money is moved between funds, it is critical to be aware of the **restrictions** on the respective funds.

- Stanford has created specific guidelines around the allowable versus unallowable ways that money can be transferred between funds in order to accommodate these levels of restriction.

- Fund transfers can be initiated internally, or can be performed by Fund Accounting. Many schools/departments centralize the management of transfers.
The allowable transfers depicted below may be limited by individual School guidelines.

From:
- Operating Budget
- Designated
- Endowment
- Expendable Gift

To:
- Operating Budget
- Designated
- Endowment
- Expendable Gift

Consult With OSR

Grants & Contracts
Financial Transaction Approval
Transaction Approval Roles & Responsibilities

School Dean’s Office or Other Units’ Financial Groups

University Employee → Originator → Approver
Transaction Approval Roles & Responsibilities

• Accept overall responsibility for financial controls, communicate appropriate values and ensure approvers take responsibility for the integrity of financial transactions
• Ensure appropriate individuals are assigned as account (PTA) managers, granted appropriate approval authority, and trained
• Resolve escalated issues and work with Central Administrative Services Offices to resolve policy questions
Transaction Approval Roles & Responsibilities

- Understand and adhere to policy, requirements, and regulations
- Ensure expenditures are allowable, allocable, reasonable, and necessary
- Provide adequate supporting documents

University Employee

- Understand and adhere to policy, requirements, and regulations
- Ensure expenditures are allowable, allocable, reasonable, and necessary
- Correctly enter the transaction into the financial system
- Collect and submit or maintain appropriate back up and support documents for transactions

Originator

- Accept responsibility for stewardship and control of the funds
- Understand and adhere to policy, requirements, and regulations
- Perform responsibility review
- Withhold approval and investigate questionable transactions
- Report suspected fraud

Approver
Approver Specific Roles and Responsibilities

What specific criteria should approvers use when certifying that financial transactions are appropriate?

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>1</strong> Confirm the expenditure is necessary for University purposes</td>
</tr>
<tr>
<td><strong>2</strong> Determine if the cost is reasonable</td>
</tr>
<tr>
<td><strong>3</strong> Ensure charges are allowable and can be allocated to the account (Project/Task/Award)</td>
</tr>
<tr>
<td><strong>4</strong> Verify that charges are correctly coded as allowable/unallowable for inclusion in the University’s indirect cost rate calculations</td>
</tr>
<tr>
<td><strong>5</strong> Determine if the correct Expenditure Type was used</td>
</tr>
<tr>
<td><strong>6</strong> Ensure that charges are appropriately documented (e.g. business purpose, names of participants, backup documentation), and are recorded in a consistent manner within departmental accounts</td>
</tr>
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</table>
Determining Expenditure Type Codes

- Allowable vs. Unallowable

- Department guidelines and reporting needs

- Common challenges:

  Travel

  Meals
Travel

- **Definition**
  - Travel and lodging, transportation, travel meals, mileage, car rental
  - Incurred while on University business; Must comply with University policy

- **Common Challenges**
  - Domestic vs Foreign
    - **Foreign**: When ANY portion is outside the US or its territories
  - Allowable vs Unallowable
    - **Allowable**: Eligible for reimbursement by Federal government
      - Customary amounts (e.g., meets Federal Guidelines)
    - **Unallowable**: amounts in excess of customary standards (e.g., Federal Guidelines)
      - Flights that exceed the lowest commercial airfare: 1/3 allowable; 2/3 unallowable

Egencia is the preferred method of booking travel; and it saves historical info to support lowest available fare justification
# Recording Meals While Traveling

For SU Payees

<table>
<thead>
<tr>
<th>Meals for:</th>
<th>ERS Expense Types</th>
<th>Common Expenditure Type Codes</th>
</tr>
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</table>
| Traveler only | ▪ **Travel Meal (no alcohol)** | 52410 – Domestic Travel/Lodging Allow  
52420 - Foreign Travel/Lodging Allow |
| |  | 52410 – Domestic Travel/Lodging Allow  
52420 - Foreign Travel/Lodging Allow  
52310 – Alcoholic Beverages Unalw  
52310 – Alcoholic Beverages Unalw  
52310 – Alcoholic Beverages Unalw |
| | ▪ **Travel Meal with Alcohol (food only)** |  
▪ Alcohol consumed with meal  
▪ Tax for meal*  
▪ Tip for meal* |
| | ▪ **Business Meal** (no alcohol) | 52410 – Domestic Travel/Lodging Allow  
52420 - Foreign Travel/Lodging Allow  
52310 – Alcoholic Beverages Unalw  
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52310 – Alcoholic Beverages Unalw |
| | ▪ **Business Meal with Alcohol** (food only) |  
▪ Alcohol consumed with meal  
▪ Tax for meal*  
▪ Tip for meal* |
| Traveler and colleague(s) | | |
| | ▪ **Business Meal** (no alcohol) | 52410 – Domestic Travel/Lodging Allow  
52420 - Foreign Travel/Lodging Allow |
| | ▪ **Business Meal with Alcohol** (food only) |  
▪ Alcohol consumed with meal  
▪ Tax for meal*  
▪ Tip for meal* |

* Option to use 52325 Meals Food Tax & Tip Unallow for reporting purposes  
** List participant names in Remarks and enter # of participants to calculate per person cost for T&R
# Recording Other Meals

## In Expense Requests System

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<tr>
<td>Local Business Meals</td>
<td>- Business Meal** (no alcohol)</td>
<td>52355 – Food</td>
</tr>
<tr>
<td></td>
<td>** OR</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Business Meal with Alcohol** (food only)</td>
<td>52355 – Food</td>
</tr>
<tr>
<td></td>
<td>- Alcohol consumed with meal</td>
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<tr>
<td></td>
<td>Business Meal** (no alcohol)</td>
<td>52315 – Entertainment Unallowable</td>
</tr>
<tr>
<td></td>
<td>Business Meal with Alcohol**</td>
<td>52315 – Entertainment Unallowable</td>
</tr>
<tr>
<td></td>
<td>(food only)</td>
<td>52310 – Alcoholic Beverages Unalw</td>
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</tr>
<tr>
<td></td>
<td>Employee Morale</td>
<td>52240 – Employee Morale (food only)</td>
</tr>
<tr>
<td></td>
<td>(no alcohol, employees only)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employee Morale</td>
<td>52240 – Employee Morale (food only)</td>
</tr>
<tr>
<td></td>
<td>(with alcohol, employees only)</td>
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** List participant names in Remarks and enter # of participants to calculate per person cost for T&R
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<tr>
<td>• Expenditure Type Query</td>
<td>• Fingate &gt; Account Structure: Chart of Accounts &gt; Resources</td>
</tr>
<tr>
<td>• Commonly Used Expenditure Types</td>
<td>• Ofweb &gt; SU Inquiry Tools and Forms</td>
</tr>
<tr>
<td>• Buy and Pay Guide</td>
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<td>3</td>
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<td>5</td>
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<tr>
<td>6</td>
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</tbody>
</table>
Business Expense: Business Purpose

- Who, What, Where, When, **Why**....

- **WHY:** The **Business Purpose**
  - explains how the business expense is *connected* to the University and supports its mission
  - includes appropriate back up to support the business purpose, such as *agendas* or travel itinerary

- An explanation of how or why the amounts incurred are *reasonable based on the facts and circumstances*, especially when they deviate from University guidelines.
  - While these amounts vary based on facts and circumstances, a good test is whether the individual could defend the amount spent if it came under public scrutiny.

See Guidelines for Writing a Clear Business Purpose:  
http://web.stanford.edu/group/fms/fingate/staff/reimburse/res_jobaid/guide_bus_purpose.html
OBI
Spotlight
Expense Request Efficacy Dashboard

- **Location**: OBI Dashboards > Expense Requests and SU Card Activity > Expense Request Efficacy Dashboard
- **Use to**: Identity common rejection reasons and review with staff to improve efficiency

![Expense Request Efficacy Dashboard screenshot](image-url)
A. **Award At a Glance**: Monitor Available Balance (with Anticipated Payout for Endowments) to easily find over drafted awards, especially cost shares which need clearing.

B. **Transfer Detail Report**: Track transfers between awards (object codes 49100 to 49699), verify completion of transfers in/out in combination with available balance for timely fund management.

C. **Budget Variance**: How does the year compare with expected amounts for both revenue and expense. Which variances suggest areas for investigation?

D. **Endowment Financial Dashboard**: Identify underutilized endowments and consider using for year end funding.
RFM Transfer Detail Report

- Use to verify transfers have posted (example of AUG only)
  - Run by School, Org, Award and AUG FY GL Period

**View By: Basic**
Includes amounts, To & From awards

**View By: Expanded**
Includes Basic plus journal numbers, journal description text...
FY 2018
Year-End Close
20 calendar / 13 business days
Year-End Close Stages

Pre-Close
- Preparation: 8/1 - 8/28
  - OSA clearing, expense and AP transaction deadlines

Soft Close
- Expenditure Data: 8/29 - 9/6
  - AP module closes by noon on 8/29
  - All new expenditure transactions finalized
  - Final cutoff for Labor Distribution (LD) and iJournals Public users

Hard Close
- Expenditure Adjustment Period: 9/7 - 9/12
  - Expenditure adjustments finalized
  - Final cutoff for iJournals Specialist and Central users
  - All Grants Accounting (GA), Accounts Receivable (AR), and Fixed Assets (FA) journal transactions finalized

General Ledger Transactions-Central: 9/13 - 9/20
- Grants Accounting (GA) and Accounts Receivable (AR) modules close at the start of business on 9/13
- All General Ledger (GL) journal transactions finalized
- All General Ledgers (SU, EN, ER) are closed

Final Close
- September 2018 Activity Begins: 9/21 - 10/31
  - All ledgers are opened
  - Catch-up processing begins, including other financial activities that span through October

Post Close

Stanford University
Confidential
Appendix: Using OBI to Manage Org Suspense Account Balances
Recording Labor Expenses
Managing Organization Suspense Account (OSA) balances

- Why?
  - Ensure salary transactions are posted to the correct account in a timely manner (before YEC) and to avoid OSA ‘sweep’ fees!

- How:
  - Use the Payroll and Labor Management (PLM) Dashboard in OBI to **identify** OSA transactions
  - Create a Labor Distribution Adjustment to clear OSA transactions

- Prevent future postings:
  - Use the Payroll and Labor Management (PLM) Dashboard in OBI to **prevent** OSA transactions
  - Modify the employee’s Labor Schedule
  - Modify GFS, PeopleSoft record, or Axess Timecard
Identifying Org Suspense Account Balances

![Payroll and Labor Management Dashboard](image)

1. **Dashboard**
2. **Payroll and Labor Management**
3. **Payroll and Labor Management**
4. **Actual Pay**
5. **Suspense PTA**
6. **First Pay Period End Date**
7. **Last Pay Period End Date**
8. **Actual Pay for Pay Period between**
   - **Employee Name**
   - **Job Assignment Number**
   - **Job Annual Rate**
   - **Job Hourly Rate**
   - **Work Assignment Org**
   - **Project Number**
   - **Award Number**
   - **Earnings Type**
   - **6/15/2017**
   - **Totals**

- **PST - Personal Time - Salaried Empl**
- **SAL - Salary**
- **SOV - Salary On Vacation SOV**
- **VCR - Vacation Salary Credit VCR**

**Entire Year**
Managing Org Suspense Account Balances

Resources

- **Overview of Organization Suspense Accounts**
  http://web.stanford.edu/group/fms/fingate/staff/moyrendclose/org_susp_acct.html

- **How To: Clear Organization Suspense Accounts for Labor**
  http://web.stanford.edu/group/fms/fingate/staff/moyrendclose/quick_steps/clear_org_susp_acct.html

- **Policy Notes**

- **Questions:** Email [financial_info_systems@lists.stanford.edu](mailto:financial_info_systems@lists.stanford.edu)