2015 Administrative Leadership Conference

Fund Accounting 101

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Workshop Presenter

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Please …

Turn off cell phones	Ask questions at any time	Avoid side conversations	Sign the attendance roster	Complete the evaluation at the end of the workshop

Workshop Objectives
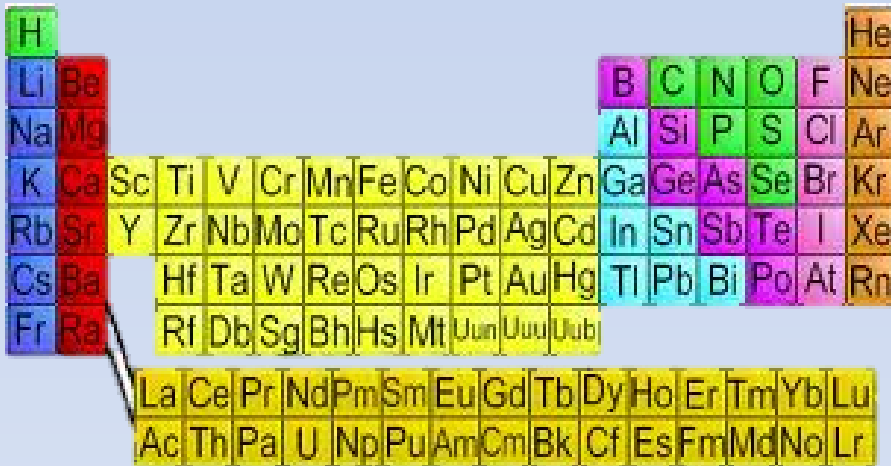
Overview of University Accounting Environment

Overview of State, ICR, Self-Supporting, and Gift Funds

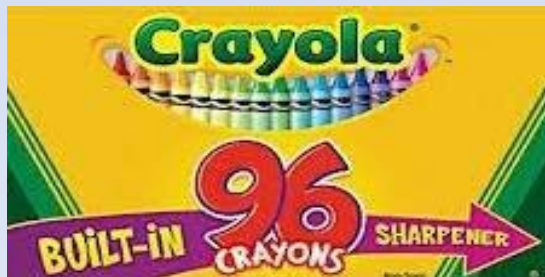- Source, Identification, Usage, Best Practices and Common Issues

Resources

Questions
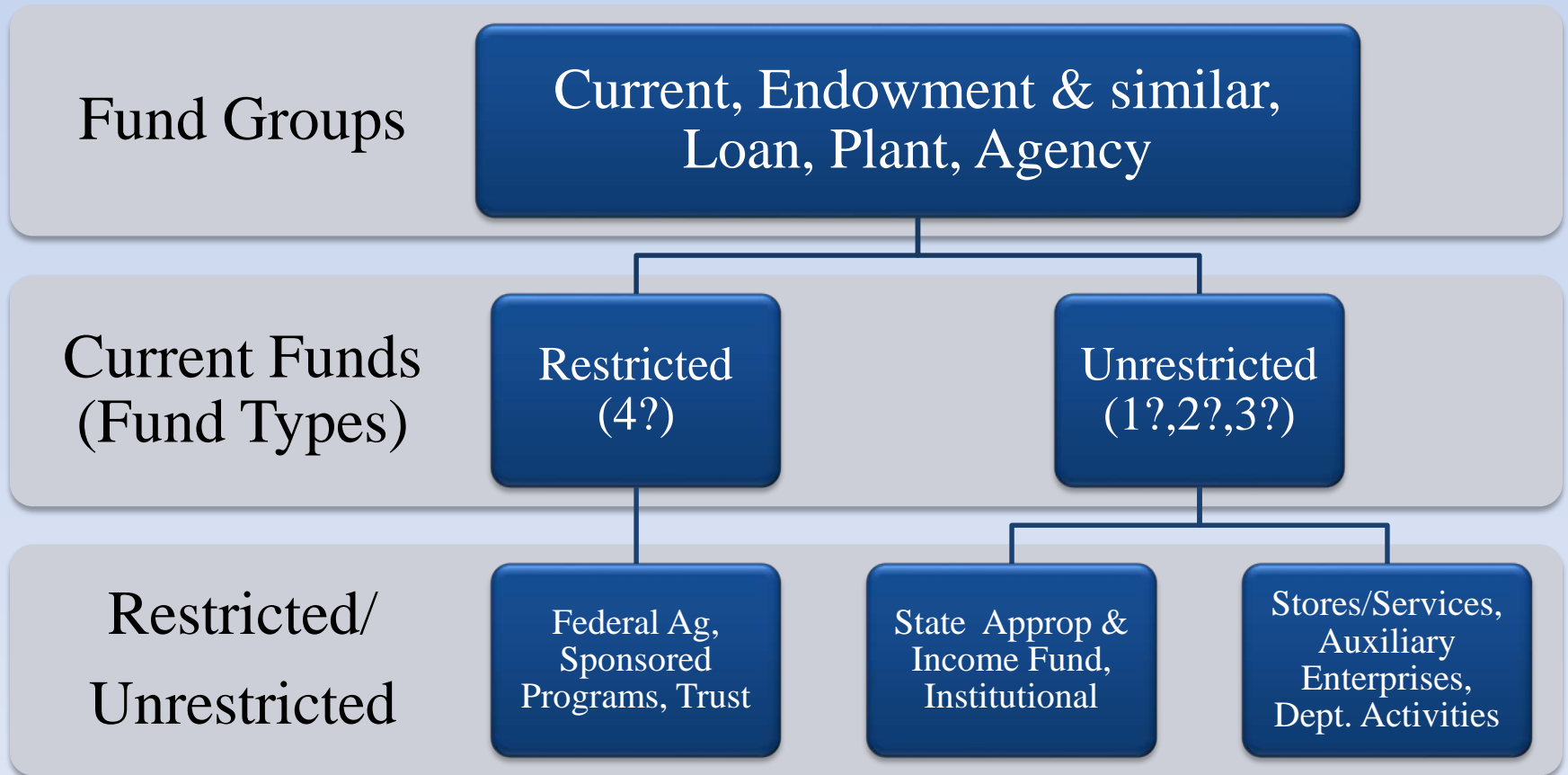
University Accounting Environment

University Accounting Environment

Fund Groups — Current, Endowment & similar, Loan, Plant, Agency

Current Funds (Fund Types)
- Restricted (4?)
- Unrestricted (1?,2?,3?)

Restricted/ Unrestricted
- Federal Ag, Sponsored Programs, Trust
- State Approp & Income Fund, Institutional
- Stores/Services, Auxiliary Enterprises, Dept. Activities

University Accounting Environment

- ## Fund Accounting – Definition

  - An accounting system used by non-profit & governmental organizations which emphasizes _accountability_ (not profitability) to ensure proper stewardship and expenditure of financial resources received in compliance with applicable regulations, guidelines and restrictions associated with the funds received

  - Financial resources received are recorded in a collection of different fund types, with each fund type having a different purpose depending on the source of revenue

University Accounting Environment

- **Fund Accounting – Definition (cont.)**
  - Segregating these financial resources into separate fund types helps us properly classify and monitor resources appropriated, awarded, contributed, and entrusted to the University

  - Properly classifying and monitoring these financial resources into separate fund types enables us to compile accurate financial statements which help illustrate how the University meets its mission of teaching, research, public service, and economic development

University Accounting Environment

- **Fund Accounting – Examples of Fund Types**
  - **State** (1000YY – 1800YY, where YY = applicable FY)
  - **Institutional Cost Recovery (ICR)** (200250)
  - **Educational Admin Allowance (EAA)** (20020X)
  - **Royalty** (200258)
  - **Self-Supporting** (3XXXXX)
  - **Grant** (4XXXXX – Federal & 5XXXXX – Non-Federal)
  - **Endowment Income** (61XXXX)
  - **Gift** (62XXXX, 63XXXX)
  - **Plant** (7XXXXX)
  - **Loan** (8XXXXX)
  - **Agency** (9XXXXX)

University Accounting Environment

FOAPAL

- **Fund (Source):** Where is the money from?
- **Organization (Dept.):** Who is earning/spending $?
- **Account (Classification):** What type of expense was purchased or what type of revenue was earned?
- **Program (Purpose):** How will the activity be presented on our financial statements?
- **Activity (optional):** Tracking short term projects
- **Location (optional):** Identify physical location of assets

University Accounting Environment

- **Financial Statement Presentation**
  - Financial statements are prepared on an _accrual_ basis in accordance with the Governmental Accounting Standards Board (GASB) principles
  - Accrual basis of accounting
    - Recognition of revenue when earned (not received)
    - Recognition of expenses when incurred (not paid)
  - Fiscal Year: July 1 – June 30

University Accounting Environment

- **Decentralized Accounting Environment**
  - Departmental officers have been delegated the responsibility for properly managing their financial information to ensure accurate reporting
  - Accurate financial information is critical to the integrity of the University's financial statements
  - Departmental officers ensure financial information is properly recorded in Banner for inclusion in financial statements

Overview of State Funds

- **Where do State Funds come from?**
  - Income Fund
    - Tuition
    - Fees
    - Investment Income
    - Miscellaneous Income
      - Library Fines, Lost Book Fees, Late Payment Fees, etc.

  - Various Appropriations Received from the State
    - Receive appropriations on a reimbursement basis after expenses have been incurred
      - Approx. receivable from the State is currently around $296M
    - Detailed state clearing vouchering process
    - Reimbursement payment

Overview of State Funds

- **How are State Funds Identified in Banner?**
  - Examine the "Fund" portion of the C-FOAP
  - State Funds fall between 1000YY-1800YY
    - The "YY" represents the fiscal year applicable to that particular state fund
  - The primary state fund for FY15 is 100015
  - Combine general 100015 state fund with your unit's org & program code combination
    - e.g. C-100015-org-program

Overview of State Funds

- **What type of transactions are allowed on State funds?**
  - Expenses must relate to the applicable appropriation year which that State fund was established for
    - For Example: all expenses on 100015 must relate to expenditures for FY15 business, all expenses on 100014 must relate to FY14 business, etc.
  - Alcohol & late payment penalty charges not allowed
  - See Section 8 of OBFS Policy for more details

Overview of State Funds

- **Explanation of Lapse Period**
  - July 1 – August 31 after the end of each fiscal year
  - State funds are open for 14 months
    - For Example: The 100015 fund is open from 7/1/14 – 8/31/15
  - Expenses can be posted to the prior year state fund during the lapse period *only if the expense relates to prior year business and was contracted for or received prior to July 1*

Overview of State Funds

- **Explanation of Lapse Period (cont.)**
  - Two appropriation year funds open during July & August

  - Use the correct fund for each transaction

  - Only post expenditures relating to the applicable fiscal year to each appropriation year's state fund

  - Last day to make correcting entries to prior year state fund is 8/31

Overview of State Funds

- **Best Practices and Common Issues**

  - Funds are budgeted to your FOP from the Budget Office
    - Use Detailed Operating Ledger Statement or FGIBDST
  - Transferring State Funding to Another Unit
    - Work with Campus Budget Office via the <u>BAR form</u>
  - Funding Surplus/Deficit
    - UIC Budget Office works with colleges after period 12

Overview of State Funds

- **Best Practices and Common Issues**

  - Reconcile monthly
    - Especially June, July and mid-August
  - Use appropriate account codes
    - Should accurately describe the expense
      - For Example: payments to vendor vs. employee reimbursement
  - Provide detailed description in TEM, P-Card, iBuy, etc.

Overview of ICR Funds

- **Where do ICR Funds Come From?**
  - Collected from the indirect cost recovery (F&A) rates charged to grant funds
  - Amount billed to grant funds based on percentage of eligible direct expenses
  - These indirect costs are charged as an expense to the grant fund using an expense account code in the 1981xx account code range
    - Revenue is recognized in the ICR fund using an account code in the 3088xx range
  - A portion of the revenue is allocated back to departments from the applicable campus Budget Office as expense budget.

Overview of ICR Funds

- **How are ICR funds identified in Banner?**
  - Examining the Fund portion of the C-FOAP string
  - ICR Fund Code: 200250
  - This fund has a 2C ("Institutional Costs Recovered") fund type
  - All units use this same 200250 fund code along with their unit specific organization and program codes
    - Identify and track specific departmental activity

Overview of ICR Funds

- **What type of transactions are allowed on ICR Funds?**
  - The primary purpose of ICR funds is to provide unrestricted support for a unit's core research and administrative operations
  - Expenditures such as:
    - Student scholarships/fellowships/awards
    - Student services
    - Operations of maintenance and plant
    - Public service
  - Should NOT be used for instructional activities

Overview of ICR Funds

- **Best Practices and Common Issues**
  - Funds are budgeted to your FOP by the Budget Office
    - Use Detailed Operating Ledger Statement or FGIBDST
  - Use program codes to help track spending for different ICR funded projects
  - Proper use of ICR funding
    - Supporting a unit's core research and administrative operations
  - Use [BAR forms](#) via the Budget Office to transfer ICR funding to another unit
  - Unspent ICR Budgets roll to the next fiscal year

Overview of Self-Supporting Funds

- **What are Self-Supporting Funds?**
  - Used for recording revenue and expenses generated from the sale of products or services to University departments, students/faculty/staff, or the general public

Overview of Self-Supporting Funds

- **How are Self-Supporting Funds Identified in Banner?**
  - Self-Supporting Fund Code Range: 300000 – 399999

  - Self-Supporting Fund Types:
    - 3E (Storerooms & Services)
    - 3J (Auxiliary Enterprises Not Under Indenture)
    - 3M (Auxiliary Enterprises Under Indenture)
    - 3Q (Departmental Activities)

Overview of Self-Supporting Funds

- **What type of transactions are allowed on self-supporting funds?**
  - Support, maintenance, and development of the self-supporting activity generating the revenue in the fund
  - Expenditures are restricted to those necessary to fund the activities that generate the revenue
  - Self-supporting funds *cannot* be generated or used by units for discretionary purposes.

Overview of Self-Supporting Funds

- **Best Practices and Common Issues**
  - Funding is received through sales recorded to the Fund code
    - Use Detailed General Ledger Statement or FGITBSR to see fund balance
  - Annual review of your rates charged to customers to ensure adequate funding and no excess funds
  - Year End Fact Sheet
    - Use Banner AR for customers you are extending credit
    - Strong internal controls over inventory and equipment usage and location.
    - Value of your inventory must be as of June 30th.
    - Deferred Revenue—money received in the fiscal year prior to service being provided.

Overview of Gift Funds

- **What defines a Gift?**

  - Voluntary contribution made to the University
  - The donor:
    - Receives no bargained-for benefit
    - Requires nothing in exchange beyond an assurance that the intent of the contribution will be honored

Overview of Gift Funds

- **What are Gift Funds?**

  - Used to record revenue and expenditures related to charitable donations made to the University from individuals, corporations, etc. for a particular unit and/or purpose

Overview of Gift Funds

- **How are Gift funds identified in Banner?**

  - 4M ("Trust - Private Gifts") Fund Type

  - These 4M funds have a fund number that falls into the 620000 - 699999 range
    - NOTE: Other fund types fall within this range, such as the 4S - Medical Service Plan funds, so this numerical range is not limited strictly to gift funds

Overview of Gift Funds

- **What types of transactions are allowed on Gift Funds?**
    - Expenses must comply with University policies & guidelines AND the specified donor intent restrictions associated with the fund
    - UIF Online Database (http://online.uif.uillinois.edu/)
        - Donor intent restrictions – critical to have access to this database
    - Fully document the purpose of the expenses on the related IV, P-Card expense, FOATEXT of the JV, etc.
    - Use the appropriate expense account code when posting expenses
        - This is important for all fund types

Overview of Gift Funds

- **Best Practices and Common Issues**
  - Funding is primarily received through gift sweeps from the Foundation
    - Use Detailed Operating Ledger Statement or FGIBDST to see your fund's fund balance
  - Fund Transfers to/from Gift Funds
    - Only within the same fund type (e.g., 4M to 4M, not 4J to 4M)
    - Donor intent issues
  - Depositing Cash/Checks through Cashiering (vs. UIF)
    - OK if the deposit is a reimbursement of an expense incurred on gift fund
    - Should not be used for miscellaneous income deposits

Overview of Gift Funds

- **Best Practices and Common Issues**
  - Stagnant Gift Funds
    - Old, unused gift funds with stagnant cash or deficit balances
    - Look into clearing deficits and/or utilizing the balances and terminate the fund if no longer needed
  - Rogue Org & Program Code Balances
    - Check rogue reports to ensure transactions on your fund are posting to correct default org & program codes
  - Obtaining Access to UIF Database
    - http://online.uif.uillinois.edu/
    - Critical in order to properly monitor donor intent of gift funds
      - Gift funds are frequently audited

Resources

- New Business Managers: <u>Welcome and Orientation</u>
- University Accounting <u>FAQs</u>
- Policy & Procedures
  - Section 11 <u>Gift and Endowments</u>
  - Section 13 <u>Accounting</u>
  - Section 22 <u>Self-Support/Revenue Generating</u>
- OBFS <u>Who to Ask</u>
- OBFS Job Aids and Training Materials
  - <u>Finance Systems Overview</u>
  - <u>Accounting & Financial Reporting</u>
- University of Illinois Foundation: <u>UIF Online Database</u>
- <u>Finding your Balances</u>

Resources

- FOAPAL String <u>Discrepancy Reports</u>:
  - NACUBO-Fund Type and Rogue FOAPALs
- FOAPAL String <u>Maintenance Reports</u>:
  - Unused FOPAL Codes and Multiple-Person FINMGR/GLDC contacts
- <u>Accounting Reference Materials</u>:
  - FAQs, Guide to Banner Finance forms, Understanding Debits and credits
- Month End Close Schedule:
  - <u>http://www.obfs.uillinois.edu/accounting-financial-reporting/month-end-closing-schedule/</u>
- Fiscal Year End: <u>Closing/Opening Procedures</u>
- FCIAA: <u>Fiscal Control and Internal Auditing Act</u>
- University of Illinois: <u>Annual Financial Reports</u>

Questions / Concerns?