



New Accounting Procedures

Session

April 9, 2019

- If you have a question about a specific procedure, we will answer your question after presenting each section.
- We will also have time for Q&A at the end of this meeting.
- The procedures presented today are on the University Controller's website located in [Accounting Procedures and Supporting Documents](#).



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Introduction to UCO Accounting Procedures Initiative

- Today, we are introducing two new accounting procedures.
- We are hosting these webinars to review the new accounting procedures with broader groups.
- These procedures were developed collaboratively with the Finance Advisory Board.
- We will continue to release procedures to ensure adherence to generally accepted accounting principles (GAAP), and to standardize accounting practices at Rutgers.
- UCO procedures already released
 - Accounting for Faculty Funds (Released July 2018)
 - Accounting for Expense Recovery (Released July 2018)
 - Accounting for Funding Transfers (Released July 2018)
 - Educational Opportunity Fund (Released March 2019)
 - Salary & Wage, Fringe and FICA/Medicare Manual Adjustments (Released April 2019)



RUTGERS

Accounting for Prior Year Balances

Agenda

- Purposes of Prior Year Balances Procedure
- Overview of Year End Process Oracle Cloud Financials
- Year End Accounting Process for Restricted, Internally Designated and Special Funds
- Year End Accounting Process for Unrestricted Operating Funds
- Budgeting for the Use of Prior Year Balances:
- Managing Balances Prior to Fiscal Year End Close

Purpose of Prior Year Balances Procedure

- The Prior Year Balances procedure outlines the steps necessary for Rutgers to reclassify net position balances to meet accounting and reporting requirements.
- These steps are necessary and relevant only after fiscal year end close processes are completed in Oracle Cloud Financials.
- These steps are defined into two categories
 - one for funds which have specific, defined purposes such as sponsored projects, gifts, endowments, other dedicated funds, etc., and
 - one for unrestricted operating funds where leadership has significant discretion as to the future use of net position resources.
- This procedure document is not intended to place, change or remove restrictions on any funds or balances but rather to define standard accounting practices related to how those funds are recorded and reported in our financial systems.

Overview of Year End Process – Oracle Cloud Financials

- At the end of each fiscal year, Oracle Cloud Financials summarizes the net of P&L activity across all UDOLFB's at the Unit and Fund level and records it in account 30010-Net Position Beginning Balance.
- The following chart of accounts strings are used for the fiscal year end balances:
 - **Unit** - remains the same
 - **Division** - is set as 1510-Controller's Office,
 - **Organization** - is set as 3103-Controller's Office
 - **Fund** - remains the same
 - **Location** - is set as 0001-System Wide
 - **Business Line** - is set as 9999-Default
 - **Account** - 30010-Net Position Beginning Balance

Year End Accounting Process for Restricted, Internally Designated and Special Funds

- After the completion of the fiscal year end process, University Controller's Office (UCO) will reclassify the Net Position Beginning Balance of all restricted, internally designated and other special funds, such as Service Centers, back to the original UDOLFB from which the balances were derived at the close of the previous fiscal year.
- The balances of these types of funds must be returned back to the original UDOLFB to comply with funding restriction of sponsors and donors, or to retain the definitions and designations placed on the balances by the institution.

Year End Accounting Process for Unrestricted Operating Funds

- Each Chancellor has discretion as to the disposition of unrestricted operating fund balances across his or her campus.
- For central units, the Responsibility Center Management (RCM) Steering Committee has discretion as to the disposition of balances of central cost pools, and Executive/Senior Vice Presidents have discretion as to the disposition of balances of non-cost pool unrestricted fund balances for their areas.
- To assist each Chancellor and Executive/Senior VP in their annual review of balances, after the close of each fiscal year, the UCO will provide to each Chancellor and Executive/Senior VP area a report of prior year ending balances in each unrestricted operating fund type by UDOLFB.
- Using this report, for each UDOLFB, the Chancellor and Executive/Senior VP will indicate to UCO whether the balances remain summarized at the Unit level or are returned to the originating UDOLFB.

Year End Accounting Process for Unrestricted Operating Funds, continued

Option A

- Chancellors and Executive/Senior Vice Presidents can leave balances summarized at the Unit – Fund, i.e., UUU.1510.3103.0001.FFF.9999.
- Leaving balances as summarized by the Oracle year end process at the Unit - Fund level provides clarity that the balance ownership within a unit remains with the leadership of that unit, such as the Dean, Chancellor or Executive/Senior Vice President.
- These unrestricted, summarized balances held at the Unit - Fund level can be used to mitigate future operating risk in the current and/or subsequent fiscal years.
- These funds will have not have been formally earmarked for a specific use, such as being internally designated for a documented and defined future purpose or returned to the original UDOLFB.

Year End Accounting Process for Unrestricted Operating Funds, continued

Option B

- Chancellors and executive/senior vice presidents have the option to return, in full, unrestricted operating fund balances back to any UDOLFB from which the balance was derived at the close of the prior fiscal year.
- If an amount other than a full balance should be returned, balances should be adjusted prior to year-end as described in the section *Managing Balances Prior to Fiscal Year End Close*.
- Certain UDOLFB's should never carry-over, such as UDOLFB's used for RCM cost allocations to the responsibility centers.
- Returning balances to the original UDOLFB would signify that the balances are earmarked for continuing support of a specific area or program within that unit, but does not limit future discretion of deans, chancellors or executive/senior vice presidents.

Year End Accounting Process for Unrestricted Operating Funds, continued

- Based on the responses from each chancellor and executive/senior vice president, the University Controller's Office will process an entry to return any balances which have been flagged to be returned to the UDOLFB from which the balance was derived.
- Otherwise, unrestricted operating fund balances will remain summarized as described in the section *Overview of Year End Process - Oracle Cloud Financials*

Budgeting for the Use of Prior Year Balances

- When a unit anticipates a decline in its net position year over year due to the planned use of prior year net assets, such as to support one-time strategic initiatives or the use of equipment evergreen funds or other funds accumulated for designated purposes, the dollar amount of the planned expenditures should be budgeted in the budget only, non-operating natural account:

30120 - Use of Prior Year Net Assets

- **Account 30120** - Use of Prior Year Net Assets is for budget purposes only. No actual funding transfer or other transacting should take place to reflect the use of prior year net assets.
- However, a current year funding transfer, completed per the funding transfer procedure, can be completed to support internal reporting needs.
- Although noted in the budget as the anticipated use of prior year net assets, all transfers and expenditures impact current year financial reporting, including P&L's, even if the transfer or expenditure is intended to be made against balances accumulated in prior fiscal years.

Example Accounting for Using Prior Year Net Assets

Account	Budget
Tuition and Fees	100
Other Revenue	50
Total Revenue	150
Salary and Fringe	125
Supplies	15
Equipment*	50
Total Expense	190
Surplus/Loss	-40
Use of Prior Year Net Assets*	50
Result of Current Year Operations	10

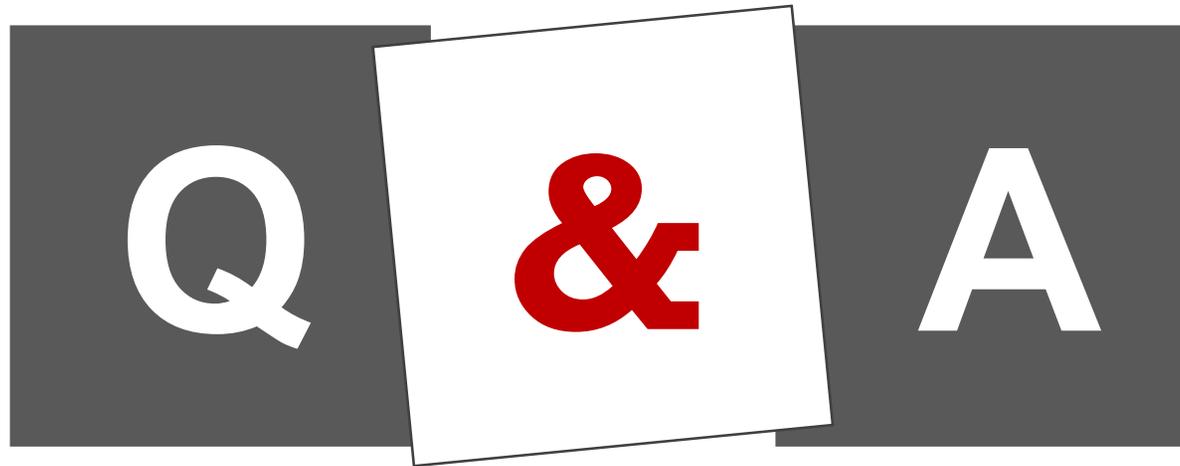
*Use of Equipment Evergreen Funds to replace departmental PC's

Managing Balances Prior to Fiscal Year End Close

- To facilitate the management of balances, units are encouraged to review and adjust balances across their UDOLFB's using funding transfers before fiscal year end close. These adjustments might include:
 - the return of unused allocations, such as university support or strategic funds allocations, back to the funding source via funding transfer or reclassification, based on the guidelines set by the funding sources.
 - funding transfers to move balances to internally designated funds.
 - clearing negative balances in cost share, recharge centers and self-supporting units.
- These transfers must be completed with respect to applicable procedures and guidelines.

- Effective date for Prior Year Balances
 - For the June 30, 2019 Year End Net Position Rollover
 - Fall 2019
- Procedure and supporting documents can be accessed on the University Controller's Office website

<https://uco.rutgers.edu/accounting-procedures-and-supporting-documents>



QUESTIONS & ANSWERS

Who To Contact ?

Please send inquiries or questions regarding this new process to the Help Desk

Finance Help Desk: 848-445-2100

Email: finance_helpcenter@finance.rutgers.edu