

UNIVERSITY CONTROLLER'S OFFICE STANDARD OPERATING PROCEDURES

ACCOUNTING PROCEDURES FOR EXPENSE RECOVERY

July 1, 2018

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1. Definition of Expense Recovery

An expense recovery is a transaction that is used when one University unit bills another University unit for goods and/or services provided. The service provider unit incurs all of the direct expenses and subsequently, allocates an amount to the consumer unit(s) in accordance with an agreement.

Expense recoveries must only be used for internal transactions and either facilitated by an Internal Purchase Order (IPO) in RU Marketplace or a general ledger journal entry.

Expense recoveries must net to zero.

2. Purpose of and Expense Recovery Accounting Procedure

The purpose of implementing an Expense Recovery accounting procedure is to:

- Ensure adherence to Generally Accepted Accounting Principles (GAAP).
- Standardize and promote the consistent accounting treatment for recording expense recoveries across the University, whereby expenses are recorded accurately to ensure that year-end financial statements are precise, and do not double-count expenditures.
- Ensure that expense recoveries do not increase the total University income or expenses, or misstate the operating results of any University unit.
- Allow service provider units to charge consumer units for goods and/or services.

3. Requirements for Expense Recovery

The requirements for submitting an expense recovery are listed below:

- Both the service provider and consumer units must be Rutgers entities. If the consumer unit is a non-Rutgers entity, revenue must be recorded.
- All service provider and consumer units will use the natural accounts listed in [Section 5](#) of this document on both the debit and credit side of the transactions to record expense recoveries.
- Expense recoveries cannot be used to transfer funds or allocate resources.
- Expense recovery accounts cannot be used for external revenues or external costs.
- External revenues and external costs cannot use expense recovery accounts.

4. Recording an Expense Recovery

Expense recoveries are to be recorded using the following guidelines:

- The units that provide the goods and/or services will designate the correct account values to use for recording an expense recovery. Refer to [Section 5](#) of this document for the list of natural accounts that may be used.
- The units that consume the goods and/or services must use the specific account values designated by the service provider unit when purchasing goods and/or services.
- Service providers are expected to include the designated account value required for purchasing goods and/or services on quotes, invoices and/or any form of communication sent to internal customers who will order through an IPO in RU Marketplace.
- The same expense recovery account values must be used for the debit and credit sides of the transactions to ensure that the accounts will net to zero for accurate financial reporting.
- For Service Provider Units: Expense recovery credits that need to be applied to a project must be recorded via a general ledger-to-project transaction to move the expense recovery to a project. Please refer to the [cost adjustment job aids](#) on the Controller's website for specific instructions.
- The RU Marketplace approver is responsible for ensuring that the appropriate expense recovery account value is being used when placing the order (creating the requisition in RU Marketplace); not the receiving department.
- The Finance approver for journal entries and/or project adjustments is responsible for ensuring that the appropriate matching expense recovery account value is being used.

Direct Journal Entry Expense Recovery Process

- In the event that the IPO process cannot be used, a general ledger journal entry may be done for expense recovery transactions.
- The entry follows the same accounting steps outlined above whereas, same expense recovery natural account(s) must be used for the debit and credit transactions to ensure that the accounts will net to zero for accurate financial reporting.

5. Goods and Services Category Account List

The list of goods and/or services categories, natural accounts, and internal service providers can be found on the Controller’s Office website posted as [Internal Purchase Order \(IPO\) Account Mapping file](#).

New Account Values as of July 1

Account	Goods and Services Category
74100	Construction & Renovation Services
74101	Copy, Mail, and Print Services
74102	Facilities and Maintenance Services
74103	Information Technology and Media Services
74104	Lab/Equipment/Core Use
74105	Parking Services
74106	Public Safety Services
74107	Records Management Services
74108	Recovery Materials, Supplies, COGS
74110	Recovery Professional Services
74111	Registration, Rental, and Conference and Event Service
74112	Student Services
74113	Surplus and Moving Services
74114	Training Services
74115	Transportation Services
74116	Recovery University In Lodging
74117	Recovery University Dining Services

The following account values listed below are no longer valid as of July 1, 2018

VALUE DESCRIPTION

70005 Recovery Athletics Ticket Shipping

70010 Recovery Auxiliary Enterprises

70020 Recovery FSLT

70030 Recovery Facilities

70040 Recovery Housing & Dining

70050 Recovery Maintenance

70060 Recovery Materials & Supplies

70070 Recovery Moving & Installation

70080 Recovery OS Auxiliary

70090 Recovery OS Plant

70100 Recovery OS State

70110 Recovery Overhead

70120 Recovery Per Diem Animal Care

70130 Recovery Plant

70140 Recovery Professional Services

70145 Recovery RCM Allocations

70150 Recovery Services

70160 Recovery Recharge Centers

70170 Recovery Salaries & Wages

70180 Recovery Taxable

70190 Recovery Non-Taxable

70200 Recovery Technical

70210 Recovery Expense

70240 Recovery Externally Generated

70250 Recovery Internally Generated

70300 Recovery GL to Project Clearing

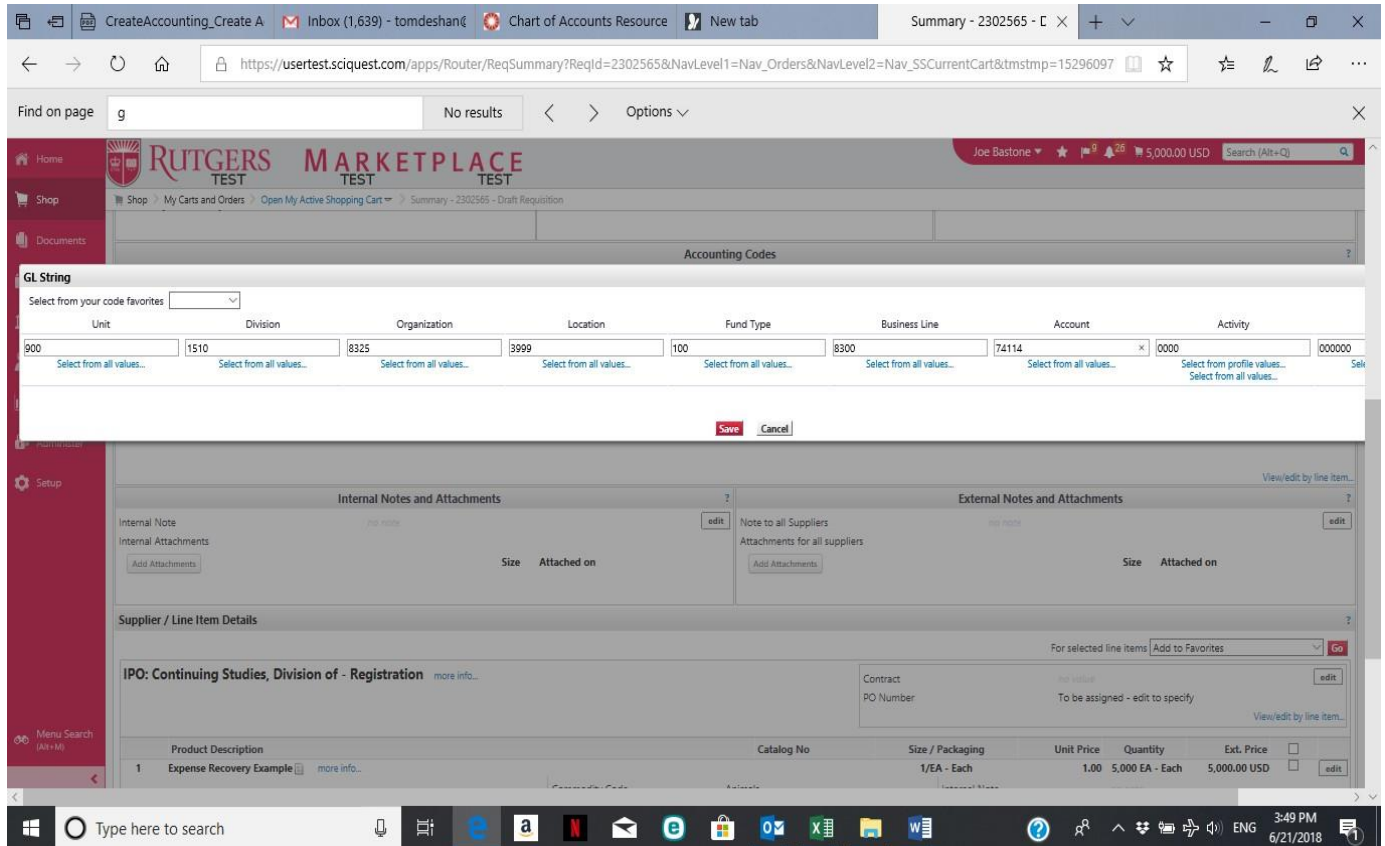
70250 Recovery Internally Generated

70300 Recovery GL to Project Clearing

74109 Recovery Other

6. Example of an Expense Recovery Transaction

Example #1 below is of an internal requisition via RU Marketplace using a requisition to request goods/services from an IPO supplier



The screenshot displays the Rutgers Marketplace interface. At the top, the user is logged in as 'Joe Bastone' with a balance of 5,000.00 USD. The main content area shows a requisition summary for 'Expense Recovery Example' with the following details:

- Accounting Codes:** Unit: 900, Division: 1510, Organization: 8325, Location: 3999, Fund Type: 100, Business Line: 8300, Account: 74114, Activity: 0000.
- Internal Notes and Attachments:** Note to all Suppliers, Attachments for all suppliers.
- Supplier / Line Item Details:** Supplier: IPO: Continuing Studies, Division of - Registration. Contract PO Number: To be assigned - edit to specify.
- Product Description:** Expense Recovery Example, Catalog No., Size / Packaging: 1/EA - Each, Unit Price: 1.00, Quantity: 5,000 EA - Each, Ext. Price: 5,000.00 USD.

Example #2 below illustrates a purchase of training services (Account 74114) from the IPO: Continuing Studies supplier.

Charge accounting impact from the purchase (using the example above)

Account	Debit	Credit
Training Services (74114) charged to consumer's UDO	5,000	
<i>Accounts Payable Liability (automated)</i>		5,000

Expense recovery impact for service providers

Account	Debit	Credit
<i>Accounts Payable Liability (automated)</i>	5,000	
Training Services (74114) Expense Recovery on supplier's UDO <i>(automated)</i>		5,000

Net impact on (74114) Training Services expense recovery account

Account	Debit	Credit
74114 Training Services expense recovery account - Consumer's UDO	5,000	
74114 Training Services expense recovery account - Provider's UDO		5,000

In this example, the expense recovery account (74114 Training Services) nets to zero when consolidated across the units

7. Resources and Support

Please send inquiries or questions regarding the new Expense Recovery procedure to the Financial Management Help Desk:

- Phone: (848) 445-2100
- Email: finance_helpcenter@finance.rutgers.edu