Financial Management Office

Fiscal Year 2019 Accrual Process Presentation

Presented by
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Presentation Instructions

• Questions can be submitted to uhgalc@hawaii.edu
• Presentation will be posted to UH FMO website:
  - Financial Management Office

Agenda

• FY2019 Year End Close Key Milestones
• Types of Accounting Accruals/Adjustments
  - Fiscal Administrator Initiated Adjustments
  - Central Office Initiated Adjustments
• Submission of JV Worksheets
FY2019 Year End Close Key Milestones

• Changes from Prior year and key items
  ▫ KFS will be disabled on 7/1 at 7pm DO NOT PROCESS ANY TRANSACTIONS IN KFS ON 7/1/19 EXCEPT FOR FY19 BANK DEPOSITS/RECEIPTS AND FY19 BANK DEBIT/CREDIT MEMOS
  ▫ Last day for FA to approve GEC and ST eDocs for clean up of “clearing” (continuation) accounts
  ▫ PCDOs with create dates through 6/14/2019 will be system approved at 8pm on 6/20/2019
  ▫ Outstanding invoices for goods/services received on or before 6/30/2019 should be paid by 8/2/2019

FY2019 Year End Close Key Milestones continued

• Changes from Prior year and key items continued
  ▫ Accounts Payable accrual will be based on vendor and sub-recipient invoices paid through 8/2 with service dates on or prior to 6/30/2019 in the UH KFS AP system
  ▫ Special handling for constructions invoices and Bookstore MIT
  ▫ Record A/P over $100,000 not paid by 8/2/2019 via L-11 JV Worksheet
  ▫ Record ALL construction A/P as of 6/30/2019 (including retainage) via L-11 JV Worksheet
  ▫ There will be no De Minimis for recording construction invoices

FY2019 Year End Close Key Milestones continued 2

• Capital Asset Reminders
  ▫ Annual Inventory Verification Reports will be available on PageCenterX - New FAs will need to be sure they have access to their appropriate mailbox by submitting the KFS Security Form (F50-40). The form and instructions can be accessed on the FMO website: Financial Management Office Financial Systems Forms
  ▫ Asset edits, loans, transfers, retirements, etc. should be in “Action List Approve” in KFS for CAAO on 6/24/2019 to ensure that updated information is captured for the FY19 Annual Inventory Verification Report
FY2019 Year End Close Key Milestones continued 3

- **Reminders**
  - Funds for fiscal year 2020 must not be encumbered or expended prior to 7/1/2019
  - No General fund or Payroll encumbrances
  - Ask vendors and sub-recipients to submit outstanding invoices as soon as possible
- **New fiscal year is scheduled to open in KFS on July 6, 2019**
  - KFS will not be available from 7/2 through 7/5 during the balance roll forward process

KFS Service Date Requirement

- **What**
  - Provide accurate service date information regardless of when a bill is being paid
  - If you have questions on the appropriate service date to use, please email your question to uhgalc@hawaii.edu
- **Why**
  - Improve AP information in KFS
  - Throughout the closing process, analytics are performed on payment data
  - Incorrect service date information impacts the effectiveness of the analysis
  - Enhance completeness and timeliness of AP accruals and prevent unrecorded liabilities

Service Dates for Fiscal Year-End Payment Processing

<table>
<thead>
<tr>
<th>SERVICE DATE SCENARIO</th>
<th>Date to enter in Debit/Credit Rec'd date field</th>
<th>OTHER ACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Service period entirely within FY 2019</td>
<td>Last day of service</td>
<td></td>
</tr>
<tr>
<td>2 Majority of service in FY 2019</td>
<td>06/30/2019</td>
<td></td>
</tr>
<tr>
<td>3 Majority of service in FY 2020</td>
<td>Last day of service</td>
<td></td>
</tr>
<tr>
<td>4 Goods received</td>
<td>Actual date received</td>
<td></td>
</tr>
<tr>
<td>5 Payment for future services</td>
<td>Last day of service</td>
<td></td>
</tr>
<tr>
<td>6 Utility bills paid using DV when service period includes FY 2019 and FY 2020</td>
<td>06/30/2019 and last day of service</td>
<td>Pro-rate amounts on separate accounting lines. Attach pro-ratio worksheet to DV</td>
</tr>
<tr>
<td>7 Utility bills paid using PREQ when service period includes FY 2019 and FY 2020</td>
<td>06/30/2019</td>
<td>Attach pro-ratio worksheet to PREQ</td>
</tr>
</tbody>
</table>
FY2019 Closing Calendar

- Fiscal Year 2019 Year End Closing Schedule has been posted on the FMO website for your reference:

  Financial Management Office Closing Calendar

Why We Have to Record Accounting Accruals

**MATCHING CONCEPT**

Matching Principle

- Requires an entity to match revenues with related expenses so profitability during a specified time interval is accurately stated
  - Revenues are recognized when earned
  - Expenses are recognized when incurred
- Examples
  - #1 – Fall 2020 tuition and fee revenue should match the salary and other related expenses incurred to support Fall 2020 semester. Therefore, we re-allocate
  - the fall revenue to fiscal year 2020 because the semester has not started
  - the accounts receivable to fiscal year 2020 because the amount is not yet due from students
  - #2 – Goods or services have been received but have not been paid for by the end of the fiscal year
  - #3 – Inventories (e.g. supplies) have been paid for but have not been consumed
Types of Accounting Accruals/Adjustments

- Receivables
- Payables
- Unearned revenue
- Prepaid expenses
- Inventories
- Eliminations

Fiscal Administrator Initiated Adjustments

- Accounts Receivable (non-KFS A/R)
- Allowance for Doubtful Accounts (non-KFS A/R)
- Inventory
- Prepaid Expenses
- Accrued Payroll
- Unearned Revenue
- Certain Accounts Payable
- Tuition and Housing waivers
- RCUH G,R,S Account Adjustments

Fiscal Administrator Initiated Adjustments

Accounts Receivable (non-Banner, non-KFS A/R)

- A-01 A/R-Revenue
  - Revenue earned on or prior to June 30, 2019
  - De Minimis: Recording of amounts ≥ $2,500
- A-02 A/R-G Fund Expense Reimbursement
  - Reimbursement of General Fund expenditures on or prior to June 30, 2019
- A-03 A/R-Reimbursement of Expenses (REX)
  - Services provided on or prior to June 30, 2019
  - Do not include inter-departmental allocations or G fund accounts
  - De Minimis: Recording of amounts ≥ $2,500
- A-04 Allowance for Doubtful Accounts
  - All A/R balances aged over 180 days
- A-10 ST Loan Receivable Allowance
  - All L/R balances aged over 180 days

Accounting entries are provided in the GA template.
Fiscal Administrator Initiated Adjustments

Inventory, Prepaid Expenses, Accrued Payroll

- A-08 Inventory – Merchandise/Supplies
  ▫ Items that will be charged to others as part of departmental operations
  ▫ Attach a detailed listing of inventory on hand at June 30, 2019
  ▫ De Minimis: Recording of amounts ≥$2,500
- A-09 Prepaid Expense
  ▫ Goods and services that were paid for but will be used in a fiscal period after June 30, 2019
  ▫ De Minimis: Recording of amounts ≥$2,500
- L-02 Accrued Payroll
  ▫ Employee services rendered on or before June 30, 2019 but not paid on the July 5 or 19, 2019 payroll
  ▫ De Minimis: Recording of payments to individuals ≥$2,500

Accounting entries are provided in the GA template.

Fiscal Administrator Initiated Adjustments

Unearned Revenue

- L-03 Unearned Revenue (Non-Banner)
  ▫ Payments received by June 30, 2019 for goods or services that will be rendered in a future fiscal period
  ▫ If the revenue for services crosses fiscal years, the amount should be prorated and recorded in the appropriate fiscal year.
  ▫ De Minimis: Recording of amounts ≥$2,500.

Accounting entries are provided in the GA template.

Fiscal Administrator Initiated Adjustments

Accounts Payable

- L-11 Accounts Payable as of 6/30/2019 (Construction)
  ▫ Amounts due to vendors for goods and services received through June 30, 2019
  ▫ Include amounts owed on construction contracts, including retainage
  ▫ Include projections if actual amounts are not available
- L-11 Accounts Payable as of 6/30/2019 (Amounts >$100,000 paid after 8/2/2019)
  ▫ Amounts due to vendors for goods and services received through June 30, 2019
  ▫ Include projections if actual amounts are not available
  ▫ De Minimis: Recording of amounts ≥$100,000

Accounting entries are provided in the GA template.
Fiscal Administrator Initiated Adjustments

Non-Banner Waivers
- P-02 Non-Banner Student Tuition/Fee/Housing Discounts and Allowances (Waivers)
  - De Minimis: Recording of amounts $2,500
- P-03 Non-Banner Employee Tuition/Fee/Housing Discounts and Allowances (Waivers)
  - De Minimis: Recording of amounts $2,500
- P-05 Other Fee Waivers/Discounts
  - De Minimis: Recording of amounts $2,500

RCUH G,R,S Account Adjustments
- A-07 Due from RCUH
  - Unexpended balances of "7232" advances to RCUH as of June 30, 2019
  - Attach detail list, support, RCUH BSR/BCR
- L-07 Due to RCUH
  - Amounts due to RCUH for payments made by RCUH as of June 30, 2019
  - Enter RCUH project number in Org Ref ID column
  - Attach detail list, support, RCUH BSR/BCR

RCUH G,R,S Account Adjustments Continued
- P-01 RCUH Expense to Proper Object Code
  - Record expenditures made by RCUH prior to or on June 30, 2019 in the proper expense object code by reclassifying from object code 7232 RCUH EXPENSE/ADVANCE
  - Enter RCUH project number in Org Ref ID column
  - Attach detail list, support, RCUH BSR/BCR
  - For accounts that maintain inception to date balances, you will need to do a DI for the same reclassification in the new fiscal year (2020). Include the FY20 DI edoc number in the explanation field of the P-01 worksheet.
Central Offices Initiated Accruals/Adjustments
- Accrued Payroll and Fringe Benefits
- Accrued Vacation
- KFS A/R Allowance for Doubtful Accounts
- KFS FMIS A/R (8366) Allow for Doubtful Accts
- Non Imposed Fringe Benefits
- Inter-Departmental Eliminations
- Sponsored Projects Revenue Recognition
- Banner Transaction Adjustments

JV Worksheet

Submission of JV Worksheets
- 2019 Templates are posted to the FMO website
- If possible, please consolidate your JVs by JV type
- Do not include multiple JVs in one Excel workbook
- Do not change the formatting of the Year End JV worksheet
- Do not delete or hide any columns even if you do not use them
- Additional columns can be added anywhere after the last column
- The “Project” column is only for actual project numbers set up in KFS
- Sub-accounts must be set up in KFS
- Sub-object codes and the accrual sub-objects must be set up in KFS
Capital Leases

Capital leases for equipment purchases require specific accounting for the equipment asset as well as the lease liability. Please review your lease agreements entered after June 30, 2018. If any one of the following conditions are met, please email a copy of the lease agreement to CAAO@hawaii.edu.

- Ownership of the asset transfers to UH by the end of the lease term
- The lease contains a bargain purchase option
- The lease term is \( \geq 75\% \) of the estimated economic life of the leased asset at the beginning of the lease term
- The present value of the lease payments at the inception of the lease is \( \geq 90\% \) of the fair value of the leased asset.