Financial Management Office

Fiscal Administrator's Meeting

Monday, April 18, 2016
Topics

• Welcome and Reminders
  - Susan Lin, Director of Financial Management and Controller

• Financial Statements and A-133 Audits
  - Cory Kubota, Partner, Accuity LLP

• General Confidentiality Notice Multi-Factor Authentication
  - Michael Hodges, Middleware, Identity and Access Management, ITS

• Year End Close Schedule
  - Karen Morimoto, Director of General Accounting and Loan Collection

• Journal Entry eDoc Types and Approval
  - Karen Morimoto, Director of General Accounting and Loan Collection

• Terminal Vacation Payout Assessment
  - Susan Lin, Director of Financial Management Office and Controller
Reminders

• Outstanding Travel Completion Report by FO Code Available in eTravel (March 2016 Newsletter)
  ▫ Corrective Action Plan for late travel completions
    • Disallowance of future travel requests for travelers who are severely delinquent in submitting their travel completions.

• Reclassification of “7232 RCUH Expense/Advance” Payments (February 2016 Newsletter)
  ▫ The advances sent to RCUH for service orders using object code 7232, RCUH Expense/Advance, must be reclassified to an appropriate object code in KFS after the disbursements are made from the RCUH financial system.

• Use of the new RCUH Budget Codes for Non-UH Sales (February 2016 Newsletter)
  ▫ Revolving fund project revenues need to be properly classified in RCUH between UH and non-UH sources. **Budget Code 0010 – UH income; Budget Code 0110 – non-UH income**
University of Hawai‘i

Presentation to Fiscal Administrators

April 18, 2016
FY 2016 University of Hawai‘i Audits

• **Uniform Guidance Audit (fka OMB Circular A-133)**
  - Consolidated financial statement audit and supplemental schedules
    - Research Corporation of the University of Hawaii (audited by Accuity)
    - University of Hawaii Foundation (audited by KPMG)
  - Federal compliance audit

• **Manoa Intercollegiate Athletics**
  - NCAA Agreed-upon procedures (for Div I-A programs)

• **Campus Supplemental Schedules**
  - Manoa, Hilo, West Oahu, Maui College, Community College System
Our Responsibilities under
U.S. Generally Accepted Auditing Standards
(Contract No. C150147)

• To express an opinion on the fair presentation of the University’s consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America (GAAP).

• To express an opinion on compliance with requirements applicable to each of the University’s major federal programs in accordance with the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (UG or Uniform Guidance).

• To assess the University’s internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs.

• To assess the University’s internal control over financial reporting, compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters based on the audit of the University’s consolidated financial statements.

• To report our observations and recommendations to improve internal control over financial reporting and business operations (management letter).
Audit Scope

• An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audits will involve judgment about the number of transactions to be examined and the areas to be tested.

• Our audits will include obtaining an understanding of the University and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the University. We will communicate our significant findings at the conclusion of the audits.
Audit Timing and Status

• **Federal Compliance Audit**
  - What is a Federal Compliance Audit and why is it required?
    - Focus on compliance with Federal as well as University policies
  - Programs with expenditures of $3 million or greater are audited as a major program
  - Timing of 2016 audit
    - Planning to commence in May 2016
    - Testing to commence in July 2016
    - Estimated presentation of Federal compliance report at November 2016 Audit Committee meeting

• **Financial Audit (Consolidated)**
  - Fieldwork to commence in September 2016
  - Planning for presentation of consolidated financial statements, Manoa Athletics AUP and management letter at November 2016 Audit Committee meeting
  - Planning for presentation of the supplemental bond and campus schedules at the February 2017 Audit Committee meeting
  - Internal audit provides assistance across all audits
Audit Approach

1. Pre-engagement activities (May to June)
2. Coordination and communication with State CAFR audit team (May to December)
3. Risk assessment (June)
4. Internal control assessment (June to July)
   • Payroll
   • Procurement
   • Disbursements
   • Information Technology
5. Development of audit plan and strategy (July to August)
6. Audit execution and evaluation (September to October)
7. Preparation of deliverables (October to November)
8. Required auditor communications (December to February)
9. Debrief with management (April)
Potential Audit Issues

• Federal Compliance Audit
  – Super Circular: Uniform Administrative Requirements, Costs Principles and Audit Requirements for Federal Awards
    ➢ Combination and update of existing Federal regulations
      ◦ Significant changes to procurement policies
      ◦ [Link](http://www.hawaii.edu/policy/)
  – Audit findings
    ➢ Material versus immaterial findings
    ➢ Recurring audit findings related to Student Financial Aid, recommendation for centralization of SFA compliance function
Federal Compliance Findings

2015

• Return of Title IV Funds (Student Financial Aid)
  - Untimely return of Title IV funds
  - Incorrect calculation of amount of Title IV assistance earned

• Federal Direct Student Loans Exit Interview
  - Students were not provided exit counseling within a timely manner
Federal Compliance Findings (Cont.)

2014

- Return of Title IV Funds (Student Financial Aid)
  - Untimely return of Title IV funds
  - Incorrect calculation of amount of Title IV assistance earned

- Federal Direct Student Loans Exit Interview
  - Students were not provided exit counseling within a timely manner

- Verification of Student Information

- Earmarking Requirements for Federal Work Study

- Pell Eligibility

- Enrollment Reporting to National Student Loan Data System
Internal Control Comments

2015

• Property and Equipment Accounting Practices
• Travel Completion Report
• Centralization of Student Financial Aid Packaging
• Untimely Execution of Purchase Order
• Untimely Approval of Procurement

2014

• Unrecorded Liabilities
• Ship Operations
• Nonmonetary Federal Assistance
• Untimely Execution of Purchase Order
• Performance Reporting
• Travel Completion Report
• Centralization of Student Financial Aid Packaging
Property and Equipment Accounting Policies

- At ~$2.1 billion, capital assets represent ~57% of the total consolidated assets and deferred outflows on income as of June 30, 2015

- Key issues noted during audit fieldwork
  - Proper coding of project costs
    - All project contracts (including A&E contracts) should be capitalized to CIP
  - Timely communication of outstanding project costs as of fiscal year end to PFMO (including retention balances)
    - Be aware of untimely invoices from the vendor (e.g. progress billings might be on a 3-month lag, ensure completed work to date as of June 30\textsuperscript{th} is communicated to PFMO prior to the requested cut-off date)
  - Timely communication of the project in-service date to PFMO
    - Project in-service date may precede the project completion date
Use of RCUH

• “Expenditures” for transfers to RCUH should be properly coded in KFS as they need to be eliminated at year-end for consolidation purposes

• All cash transfers to RCUH should be designated for a specific purpose (e.g. reimbursement or for an identified advance funding)

• Excess project cash held at RCUH should be factored into the operating budget or at a minimum be earmarked for an upcoming project expenditure
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cory Kubota</td>
<td>Partner</td>
<td>531-3611</td>
<td>cory.kubota</td>
</tr>
<tr>
<td>Jamie Asato</td>
<td>Managing Director</td>
<td>531-3442</td>
<td>jamie.asato</td>
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<tr>
<td>Ryan Horiuchi</td>
<td>Senior Manager</td>
<td>531-3484</td>
<td>ryan.horiuchi</td>
</tr>
<tr>
<td>Joshua Sakamoto</td>
<td>Manager</td>
<td>531-3405</td>
<td>joshua.sakamoto</td>
</tr>
</tbody>
</table>
General Confidentiality Notice

Multi Factor Authentication

Michael Hodges
Middleware, Identity and Access Management
Questions to be Answered Today

• The Online General Confidentiality Notice
  – Why is it important to KFS?
  – What is Personal Policy Compliance?
  – What is ACER?

• Multi-Factor Authentication
  – What is it?
  – Why is it important for security?
  – What does it look like?
  – How will it work for me?
GCN Overview

• Issues
  – Paper GCNs make for inefficient manual processes
  – Enforcing periodic GCN renewal is problematic

• The solution
  – Switch from paper to online GCNs
    • For approving KFS access
  – Users acknowledge GNCs online
    • With ACER it’s easy 😊
  – KFS rejects users that aren’t GCN compliant
    • Future feature enhancement under discussion
What is ACER?

• ACER is the System of Record for
  – Personal Compliance Policies
  – Individual completions of these policies

• Example ACER Compliance Policies
  – The General Confidentiality Notice
    • It is an Acknowledgment
  – The Security Awareness Training Certification
    • It is a Certification
What is ACER?

• Why that name, ACER?
  – Acknowledgments and Certifications
    (naming stuff is hard)
# GCN Integration: UHIMC

## Record Match

<table>
<thead>
<tr>
<th>Name (First Middle Last Generation):</th>
<th>Michael S Hodges</th>
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<tr>
<td>Aliased to Username:</td>
<td></td>
</tr>
<tr>
<td>michael.hodges</td>
<td>mhodges</td>
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</tr>
<tr>
<td>Affiliation</td>
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<tr>
<td>End Date (MM/DD/YYYY)</td>
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<tr>
<td>Secret Questions &amp; Answers:</td>
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<tr>
<td>User set up Secret Questions &amp; Answers?</td>
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<tr>
<td>UH Acknowledgements:</td>
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</tr>
<tr>
<td>General Confidentiality Notice</td>
<td>04/09/2012 12:50</td>
</tr>
</tbody>
</table>
GCN Integration: SECE
MFA Overview

• Premise
  – Authentication is critical for ensuring security.

• Issue
  – Username/Passwords alone no longer suffice.

• Solution
  – Multi-Factor Authentication
Factors:

• Knowledge
• Possession
• Inherence

MFA, what is it?
Duo, what is it?

- A Cloud-Based MFA Service
  - Duo Security
    - Easy to implement
    - Easy to deploy
    - Easy to scale up
  - Software, self-service functions, docs are provided
    - Easy to use by everyone *(mostly)*
    - Easy to support
    - Accessible to our application developer community
- Broad use within Higher Ed
  - Very cost effective
  - Supported by Internet2 projects
MFA, what does it look like?

Two steps rather than just the familiar one

Step 1

Step 2
MFA, what does it look like?

Knowledge

Possession
MFA, how will it work for me?

• Typical day at the office
  – *Smart phone/smart app/push feature*
    • Only one challenge per day from your computer

• Typical day at the office, forgot cell phone
  – *Land line/voice call*
    • Desk phone is a good fallback option

• Working from home
  • (see above options)
  • Note, can also add home phone as an option
MFA, have more than 1 option

• Enabling multiple options ensures success:
  – Smart phone/smart app/push feature
    • Light use of data service
  – Smart phone/smart app/soft token
    • No need for cell or data service
  – Phone/voice call
    • Desk phone is a good fallback option
  – Access codes (e.g.: 620545)
    • Sent as a text message, keep them handy
    • No need for cell or data service
MFA, New Tool in our Arsenal

• UHIMC (UH Identity Management Console)
  – MFA currently in pilot for select users
  – To be required for all users starting May 3rd
  – Includes FA’s that access UHIMC for GCN info

• MFA for KFS
  – TBD, perhaps replace the current Q&As
  – No project or project timelines under discussion

• The future of MFA
  – TBD
Questions?

Michael Hodges
Middleware, Identity and Access Management
Financial Management Office

2016 Fiscal Year End Close Schedule

Presented by
Karen Morimoto, Director of General Accounting and Loan Collection
FY 2016 Year End Close Key Milestones

• Changes from prior year
  ▫ Record A/P over $100,000 not paid by 8/5/2016 via L-11 YE JV Worksheet
  ▫ KFS will be disabled on 7/1 at 7 pm
  ▫ 6/27/2016 – Last day for FA to approve salary transfer (ST) eDocs, including clean up of “clearing” continuation accounts
FY 2016 Year End Close Key Milestones (continued)

• Reminders
  ▫ Funds for FY 2017 must not be encumbered or expended prior to 7/1/2016
  ▫ No General fund or Payroll encumbrances
  ▫ Ask vendors and subcontractors to submit outstanding invoices
• New fiscal year will open in KFS on July 7, 2016.
  ▫ KFS will not be available from 7/2 to 7/6 during balance roll forward processing
Procurement

- **Deadline – May 1, 2016**
  - Exempt procurement including P.O.s for short term leases
  - Small purchase procurements above FA purchasing authority where the competitive solicitation has been completed
  - Contract modifications
  - For Bookstore only – Interdepartmental orders exceeding FA authority

- **Deadline – June 30, 2016**
  - Pcards may be used for purchases through 6/30/2016
  - Please make it a priority to process outstanding PCDO
Payments for FY 2016

- **DAGS Payment Requests**
  - 6/6/2016 – Last day to submit to Disbursing for CIP contract payments
  - 6/27/2016 – Last day for FA to approve PREQ invoices for CIP contracts

- **PREQs**
  - 6/6/2016 – Last day to email PREQ invoices to Disbursing
  - 6/13/2016 – Last day for FA to approve invoices with equipment object codes

- **DVs and Travel**
  - 6/13/2016 – Last day for FA to approve for G funds and equipment object codes
  - 6/17/2016 – Last day for FA to approve for non-G funds

- **RCUH**
  - 6/13/2016 – Last day for FA to approve payments with equipment object codes and advance (7232 accounts)
Deposits to be Included in FY 2016

- **6/13/2016** – Last day for FA to approve eDocs for deposits with equipment object codes
- **6/17/2016** – Last day for FA to approve deposits with G funds
- **7/1/2016** – Last day for FA to approve all other deposits for receipts received as of 6/30/2016
Encumbrances to be Included in FY 2016

- **6/24/2016** – Last day to record budget adjustment eDocs for ORS accounts
- **6/27/2016** – Last day to record non-payroll purchase orders (PO) and pre-encumbrance (PE) eDocs within FA authority
Other Deadlines

- Adjustments and allocations (DI, GEC, IB, ST, TF, SB)
- Revenue bond drawdown requests
- KFS accounts receivable - customer invoices
- FA to record asset edits, loans, transfers and retirements, etc.
- Account maintenance eDocs
- Student refund in Banner SIS
- Last day for FA to record bank debit and credit memos
- Accruals
Questions
Financial Management Office

Journal Entry eDoc Types and Approval

Presented by
Karen Morimoto, Director of General Accounting and Loan Collection
Overview

- KFS has six different eDoc types to process journal entries
  - Distribution of Income and Expense (DI)
  - General Error Correction (GEC)
  - Transfer of Funds (TF)
  - Internal Billing (IB)
  - Service Billing (SB)
  - Salary Expense Transfer (ST)
- eDoc type is designed to capture “like” entries for reporting and analysis purposes
Distribution of Income and Expense (DI)

- Distribute primarily income or expense from one account to one or more account(s). However, it can be used to distribute asset or liability.
- Common use:
  - Distribute income or expense from a holding account to one or more appropriate account(s), when one account has incurred expenses or received income on behalf of one or more accounts, e.g. tuition revenue or shared costs by a program.
  - Move income, expenses, assets and liabilities to other sub-accounts or sub-object codes.
- eDoc Description field should begin with a 3 digit FO Code for easy identification.
  - For example: 073-Distribute Office Supplies Expense.
General Error Correction (GEC)

• Correct account(s) and/or object codes(s) on previously posted entries
• Common use
  ▫ Correcting an accounting error, such as
    • Correcting accounts and/or object codes on a Financial Processing eDoc, or Preq (PO invoices)
    • Account correction for an expense (e.g. supplies were charged to an incorrect account)
• eDoc Description field should begin with a 3 digit FO Code for easy identification
  ▫ For example: 018-Correct Preq Object Code
Transfer of Funds (TF)

- Transfer cash between accounts. A transfer-in behaves like revenue, while a transfer-out behaves like an expense. There are two types of transfers:
  - Mandatory
    - Transfers are required to meet contractual agreements
  - Non-mandatory
    - Fund allocation of unrestricted cash between fund groups or accounts, which are not required by any external agreements

- Common use
  - Non-mandatory transfers
  - Transfers of tuition cash from the tuition revenue control account to the college/department expending accounts

- eDoc Description field should begin with a 3 digit FO Code for easy identification
  - For example: 073-Tuition Cash Transfer
Transfer of Funds (con’t)

- Specific non-mandatory transfer object codes must be used for both the “From” and “To” sides of the financial transaction. They help identify the transfer destination or source account(s).

Transfer-out (From Accounting Line = Decrease to Cash)

<table>
<thead>
<tr>
<th>Object Code</th>
<th>Object Code Long Description</th>
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<tbody>
<tr>
<td>1519</td>
<td>Non-mandatory transfer out to Current unrestricted special funds for other</td>
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<tr>
<td>1529</td>
<td>Non-mandatory transfer out to Current unrestricted revolving funds for other</td>
</tr>
<tr>
<td>1533</td>
<td>Non-mandatory transfer out to Current unrestricted trust funds for unrestricted quasi-endowment</td>
</tr>
<tr>
<td>1534</td>
<td>Non-mandatory transfer out to Current restricted trust funds for restricted quasi-endowment</td>
</tr>
<tr>
<td>1586</td>
<td>Non-mandatory transfer out to Plant for Renewal &amp; Replacement fund group</td>
</tr>
<tr>
<td>1589</td>
<td>Non-mandatory transfer out to Plant fund group for other</td>
</tr>
</tbody>
</table>

Transfer-in (To Accounting Line = Increase to Cash)

<table>
<thead>
<tr>
<th>Object Code</th>
<th>Object Code Long Description</th>
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</thead>
<tbody>
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<td>1409</td>
<td>Non-mandatory transfer in from Current unrestricted general funds for other</td>
</tr>
<tr>
<td>1416</td>
<td>Non-mandatory transfer in from Current unrestricted special funds for Renewal &amp; Replacement fund group</td>
</tr>
<tr>
<td>1419</td>
<td>Non-mandatory transfer in from Current unrestricted special funds for other</td>
</tr>
<tr>
<td>1429</td>
<td>Non-mandatory transfer in from Current unrestricted revolving funds for other</td>
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<td>Non-mandatory transfer in from Current unrestricted trust funds for unrestricted quasi-endowment</td>
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<td>1434</td>
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</tr>
<tr>
<td>1489</td>
<td>Non-mandatory transfer in from Plant fund group for other</td>
</tr>
</tbody>
</table>
Internal Billing (IB)

• Billing for goods/services provided by one UH department to another UH department, reflecting internal income to the provider and expense to the customer. All IB eDocs are routed for approval to the service receiving department FAs.

• Common use
  ▫ UH department A provided services to department B and records the service bill.

• eDoc Description field should begin with a 3 digit FO Code for easy identification
  ▫ For example: 011-Gas Charges

• Important
  ▫ General Accounting uses this eDoc type (IB) for elimination purpose when producing the UH consolidated financial statements. The elimination process will ensure the revenue or expenses are not overstated in the consolidated financial statements.
Service Billing (SB)

- Service Billing (SB) eDoc is similar to Internal Billing (IB) except that SB eDoc does not require approval from the expense department (after the SB is submitted, it is automatically approved and does not route.)
- However, before using SB eDoc, an approval has to be obtained from the Director of General Accounting and Loan Collection by completing the KFS Service Billing Request Form.
- Common use
  - IT Telecom charges
Salary Expense Transfer (ST)

• Move salaries and associated benefit charges for a given employee for a particular paid date or set of paid dates from one or more accounts to one or more accounts.
Step-by-Step Instructions on How to Process these eDocs

- **Journal Entry eDoc Processing**

- **Salary Expense Transfer**
  - KFS Training Guide – Labor ledger
    [Link](http://www.fmo.hawaii.edu/financial_systems/docs/Labor_Ledger_Manual.pdf)
# Summary of eDoc Types for Journal Entries

<table>
<thead>
<tr>
<th>Journal Entry eDoc</th>
<th>Common Uses</th>
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<tbody>
<tr>
<td>Distribution of Income and Expense (DI)</td>
<td>• Distribute income or expense from one account to one or more account(s)</td>
</tr>
<tr>
<td></td>
<td>• Distribute costs to sub account(s) or sub object code(s)</td>
</tr>
<tr>
<td>General Error Correction (GEC)</td>
<td>Correct account(s) and/or object codes(s) on previously posted entries</td>
</tr>
<tr>
<td>Transfer of Funds (TF)</td>
<td>Transfer cash between accounts</td>
</tr>
<tr>
<td>Internal Billing (IB)</td>
<td>Billing for goods/services provided by one university department to another university department.</td>
</tr>
<tr>
<td>Service Billing (SB)</td>
<td>Billing for goods/services provided by one university department.</td>
</tr>
<tr>
<td></td>
<td>Note: use of this document requires special permission and authorization</td>
</tr>
<tr>
<td>Salary Expense Transfer (ST)</td>
<td>Correct or transfer salary and fringe benefit expenses from one account to one or more account(s)</td>
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</tbody>
</table>
Journal Entry eDoc Standard Approvals

- Separation of duties is one of the essential steps for internal controls. Therefore, the KFS eDoc approval process is designed to have at least two persons to prepare and approve every financial transaction
  - It is important that someone who is close to the business and understands the transaction reviews and approves the eDoc.
  - Subsequently, central offices like ORS and GALC will not play a role in reviewing or approving every general entry eDoc.
- However, certain transactions may require additional approval(s) by the departments or central offices
- To provide transparency and accountability of the UH financial transactions, we are in the processing of developing the KFS eDoc Approval Matrix.
# KFS eDoc Approval Matrix

**As of 4/15/2016**

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<th>eDoc Type</th>
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<th>First Approver</th>
<th>Second Approver</th>
<th>Acknowledged</th>
<th>Central Office Approver</th>
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<td>ACCT – C&amp;G accounts</td>
<td>Campus Fiscal Staff</td>
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<td>Campus Chart Manager</td>
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<td>ACCT – C&amp;G accounts</td>
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<td></td>
</tr>
<tr>
<td>ACCT – non-C&amp;G accounts</td>
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<td>ACCT – non-C&amp;G accounts</td>
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<td>AD – Advance Deposits</td>
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<td>ORS</td>
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<td>CCR – Credit Card Payments</td>
<td>Campus fiscal staff</td>
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<tr>
<td>DI – Distribution of Income and Expense</td>
<td>Campus fiscal staff or Central Office</td>
<td>Fiscal Administrator</td>
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</tr>
<tr>
<td>DV – Disbursement Voucher</td>
<td>Campus fiscal staff</td>
<td>Account Supervisor</td>
<td>Fiscal Administrator</td>
<td></td>
<td>Disbursing Office</td>
</tr>
</tbody>
</table>
Questions?

- Karen Morimoto, Director of General Accounting and Loan Collection, at karenhm@hawaii.edu
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Terminal Vacation Payout Assessment

Presented by
Susan Lin, Director of Financial Management Office and Controller
Discussion Topics

• Why we need to establish the terminal vacation payout pool
• What is included in the pool
• How we assess the pool
Primary Driver to Establish the Pool

- The Office of Management and Budget (OMB) has streamlined the OMB Circulars on Administrative Requirements, Cost Principles, and Audit Requirements for all Federal awards into one document, referred to as the Super Circular, which took effect on December 26, 2013.
  - OMB 2 CFR 200.431 b(3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-Federal entity or specified grouping of employees.

Key - Consistent Cost Accounting
Terminal Vacation Leave Pool

The pool will be established to pay for the following situations:

1. Termination, resignation or retirement from positions at the University of Hawai‘i (UH) with an accrued vacation balance (vacation accrual);

2. Transfer from a position with vacation accrual to a non-vacation accruing position within the UH system; or

3. Transfer from a position in the UH system with vacation accrual to another State or County agency.
Assessment Methodology

• Only eligible payrolls will be assessed for terminal vacation leave compensation as a portion of total fringe benefit costs.
  ▫ Assess eligible payrolls regardless of funding source for terminal vacation payout using an established systemwide rate 1.8%, effective with pay dates after July 1, 2016.
    • For non-imposed funds (general funds, S397, selected federal funds), each campus (Manoa, Hilo, West Oahu, and each community college) will designate imposed fund accounts (e.g. one or more) to charge the vacation payout assessment.
    • All funding sources except non-imposed funds will be charged for assessment at the individual account level based on where the employees are paid.
  ▫ Pool all assessment contributions (revenue) into one university systemwide account (SW 4432920). This account will be used for payouts during the current fiscal year.
## Campus Accounts to be Assessed

<table>
<thead>
<tr>
<th>Campus</th>
<th>Original Payroll Funding Accounts</th>
<th>Payout Funding Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manoa</td>
<td>General</td>
<td>Designated Imposed Account</td>
</tr>
<tr>
<td></td>
<td>Special – Non-Imposed</td>
<td>Designated Imposed Account</td>
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<td>Special - Imposed</td>
<td>Special – Imposed</td>
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<td>Revolving</td>
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<td>C&amp;G</td>
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<td></td>
<td>Federal non-Imposed (work study, Dept of Agriculture)</td>
<td>Designated Imposed Account</td>
</tr>
</tbody>
</table>

## Systemwide Vacation Payout Pool

One trust account to collect all assessments

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Proposed Approach to Fund Assessment for Non-Imposed Payroll

• Each campus calculates how much the assessment would be using the rate of 1.8% on non-imposed eligible employees payroll
• Use the calculated amount to fund the assessment from each campus’ designated account(s)
Business Process Changes

➢ G2 Form process
  • **No** changes from current procedures
    • HR initiates the form, Dept Head approves it, and the Payroll Office processes it.

➢ Managing pool account
  • A designated System Fiscal Administrator will be in charge of the pool account and be responsible for:
    • Reconciling direct payments to and from other State agencies against the pool account.
    • Notifying ORS if the pool account has excessive surplus or deficit at yearend. If the surplus or deficit is excessive, a re-calculation of the assessment rate may be required.

➢ Monitoring payout assessment rate
  • ORS will review the assessment rate to determine if the rate is sufficient for payout at least annually. If the rate changes, obtain DHHS’ approval accordingly.
Process Changes for Transferring from or to Other State Agencies

• Transferring from other agencies
  • Campus FAs will send the payments received for the transferring employees to the designated System Fiscal Administrator for deposit and recording into the pool account (AD edoc to SW 4432920, Object code 087x).

• Transferring to other agencies
  • Campus FAs will be responsible for initiating and attaching the documentation to the DVs for transfer. The designated System Fiscal Administrator would review and approve the DVs with payments coded to Object Code 2071.

(Note: The designated System FA is not responsible for making sure the vacation payout/transfer calculation is correct. The department FA is responsible for that.)
KFS Programming Changes

• Similar to the worker’s compensation assessment method, the KFS program will assess all leave accrual eligible employees for terminal vacation payout at 1.8% for pay dates after July 1, 2016.
• If a salary transfer (ST edoc) is made on a payroll with vacation assessment (2049), the KFS program will transfer the vacation assessment based on the prorated amount. There will be no adjustments for pay dates prior to July 1, 2016.
Accounting Changes

• Payroll coding:
  ▫ No change from current process. However, the Payroll Office will need to make sure the account code on the G2 form is for the terminal vacation payout pool account (SW 4432920).

• Accounts for the assessments:
  ▫ For non-imposed payroll, each campus will indicate the designated account(s) for the assessment.
  ▫ For the university-wide pool account, SW 4432920 will collect the vacation terminal payout assessments.

• Object Code for the assessments:
  ▫ 2049, same object code which was used by ORS before for vacation payout assessment.
Grants and Contracts

• ORS submitted to US DHHS an amendment to the University’s Cost Accounting Standards Board Disclosure Statement to include a Terminal Vacation Payout fringe benefit rate 1.8%, effective for FY 2017.

• For proposal budget purposes, if the project budget includes applicable payroll to be recorded in July 2016 and after, the additional 1.8% Terminal Vacation Payout fringe rate should be added to the rates provided in the current ORS website.
Questions
Financial Management Office

Thank You for attending the Fiscal Administrator Meeting

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