Financial Management Office
Fiscal Year 2022 Accrual Process Information

Karen Morimoto, Director of General Accounting and Capital Asset Accounting

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

Agenda
- FY2022 Year End Close Key Milestones
- KFS Service Date Requirement
- Need for Accounting Accruals
- Types of Accounting Accruals/Adjustments
  - Fiscal Administrator Initiated Adjustments
  - Central Office Initiated Adjustments
- Submission of JV Worksheets
- GASB 87
## FY2022 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 7/1/22 EXCEPT FOR FY22 BANK DEPOSITS/RECEIPTS AND FY22 BANK DEBIT/CREDIT MEMOS**
- Record Clearing/Continuation account adjustments by 6/23/2022 (G Funds) and 6/29/2022 (all other funds)
- In Concur – PCDOs (through billing cycle 6/14/22 will be auto-submitted on 6/16/22 and auto-approved on 6/19/22 by PCard Admin.
- New fiscal year is scheduled on open in KFS on July 6, 2022, prior to the posting of, beginning account balances on July 7, 2022

### Changes from prior year and key items continued
- Outstanding invoices for goods/services received on or before 6/30/2022 should be paid by 8/1/2022
- Accounts payable accrual will be based on vendor and sub-recipient invoices paid through 8/1 with service dates on or prior to 6/30/2022 in the UH KFS AP system
- Special instructions for construction and Bookstore MIT invoices
- Record A/P over $100,000 not paid by 8/1/2022 via L-11 JV Worksheet
- Record ALL construction A/P as of 6/30/2022 (including retainage) via L-11 JV Worksheet
- There will be no De-Minis for recording construction invoices

### 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 [FSO-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 6/9/2022 to ensure that updated information is captured for the FY22 Annual Inventory Verification Report
FY2022 Year End Close Key Milestones continued 3

• Reminders
  - Funds for fiscal year 2023 must not be encumbered or expended prior to 7/1/2022
  - No General fund or Payroll encumbrances
  - Ask vendors and sub-recipients to submit outstanding invoices as soon as possible

KFS Service Date Requirement for Disbursements

• 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 2022</td>
<td>Last day of service</td>
<td></td>
</tr>
<tr>
<td>2 Majority of service in FY 2022</td>
<td>06/30/2022</td>
<td></td>
</tr>
<tr>
<td>3 Majority of service in FY 2023</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 2022 and FY 2023</td>
<td>06/30/2022 and last day of service</td>
<td>Pro-rate amounts on separate accounting lines. Attach pro-rata worksheet to DV</td>
</tr>
<tr>
<td>7 Utility bills paid using PREQ when service period includes FY 2022 and FY 2023</td>
<td>06/30/2022</td>
<td>Attach pro-rata worksheet to PREQ</td>
</tr>
</tbody>
</table>
Reminder

- Fiscal Year 2022 Year End Closing Schedule has been posted on the FMO website for your reference:
  - Financial Management Office General Accounting

Why We Have to Record Accounting Accruals

The accounting matching principle and concept is the primary driver for the recording of accounting accruals and adjustments for our fiscal year end financial statements.

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 2022 tuition and fee revenue should match the salary and other related expenses incurred to support Fall 2022 semester. Therefore, we may have to re-allocate
  - the fall revenue to fiscal year 2023 because the semester has not started
  - the accounts receivable to fiscal year 2023 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

<table>
<thead>
<tr>
<th>JV Type</th>
<th>Purpose</th>
<th>Min/Max</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-01</td>
<td>A/R Revenue earned on or prior to June 30, 2022</td>
<td>$5,000</td>
<td>Detail list</td>
</tr>
<tr>
<td>A-02</td>
<td>A/R G Fund expense reimbursement as of June 30, 2022</td>
<td>None</td>
<td>Detail list</td>
</tr>
<tr>
<td>A-03</td>
<td>A/R Reimbursement of expenses for services (REX) provided on or prior to June 30, 2022</td>
<td>$5,000</td>
<td>No inter-departmental or G fund amounts</td>
</tr>
<tr>
<td>A-04</td>
<td>Allowance for doubtful accounts for A/R balances aged over 180 days</td>
<td>$5,000</td>
<td>Detail list</td>
</tr>
</tbody>
</table>
### Fiscal Administrator Initiated Adjustments

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

<table>
<thead>
<tr>
<th>JV Type</th>
<th>Purpose</th>
<th>De Minimis</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-05</td>
<td>A/R CC Destiny Next FY A/R Adjustment – To reverse Destiny A/R balances that pertain to classes that begin after June 30, 2022</td>
<td>None</td>
<td>Detail list</td>
</tr>
<tr>
<td>A-06</td>
<td>Allowance for doubtful accounts for Destiny A/R balances aged over 180 days as of June 30, 2022</td>
<td>None</td>
<td>Detail list</td>
</tr>
<tr>
<td>A-10</td>
<td>Short Term Loan receivable allowance for loan balances aged over 180 days</td>
<td>None</td>
<td>Detail list</td>
</tr>
</tbody>
</table>

### Fiscal Administrator Initiated Adjustments

**Inventory, Prepaid Expenses, Accrued Payroll**

<table>
<thead>
<tr>
<th>JV Type</th>
<th>Purpose</th>
<th>De Minimis</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-08</td>
<td>Inventory – Merchandise / Supplies on hand at June 30, 2022. Items that will be used or charged to others as a part of departmental operations.</td>
<td>$5,000</td>
<td>Detail list</td>
</tr>
<tr>
<td>A-09</td>
<td>Prepaid Expense – Goods and services that were paid for but will be used in a fiscal period after June 30, 2022.</td>
<td>$5,000</td>
<td>Detail list</td>
</tr>
<tr>
<td>L-02</td>
<td>Accrued Payroll – Employee services rendered on or before June 30, 2022, but not paid on the July 5 or 20, 2022 payroll.</td>
<td>$5,000</td>
<td>Detail list</td>
</tr>
</tbody>
</table>

### Fiscal Administrator Initiated Adjustments

**Unearned Revenue**

<table>
<thead>
<tr>
<th>JV Type</th>
<th>Purpose</th>
<th>De Minimis</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>L-03</td>
<td>Unearned Revenue (Non-Banner) – Payments received by June 30, 2022 for goods or services that will be rendered in a future accounting period. If the revenue for services crosses fiscal years, the amounts should be prorated and recorded in the appropriate fiscal year.</td>
<td>$5,000</td>
<td>Detail list</td>
</tr>
</tbody>
</table>
# Fiscal Administrator Initiated Adjustments

## Accounts Payable

<table>
<thead>
<tr>
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<th>Purpose</th>
<th>De Minimis</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>L-11</td>
<td>Accounts Payable (Construction) – Amounts owed for construction projects for goods and services received through June 30, 2022. Include amounts owed for construction retainage.</td>
<td>None</td>
<td>Invoice copies. Use projections if actual amounts not available.</td>
</tr>
<tr>
<td>L-11</td>
<td>Accounts Payable (&gt;=$100,000 Not paid by 8/1/2021) - Amounts due to vendors for goods and services received through June 30, 2022. Please inform General Accounting of significant unrecorded liabilities discovered between 8/2/2022 – 11/15/2022</td>
<td>$100,000</td>
<td>Invoice copies. Use projections if actual amounts not available.</td>
</tr>
</tbody>
</table>

## Non-Banner Waivers

<table>
<thead>
<tr>
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<th>Purpose</th>
<th>De Minimis</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>P-02</td>
<td>Non-Banner Student Tuition/Fee/Housing Discounts and Allowances (Waivers)</td>
<td>$5,000</td>
<td>Detail list</td>
</tr>
<tr>
<td>P-03</td>
<td>Non-Banner Employee Tuition/Fee/Housing Discounts and Allowances (Waivers)</td>
<td>$5,000</td>
<td>Detail list</td>
</tr>
<tr>
<td>P-05</td>
<td>Other Fee Waivers/Discounts</td>
<td>$5,000</td>
<td>Detail list</td>
</tr>
</tbody>
</table>

## RCUH G,R,S Account Adjustments

<table>
<thead>
<tr>
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<th>De Minimis</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-07</td>
<td>Due from RCUH - Unexpended balances of &quot;7232&quot; advances to RCUH as of June 30, 2022. Enter RCUH project number in Org Ref ID column.</td>
<td>None</td>
<td>Detail list Supporting document RCUH BSR/BCR</td>
</tr>
<tr>
<td>L-07</td>
<td>Due to RCUH – Amounts due to RCUH for payments made by RCUH as of June 30, 2022. Enter RCUH project number in Org Ref ID column.</td>
<td>None</td>
<td>Detail list Supporting documents RCUH BSR/BCR</td>
</tr>
</tbody>
</table>
Fiscal Administrator Initiated Adjustments
RCUH G,R,S Account Adjustments Continued

<table>
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<tr>
<th>JV Type</th>
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<th>De Minimis</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>P-O1</td>
<td>RCUH Expense to Proper Object Code - Reclassify expenditures made by RCUH from 7232 RCUH EXPENSE/ADVANCE to the proper expense object code</td>
<td>None</td>
<td>Detail set Support RCUH BSR/BCR</td>
</tr>
</tbody>
</table>

Enter RCUH project number in Org Ref ID column

For accounts that maintain inception to date balances, you will need to do a DI for the same reclassification in the new fiscal year (2023). Include the FY21 DI edoc number in the explanation field of the P-O1 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 (as needed)

JV Worksheet
Submission of JV Worksheets

- 2022 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

GASB 87 Accounting for Leases

Please provide updated lease information on a timely basis when requested from
- Capital Asset Accounting – Equipment leases
- Office of Strategic Planning and Development – Property leases

Financial Management Office

Thank you for viewing this presentation