YEAR END CLOSE PROCESS TRAINING 2020

<u>The Untold Story</u>:
An unlikely pair of debits and credits overcome great odds and social distancing to make it into the Financial Statements

Accountant Humor

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Accounting/Auditing/Reporting Cycle

- **Throughout the fiscal year**: Transactions are processed, and funds & accounts are reconciled according to policy.
- **Mid-April:** Clifton-Larson-Allen (CLA) conducts Interim Audit Procedures
- **June through July**: Campus Year-End Close Process:
- **Late July through early September**: FA&A, AP and BAFF work with USSE to produce key elements of the financial statements and prep for audit
- **Early September through October 31**: FA&A Coordinates the main Financial Statement audit by CLA, and works with USSE to finalize the report
- **October 31**: The Annual Financial Report and audit opinion are issued
- **Mid-January**: CLA and OSU VP of Finance and Administration present the Financial Statements to the Board

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The Key to Accurate Financial Statements

- **Is YOU!**
- **Your work is the foundation and core of the OSU financial statements!**
- Plan your YEC activities in advance and complete tasks **throughout the fiscal year—**don't pack everything into May and June
  - Ensure proper coding
  - Reconcile funds and accounts
  - Check for unprocessed transactions that recur each year
  - Coordinate with your customers
  - Make sure payroll redistributions are completed by Tuesday, 6/30/20

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Potential Causes of Audit Findings

- Internal billings, payments, or redistributions that go unprocessed or are processed with the wrong fiscal year date
- Funds and accounts that are not reconciled prior to YEC, or overlooked errors that go uncorrected because of a lack of review
- Accruals that are not recorded by the fiscal year-end close date
- Internal controls are inadequate or non-existent resulting in errors or asset misappropriations
- Documentation is insufficient

Creating the Financial Statements

- USSE Uses Cognos Controller to Produce the Financial Statement documents:
  - Banner is uploaded to Cognos the day after P14 closes (7/27/20 this FY)
  - Needed adjustments are made in Cognos after the Banner load

- FA&A staff work with USSE to:
  - Create schedules, tables, charts and other supporting information
  - Draft the text to the notes and Management Discussion & Analysis (MD&A)
  - Determine formatting and verify and tie out amounts between tables and notes
  - Answer auditor questions, and research transactions
  - Ensure compliance with GASB/GAAP requirements

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Creating the Financial Statements (cont.)

Statement of Net Position (SNP)

- Built on roll-ups at the Fund Type Level 2, and Account Type Level 2 chart elements

Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)

- Same as SNP except Operating Expenses are rolled up into Program Code level 1 chart elements

Use Appworx reports FGRFNDH and FGRPRGH to see fund and fund type structures, and program code hierarchies, respectively.

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Operating Expenses are Reported by Program Code

Statement of Revenues and Expenses Titles (SRE)

- Instruction
- Research
- Public Service
- Academic Support
- Student Services
- Auxiliary Support
- Operation & Maintenance

OSU Chart Program Code Roll Up

- 00000
- 10000
- 20000
- 30000
- 40001
- 45000
- 50000

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Post-Closing Entry Worksheets

- FA&A sends a worksheet template to BC FAMs after Period 14 closes; July 27th for FY20
- BCs should include invoices $12,500 or greater
- BC's need to make sure they only include transactions not already captured by AP accrual spreadsheets they submitted!
- These entries post in financial statements only and are not visible in campus operating funds
- The post-closing worksheets are due on August 6th.

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Users of OSU's Financial Statements

- Financial Statement users include:
  - The OSU Board of Trustees
  - Executive Management
  - Bond rating Agencies
  - Bond investors
  - The State of Oregon, Legislature, and other state agencies
  - The Public
  - Other Higher Ed related Organizations like IPEDS and NACUBO
  - Peer universities
  - http://fa.oregonstate.edu/business-affairs/annual-financial-reports-audited

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Fund Balance Monitoring

Determining Fund Balance

- Fund Balance = Assets – Liabilities
- Axxxx account codes – Bxxxx account codes
- Be careful when looking at D0010 – Fund Balance
  - This balance doesn't get updated until the G/L Roll when period 12 is closed
  - Make sure you manually calculate it or use the current fund balance

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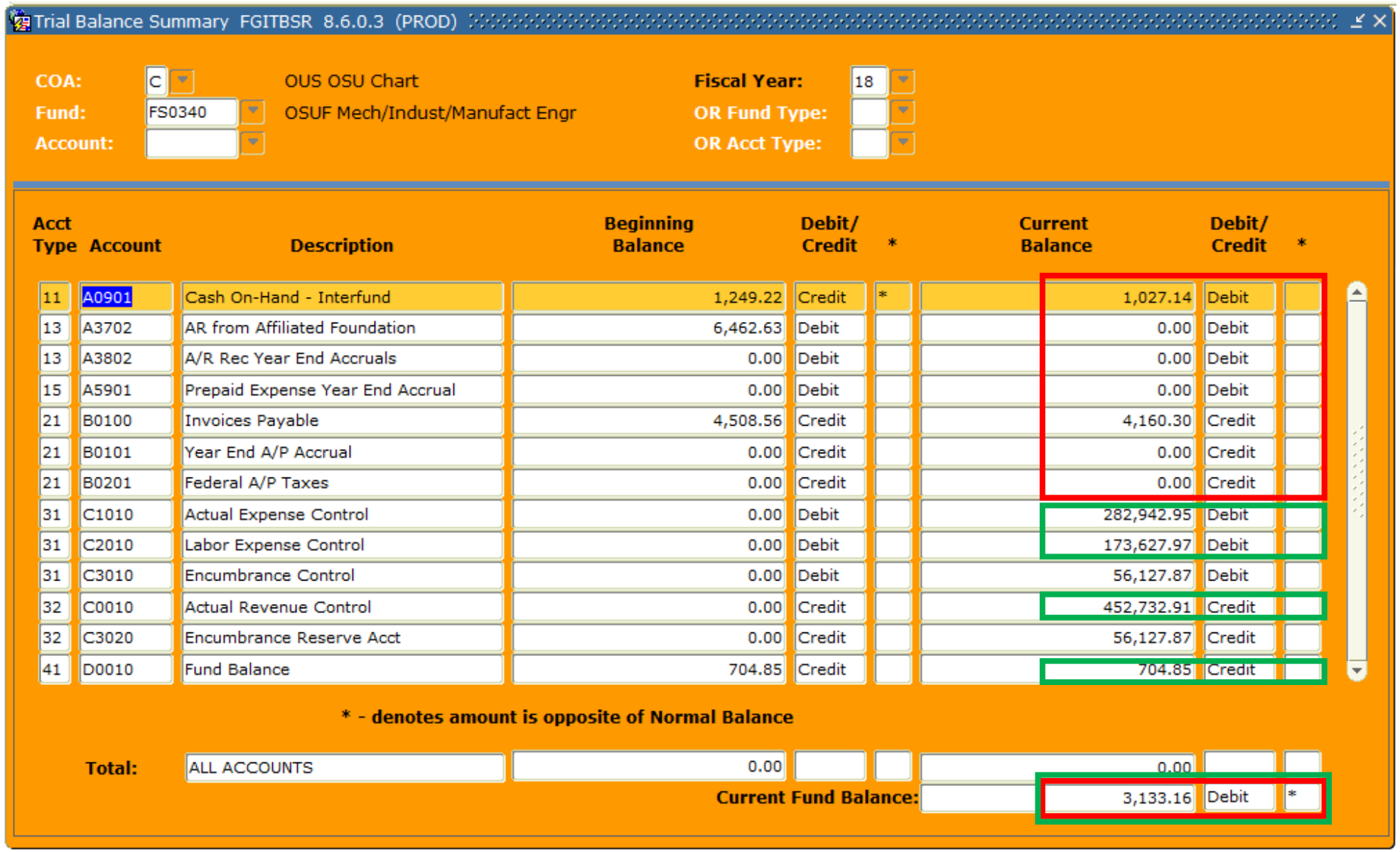
Fund Balance Monitoring - FGITBSR



Trial Balance Summary FGITBSR 8.6.0.3 (PROD)

COA: C OUS OSU Chart
Fund: FS0340 OSUF Mech/Indust/Manufact Engr
Account:
Fiscal Year: 18
OR Fund Type:
OR Acct Type:

Acct Type	Account	Description	Beginning Balance	Debit/ Credit	*	Current Balance	Debit/ Credit	*
11	A0901	Cash On-Hand - Interfund	1,249.22	Credit	*	1,027.14	Debit	
13	A3702	AR from Affiliated Foundation	6,462.63	Debit		0.00	Debit	
13	A3802	A/R Rec Year End Accruals	0.00	Debit		0.00	Debit	
15	A5901	Prepaid Expense Year End Accrual	0.00	Debit		0.00	Debit	
21	B0100	Invoices Payable	4,508.56	Credit		4,160.30	Credit	
21	B0101	Year End A/P Accrual	0.00	Credit		0.00	Credit	
21	B0201	Federal A/P Taxes	0.00	Credit		0.00	Credit	
31	C1010	Actual Expense Control	0.00	Debit		282,942.95	Debit	
31	C2010	Labor Expense Control	0.00	Debit		173,627.97	Debit	
31	C3010	Encumbrance Control	0.00	Debit		56,127.87	Debit	
32	C0010	Actual Revenue Control	0.00	Credit		452,732.91	Credit	
32	C3020	Encumbrance Reserve Acct	0.00	Credit		56,127.87	Credit	
41	D0010	Fund Balance	704.85	Credit		704.85	Credit	

* - denotes amount is opposite of Normal Balance

Total:	ALL ACCOUNTS	0.00			0.00		
				Current Fund Balance:	3,133.16	Debit	*

Fund Balance Monitoring Continued…

Designated Ops, Services Centers, and Auxiliary Funds

(05xxxx) **(09xxxx)** **(1xxxxx)**

- See policies under FIS 03-150-20x Fund Accounting
- Negative fund balances should be resolved whenever possible
  - Create accrual JVs when applicable
  - Make sure all entries are posted in correct fiscal year

- If an Auxiliary has more than one fund, all 1xxxxx funds for that unit (Fund Type-2x) are rolled together.

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Fund Balance Monitoring Continued…

Gift Funds (Mxxxxx, FGxxxxx)

- Can't spend money we don't have
- Cash A0901 must be positive
- Monitor Balances all the way through close
- Entries processed in July with June transaction dates affect cash in fiscal year being closed.
- After 6/30 must move non-payroll expense via JV

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Reconciliations

Required spreadsheets at Year End

- **A3150 Departmental Advances & A3151 Travel Advances**
  - **Email spreadsheets to accounts.payable@oregonstate.edu**
- **A4xxx Inventory**
  - **Attach spreadsheets in Nolij to inventory JVs**

- **A3802 Year End A/R Accruals**
- **A5901 Year End Prepaid Expense Accruals**
- **B5901 Year End Unearned Income Accruals**
  - **Attach spreadsheets in Nolij to accrual JVs**

All other Axxxx & Bxxxx accounts that have a balance at year end should be reconciled as well. Keep reconciliations in BC Share Drive.

- **Except for A0901 cash and B0100 Invoices Payable**

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Reminders – JV's

During July

- Starting 7/1, FY20 and FY21 are open concurrently for processing.
- Watch transaction dates carefully.
- During this period it is important to begin JV document text with "FYxx" to assist approvers.

Prior year corrections

- Once FY20 closes, all prior year corrections require FA&A approval.
  - Require materiality and financial statement impact assessment.
  - Prior year corrections will not be allowed between Program Codes or Fund Types

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Reminders – 40199 Construction in Progress

All 40199 account code balances must be zero at year-end

- Process a JV to move all expenses from 40199 to 401xx or A80xx
- If equipment is completed and ready for use, list "Completed Date" in the text
  - Additional instructions in Property Manual Exhibit #1
- If equipment is still a Work-in-Progress (WIP), JV text must state "WIP = Y"
- If the 40199 expense represents an installment or prepayment, move all expense from 40199 to A5901 Prepaid Expense. Must be reversed in FY20

Last day for corrections is Thursday, July 9th at 5p

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Accruals - All about the financial statement accuracy

Two Main Categories of Accruals

- Revenue Accruals
  - Income earned but not received ← A/R
  - Income received but not earned ← Unearned Income
- Expense Accruals
  - Goods & Services paid for but not received ← Prepaid
  - Goods & Services received but not paid for ← A/P

Accrual threshold on <u>all</u> accruals = $2,000

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Revenue Accruals – Accounts Receivable (A/R)

- An asset on the balance sheet.
- Records income in current year.
- Revenue earned but not received by close of the year.

EXAMPLES:

- SIS A/R ← Fed through Banner A/R
- NON SIS A/R ← Manual JV Entry in Banner
- Grant A/R ← Entry Processed by OSRAA

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Revenue Accruals – Unearned

- A liability on the balance sheet.
- Removes income from the current year.
- Cash received in advance for goods or services provided after June 30th.
  - Review June deposits closely

EXAMPLES:

- Deposits for future events
- Deposits for services not yet performed
- Advance Payment Grants

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Expense Accruals – Prepaid

- An asset on the balance sheet.
- Removes expense from the current year.
- Payments made in advance for goods or services

EXAMPLES:

- Prepaid Airfare ← AP will split June File
- Deposit Payments
- Expense crossing years

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Expense Accruals – A/P

- A liability on the balance sheet.
- Records expense in current year.
- Goods and services received, but not paid for.

EXAMPLES:

- June Purchasing Activity

Send AP accrual spreadsheets to accounts.payable@oregonstate.edu

Capitalized equipment purchases are not allowed on AP Accrual Spreadsheet. Department will need to follow up with Fixed Assets Team.

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Accrual JV's

- Entries Post to O/L and G/L
  - Debit QBA180 – 001100 – 06003 – YDAM – $5,000
  - Credit 001100 – B5901 – $5,000

- G/L side posts to proper fund and account code
  - A3802 – Year-End A/R Accruals
  - B5901 – Year-End Unearned Income Accruals
  - A5901 – Year-End Prepaid Expense Accruals

- Starting 7/1 both entries can be made at the same time.
- Make sure reversal JV has a July Transaction date.
- Make sure fund code matches O/L half of the entry

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Accrual JV's Continued…

- Rule Code = **3JV1**

- Reversal JV should have the same entries as the original accrual entry.
- Enter original accrual JV# in document reference field.
- Document(FOATEXT) text should say:
  - FY20 Accrual OR FY21 Reversal of Accrual J0xxxxxx
- Supporting Documentation should be scanned with JV

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Accrual Responsibilities

AP, FA&A, & OSRAA

- AP Accrual Spreadsheet loading
- OSU Foundation Revenue Accruals
- Grant and Contract Revenue Accruals

Business Centers and Departments

- Accounts Receivable (Non-SIS)
- Unearned Income
- Prepaid Expense
- Populating AP Accrual Spreadsheets

Accrual threshold on all accruals = $2,000

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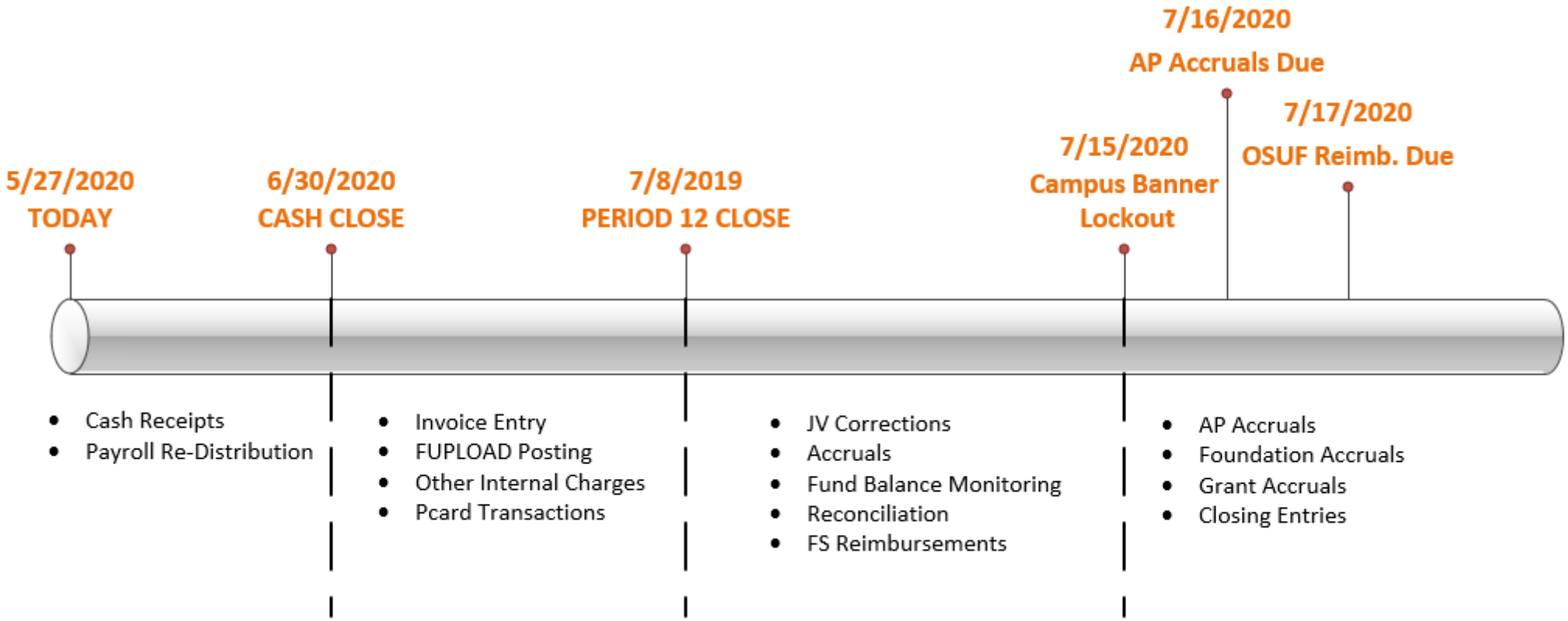
YEC 2020 Timeline



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Reminders – Foundation Funds

OSU Foundation Funds(FSxxxx, FExxxx, 438xxx, Gift Plant Funds-809xxx)

- Make sure current year transactions are reimbursed.
- Prior year transactions cannot be reimbursed after closing.
- Approvers at OSU and Foundation need time to approve.
- If transactions remain unapproved/unreimbursed AP will move transactions to one of departments E+G funds.
- Deadline for approving FSxxxx reimbursement transactions is 7/17/20.

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Reminders – Encumbrances

FY21 open for PO entry June 8th

- FY20 Purchase Orders should only be created for goods or services received by 6/30
- Review open FY20 PO's closely.

PO's that originated in Banner

- Liquidate any unnecessary open PO's in Banner via JV.
- Report of Open Banner PO's disseminated to BC's by Accounts Payable.

PO's that originated in BennyBuy

- Close any unnecessary open PO's in BennyBuy by changing the status to "Closed".
- Use Document Search to identify open PO's by BC in BennyBuy.

Valid FY20 encumbrances will be rolled to FY21 on July 8th.

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Reminders – Cash Receipts

Cash Close = June 30th

- Do not accumulate receipts for one final deposit!
- OSU cash handling standard requires checks and cash be deposited within one business day of receipt.

Petty Cash Reconciliations

- Petty cash funds should be kept reconciled at all times.
- Reimbursements should be processed at least quarterly.
- Complete dual custody count of all Petty Cash or Vault Funds on June 30th
- Last day to reimburse petty cash funds = June 12th

Wire Transfers

- Requests must be submitted by June 19th in order to be processed in FY20

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Reminders – Payroll

No period 14 for redistributions!!

Extra mid-month posting of redistributions will be June 8th

No Payroll redistributions after June 30th!

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Reminders – Accounts Payable

PCard Distributions

- New transactions will stop loading into module on June 26th
- All FY20 transactions must be distributed by July 8th

Travel Reimbursements

- Travel taken through June 30th should be posted using June transaction dates
- June airfare files will be split between FY20 and FY21 by AP
- FY21 travel paid for in FY20 should be accrued

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Reminders – Accounts Payable Cont…

Invoice Entry: while period 12 is still open

- Goods or Services received prior to June 30th
- Process invoices using June transaction date

Invoice Entry: during period 14

- Goods or Services received prior to June 30th
- **Process invoices as normal with July transaction date**
- Add invoice to AP accrual spreadsheet
- Consider fund balance impact for Auxiliary, Des Op, Service Center, and Gift funds

Do not add invoices to AP accrual spreadsheets posted with 6/30 trans date in period 12!

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Resources

YEC Website:

https://fa.oregonstate.edu/year-end-closing

- **Major Deadlines list**
- **YEC Instructions**
- **Accrual Templates (spreadsheets)**
- **Training Materials**

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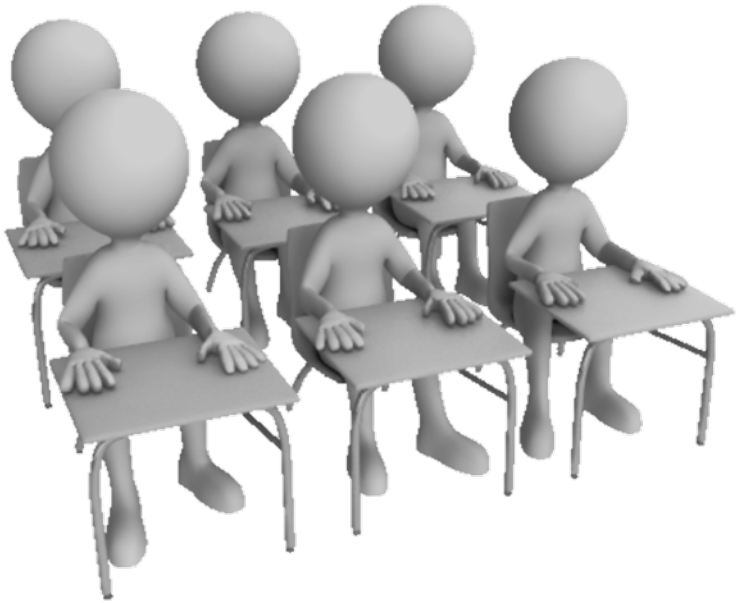
Q + A