

Auxiliary Forum

May 2017



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Agenda

- Auxiliary Accounting Update & Structure Review
- Auxiliary Voucher Routing Change- July 2017
- Document Restriction Update
- Recharge Center Updates
- Year End Calendar



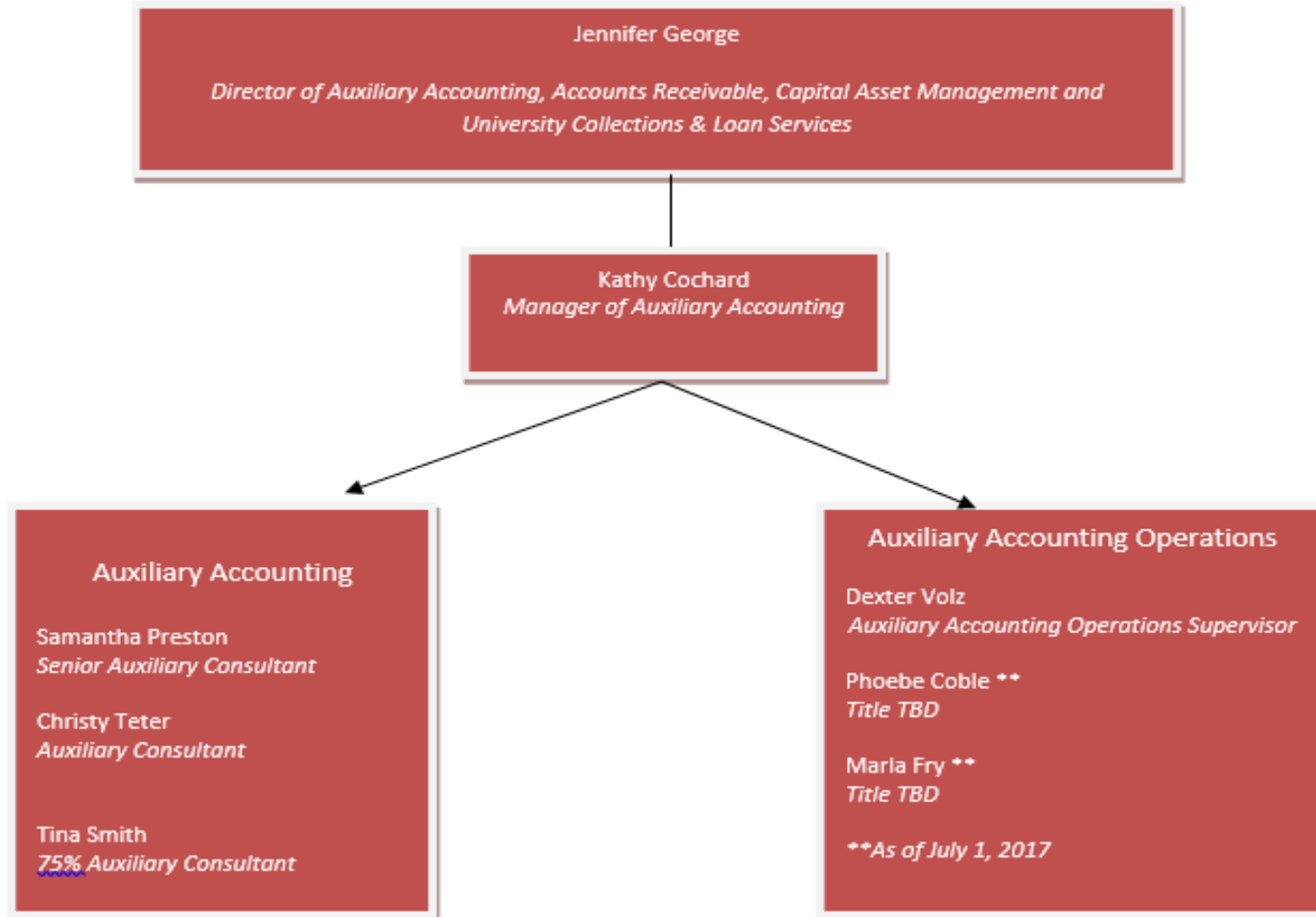
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Auxiliary Accounting Update & Structure Review

Presenter: Kathy Cochard



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AUXILIARY VOUCHER ROUTING CHANGE REMINDER

Presenter: Kathy Cochard



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Auxiliary Voucher Routing Change Reminder

- Effective Date: After Final FY17 Close (7/25/17)
- Each AV document must be approved by two individuals who are familiar with the accounting entries for a given unit from the organization, RC or campus.
- Auxiliary Accounting will no longer be in the routing of AV's less than \$500k.



Auxiliary Voucher Routing Change Reminder

- The organization, RC and Campus will be responsible for creating the Organization Review Routing document to assign the second approver if one does not exist.
 - ✓ *Instructions for Creation of Org Review* (found on Auxiliary website under “Reference Information”)
- Going forward, Auxiliary Accounting will be monitoring that there are two individuals approving each Auxiliary Voucher, until technical edits can be put in place.
- If a second approver is not in place, Auxiliary Accounting will notify the department and the RC Fiscal Officer to determine next steps.



Auxiliary Voucher Routing Change Reminder

- If a Fiscal Officer delegate is normally the AV initiator, you may want to remove their delegate status for AV's so those documents will then route to the FO for approval.
- If a second approver is in place for the majority of the AV's but the FO or FO delegate has to create an AV on occasion, the FO or FO delegate must ad-hoc route the AV to another individual in the unit to serve as the second approver.

Please contact Auxiliary Accounting (auxacct@iu.edu) if you need help with this process.



Reference Information:

- ASOP #26: Auxiliary Voucher Approval and Review Process
- Instructions for Creating Org Review Routing
- Creating a saved search for enroute AV's



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DOCUMENT RESTRICTION UPDATE

Presenter: Anna Jensen



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Purpose of Document Restrictions

In order to ensure the appropriate accounting treatment for external reporting purposes, Financial Management Services is adding document restrictions to several financial documents. These changes are designed to provide significantly greater controls. This will give us a high-level of control over the recharge data and will neutralize the impact of financial transactions on the University Consolidated Financial Statements and the University's Federal Cost Accounting requirements.



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FY 16 Document Summary

DOCUMENT COUNT 7/1/2015 - 6/30/2016

IB	16,215
SB	15,095
DI	21,310
GEC	17,481
AV	10,302
Grand Total	80,403



Guidelines for Service Billing Access

- The Service Billing should be used to record the income and corresponding expense for billings of goods or services between university accounts.
- Since the Service Billing **does not route for approval**, use of this document is typically limited to:
 - Departments that are routinely billing a large number of internal customers on a regular basis.
- Any new access granted to the Service Billing will be contingent on recharge rate submission and/or a prior approval from the Chief Accountant.
- For those departments that already have existing users, our goal is to have a **reviewed rate on file prior to June 30, 2018**.



Upcoming Document Restriction Changes

- Effective **July 1, 2017**, the following restrictions will be added to the KFS **Service Billing (SB)** document.
 - **Account Restrictions** – the account listed on the **income** side of the document will be required to be in the auxiliary service (AUXSER), external agency (EXTAGY), internal agency (INTAGY) sub-fund groups or in a program income account (55) account. Please see Policy I-400 [*Recharge and Service Center Activity*](#) and RSOP 2.0 [*Reporting Requirements for Recharge/Service Centers*](#) to determine if you should set up a Service Center account.
 - **Object Code Restrictions** – an income object code is required on the income side (object type: IN, IC, CH) and an expense object code (object type: ES, EE, EX) is required on the expense side of the document.
 - **Approval to Use the SB-** Access to the SB document requires approval by Financial Management Services. Once approval is given, the user will be added to the *SB Initiator's* role in KFS.



Steps to Request Access for the Service Billing

- In order to gain access to the Service Billing document, an organization should complete the following steps:
 - Receive approval of its campus administrator.
 - Complete the [Agreement for KFS Service Billing Document Transactions](#) form.
 - Scan and email the completed Agreement for KFS Service Billing Document Transactions form to FMS Operations and copy auxiliary accounting and cost accounting using the email addresses below.

<u>Area</u>	<u>Email Address</u>
FMS Operations	<u>fms_ops@exchange.iu.edu</u>
Auxiliary Accounting	<u>auxacct@iu.edu</u>
Cost Accounting	<u>jvspark@iu.edu</u>



Use of Service Billing for distributions

Background Information:

- We currently have departments using the Service Billing to initiate Distribution of Income & Expense (DI) transactions to avoid the existing routing of the DI document.
- These situations are typically limited to departments that are routinely **distributing** a large number of transactions to internal accounts on a regular basis.
- In these instances, it may be not be administratively practical to wait for every fiscal officer to approve the document before the transaction can post. Rather than add a number of additional edits into the SB document, we have been able to set up a separate **blanket approval** parameter on the DI document for these isolated users.
- This access would require approval from Financial Management Services and **will be limited to an isolated group of users.**



Distribution of Income & Expense Document

- The Distribution of Income & Expense document **should be used** to redistribute dollars within the same “basic accounting category” (asset, liability, income & expense).
 - Example: Credit card charges or campus mail charges may post to a single account and may need to be later distributed to various accounts.

Basic Accounting Category From Side	Basic Accounting Category To Side
Asset (object type code AS)	Asset (object type code AS)
Expense (object type codes EE, ES, EX)	Expense (object type codes EE, ES, EX)
Income (object type code IN)	Income (object type code IN)
Liability (object type code LI)	Liability (object type code LI)



Examples

- Example 1: This is an example of a allowable combination for the DI document. Object code 1804, 1800 and 1500 all have an object type of IN.

	Account	Object Code	Amount
FROM	1912610	1804	\$2,000
TO	1912610	1800	\$1,500
TO	1912610	1500	\$500

- Example 2: This is an example of a allowable combination for the DI document. The user is trying to distribute funds FROM object code 5000 (object type code EX) to object code 5300 (object type code EE). Even though these object codes have different object type codes, the 'basic accounting category' of expense recognizes EX, EE or ES as a valid combination for the DI document.

	Account	Object Code	Amount
FROM	1912610	5000	\$10,000
TO	1912610	5300	\$10,000



Examples Continued

- *Example 3: This is an example of a allowable combination for the DI document. Object code 8100 and 8122 all have an object type of AS.*

	Account	Object Code	Amount
FROM	1912610	8100	\$15,000
TO	1912615	8122	\$15,000



Distribution of Income & Expense Document Continued

- Currently, the Distribution of Income & Expense is being used for all types of adjustments that cross multiple object type categories, making it difficult to analyze the activity for audit purposes.



Examples Continued

- Example 4: This is an example of a combination that is NOT allowable on a DI document. This is an Internal Billing transaction. All internal billings require an AUXSER account and should be processed on an IB.

	Account	Object Code	Amount
TO	1912610	1800	\$15,000
TO	1920508	5000	\$15,000

- Example 5: This is an example of a transaction that would NOT be allowable on a DI document going forward. The user recognizing income from a deferred revenue (liability). FROM object code 9118 (object type LI) to object codes 1500 (object type IN). While this may be a legitimate accounting transaction, it is crossing object type categories (liability to income).

	Account	Object Code	Amount
FROM	1912610	9118	\$5,000
TO	1912615	1500	\$5,000



Distribution of Income & Expense Document Continued

- Based on our initial analysis approximately **70%** of the transactions processed on a DI are simply distributing dollars within the same “basic accounting category” (asset, liability, income & expense). These transactions will likely have a nominal effect on external reporting requirements.
- However, **30%** of the transactions are currently crossing “basic accounting categories” (asset, liability, income & expense). For example, there are instances where the document is being used to bill internally, to correct accounting errors, or to make balance sheet adjustments. These transactions do have a potential significant effect on the University Financial Statements and the University’s Federal Cost Accounting requirements.



Distribution of Income & Expense Document Continued

- Objectives:

To build in technical document controls that would eliminate audit concerns regarding transactions that **would not be likely** to affect the University Financial Statements and/or the University's Federal Cost Accounting requirements.

To isolate entries that **could have** an effect on these external reporting requirements and continuously monitor these transactions and educate units where applicable.



Upcoming Changes

- The goal is to have technical edits added to the Distribution of Income & Expense that would require the object codes on the document to have the same “basic accounting category” (asset, liability, income & expense) **as early as January 1, 2018.**



Documents Available for Transactions Crossing Basic Accounting Categories

- Auxiliary Voucher Recode
 - Recommended for Auxiliary & Service Units
 - Goal in the Future: The generated offset document (DI) associated with the AVRC will be changed to a unique document type.
- General Error Correction
 - Document name change:
 - *General Adjustments Document*
 - No change in document functionality



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RECHARGE CENTER UPDATES

Presenter: Samantha Preston



Recharge Rate Reminders

- All departments initiating internal billing transactions need to submit rates to auxacct@iu.edu unless you have been granted an exception by the Chief Accountant or Controller
 1. Initially reviewed by Auxiliary Consultants
 2. Then FMS Cost conducts final review and approval
- Activities that have less than \$100,000 in anticipated internal revenue will be required to use a (DI) Distribution of Income and Expense (expense-to-expense transactions), (GEC) General Error Correction (expense-to-expense transactions), or a (TF) Transfer of Funds to complete transactions between university accounts. In these circumstances, the fiscal officer will NOT be required to submit rates
 - ****Note:** The \$100,000 is measured at the activity and/or account level, not the transaction level



Activities Considered for the 67 Account Series

Advertising

- Sales of departmental advertising in the IDS

Hospitality Providers

- Sales of meals (including training table), refreshments, ticket sales, entertainment or expenses incurred for promotional purposes.

Medical Insurance Billing

- Dental Clinic, Optometry, Student Health Center

Parking Operations

- Departmental Parking Spaces & Permits

Space & Incidental Equipment Rental

- Building Rent, Meeting Room Rental, Hotel Room Rental, Apartment Rental, Faculty Start-Up Space & Equipment Related to Space Rental (i.e., projectors, tables, chairs)



Requirements for the 69 Account Series (Fixed Price Contracts)

- Fixed Price Agreement
 - Must have a formal contract in place with the Office of Research Administration (ORA)
 - Formal non-federal, non-state, or non-pass through contract
- ORA must confirm a formal contract exists
- The revenue generated from this activity and actual costs must be allocated to the (69) account based on effort or usage



Status Update on Recharge Rates

	FY16 Accounts Internally Billing	FY17 Accounts Internally Billing*
Tier 1	9	11
Tier 2	77	64
Tier 3	97	69
Tier 4	737	123
TOTALS	920	267

*Note - Counts based upon FY17 data through 12/31/2016

- This shift was primarily attributable to departments under \$100,000 using a DI, GEC, or TF



Recharge Rate Setting Timeline for FY 19 Rates

	Description of Tier	Proposed Timeline
Tier 1	Accounts having at least \$5M in internal billings in a given year.	FY19 rates should be submitted to FMS as early as possible (preferably before budget construction) no later than 06/30/2018 *We will contact ALL Tier 1's after January 1 to set up a face-to-face meeting.
Tier 2	Accounts having at least \$100K in billing to Federal C&G accounts or at least \$500K in internal billings to other university accounts.	FY19 rates should be submitted to FMS preferably before budget construction and no later than 06/30/2018
Tier 3	Accounts with internal billings between \$100K and \$500K. Note: Tier 3 rates are due biennially. The proposed timeline is only applicable to those that did not submit rates for FY 18.	FY19 rates should be submitted to FMS by 6/30/2018
Tier 4	Accounts under \$100K do not have to submit rates unless they have an exception from FMS.	For those accounts that have an exception from FMS and are submitting rates, FY 19 rates should be submitted to FMS by 6/30/2018.



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YEAR END UPDATE

Presenter: Christy Teter



Year End Calendar

- Tuesday, 7/11/17- June Depreciation Runs
- Monday, 7/17/17 – June Auxiliary Voucher Cutoff
- Monday, 7/24/17 – Final closing
- Monday, 7/31/17 – Variance Analysis and Balance Sheet Backup due to Auxiliary Accounting.
- Different departments/campuses may have earlier deadlines for AV cutoff and Variance Analysis and Balance Sheet Backup submission



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Questions?

