University of Kentucky Fiscal Year End

For the Year Ending
June 30, 2015
Contents

- Objectives
- Major deadlines
- Purpose of deadlines
- Preparing for year end
- Accruals
- Payroll
- Purchasing
- Accounting periods
- Other information
- Contact information
At the end of this presentation you will:

- Understand the importance of meeting deadlines
- Know when and why there are deadlines
- Understand what you need to do differently at year end and why
- Be able to anticipate impact on daily tasks and plan for critical dates
- Know that you are important to a successful year-end closing process
<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
</tr>
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<tbody>
<tr>
<td>May 1</td>
<td>Clearing account reconciliations due to General Accounting</td>
</tr>
<tr>
<td>May 22</td>
<td>Requisitions for equipment and supplies on price contract</td>
</tr>
<tr>
<td>May 29</td>
<td>Accounts receivable and deferred revenue recons due to General Accounting</td>
</tr>
<tr>
<td>June 1</td>
<td>Requisitions for small dollar purchases for commodities</td>
</tr>
<tr>
<td>June 1</td>
<td>JV’s for services and corrections for all activity prior to June 1</td>
</tr>
<tr>
<td>June 19</td>
<td>JV’s for services and corrections for all activity June 1 - June 15</td>
</tr>
<tr>
<td>June 30</td>
<td>Vacation and TDL taken prior to July 1 posted in SAP by 12:00 pm</td>
</tr>
<tr>
<td>July 1</td>
<td>Cash receipts on hand June 30 due to Treasury Services by 11 a.m.</td>
</tr>
<tr>
<td>July 2</td>
<td>JV’s, PRD’s, accruals, corrections due for activity prior to July 1</td>
</tr>
<tr>
<td>July 6</td>
<td>Correction JV’s for activity posted after July 1 - grants and capital projects</td>
</tr>
<tr>
<td>July 7</td>
<td>Preliminary monthly BW reports/ detail transaction reports available</td>
</tr>
<tr>
<td>July 8</td>
<td>Pro Card editing and online receiving for old year goods/services by 4:30 p.m.</td>
</tr>
<tr>
<td>July 10</td>
<td>Corrections for activity posted after July 1-all funds except grants/projects</td>
</tr>
<tr>
<td>July 11</td>
<td>“Final” June BW reports/detail transaction reports available (Dept. must continue to monitor for activity)</td>
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</table>

Complete list: http://www.uky.edu/EVPFA/Controller/files/yeclose.pdf
Why do we have deadlines?

➢ To provide accurate balances for invoicing of June grant activity
  ◦ State grants usually have June 30 ending date and must be billed early, but all grant invoicing for June is affected
  ◦ Process everything possible on state grants by early June or the date provided by Sponsored Projects Accounting

➢ To allow management to have comparative numbers that are consistent from year-to-year and give an accurate picture of the financial operations of UK.
Why do we have deadlines? (cont’d)

- To close the books for the audit
  - Revenues and expenses must be recorded in the correct fiscal year or audit comments will result
    - The correct fiscal year is the one in which the goods and services were received (expenses) or provided (revenues.)
  - Assets and liabilities must be adjusted to actual balances or estimates
    - Primarily a General Accounting function, but
    - Departments are responsible for accounts receivables and inventories (including bad debt allowances and write-offs)
Why are deadlines so early?

- To allow sufficient time for financial statement preparation
  - Verify balances are reasonable
  - Consolidate KMSF and two for-profit corporations, with eliminations
    - Prepare reports (statements, MD&A and notes) for 14 entities plus various other reports such as NCAA and A133
    - Analyze fluctuations, make corrections, review by management, make corrections again and give to auditors in final form beginning July 27 with consolidated statement due September 1st.
Why are deadlines so early? (cont’d)

➢ To allow the auditors sufficient time to complete fieldwork
  ➢ Tie trial balances to the statements, including consolidations and eliminations
  ➢ Review and evaluate internal controls including testing validity of numbers and adherence to policies and procedures
  ➢ Review analysis for accuracy and thoroughness
  ➢ Because auditing standards have changed due to federal regulations, it takes the auditors longer to complete audit than in the past
  ➢ To implement final changes per auditors’ request

➢ UK consolidated report is due to the State by October 5 and will be presented to the UK Board of Trustees in December, 2015
Preparing for Year End

Plan, Plan, Plan

- Planning alleviates stress and enables you to stay calm and focused, leading to a successful year-end
- Assign tasks and hold individuals accountable
  - Make a detailed schedule of everything that needs to be done for year end (General Accounting’s schedule goes from March to December and includes over 470 tasks.)
  - Start with activities earlier in the year, not just June and July.
Preparing for Year End (cont’d)

- No vacations for key personnel during year end
  - Your account clerk taking a trip to Disney World does not excuse missing a cut-off. Have back-up available.
  - Key personnel also need to be available to answer analysis questions, primarily during the month of August
Preparing for Year End (cont’d)

- Be sure ALL employees are aware of deadlines
  - Faculty and administrators know to turn in travel receipts immediately
  - Custodians need to reimburse imprest accounts for all old year expenses

- Contact sub-contractors and other vendors to stress importance of prompt receipt of invoices
  - Notify them early that invoices through May 31 must be received by the University by June 30 and June invoices by July 30. If not final billing, the June invoices should be in by July 11th
  - Follow up promptly if not received
  - Late invoices can imply lack of financial management; departments must stress the importance to the institution
  - Have clinical trial billings and revenue current thru May 31
  - Estimates may be necessary (but not for grants)
Preparing for Year End (cont’d)

- All cost objects
  - Reconcile monthly during the year
  - Verify that correct GL account are used
  - Correct errors immediately
  - Reconcile daily in June and during entire year-end close process
  - Review parked documents routinely and deleted if appropriate

- Accounts receivable
  - Send reconciliations to General Accounting annually in May
  - Calculate bad debt allowances at least annually
  - Prepare aging schedule and determine if write-offs are necessary - must be approved
Preparing for Year End (cont’d)

- Deferred income, clearing or holding accounts, deposit funds
  - Send reconciliations to General Accounting annually in May
  - If revenue will not be earned, refund or write off (with approval)

- Inventories
  - Take physical inventory at date agreed upon and send to General Accounting
  - Don’t keep obsolete inventory on books
    - Write off and submit list to General Accounting with explanation.
    - Material write-offs should be approved by at least the Dean or Director level.
Accruals

What is an accrual?

- A method of measurement in accounting that requires all transactions to be recorded when expenditure was incurred or revenue earned, regardless of when cash payment is made or received.
- Accruals must be established for all goods and services provided or received prior to July 1
- Goods and services provided after June 30 but income received before July 1 must be accounted for as deferred revenue
- Goods and services provided or received after June 30 but vendor was paid before July 1 must be accounted for as prepaid expenses if $5,000 or more
Accruals (cont’d)

- No accruals are allowed for internal goods and services provided - must process by JV
- All accrual entries will reverse automatically in new year
  - This causes a credit to show up for expenses and a debit for revenues
  - When actual revenue or expense posts, the new year balance will be zero.
  - If the actual transaction posts in new year for an amount different than the accrual amount, the net debit or credit will show up in new year. This is not a cause for concern.
Accruals (cont’d)

- When is an accounts payable required?
  - An individual provided services to your department in May but the invoice was not received
  - Your department received an item of equipment on June 30 but didn’t receive the invoice until July
  - Subcontracts and other payments on grants
  - Travel on or prior to June 30
  - All other goods and services received by June 30, regardless of amount or fund
Accruals (cont’d)

How to establish accounts payable

- Accruals will be automatically set up based on invoice date for all transactions received in Accounts Payable by July 30, 2015 and on PO’s when receiving is done by July 2.

- If no invoice has been received by July 30, send an email to Cara Nelson in AP requesting a payable be set up. Include as much information as you can - cost object, gl account, vendor, PO#, description of items, purpose, etc.

- Continuously monitor purchases and travel occurring in old year and process payment transactions immediately upon receipt of invoice or return from trip.
Accruals (cont’d)

Prepaid expenses

- New year expenses required to be paid in old year, usually leases paid in advance
- For amounts of $5,000 or more, send email to General Accounting to credit expense in old year and record as a prepaid expense
Accruals (cont’d)

Revenues/accounts receivable

- Examples of when revenue accrual required
  - Testing services were provided to a company during June but payment wasn’t received prior to July 1
  - Payment was not received for external attendees of June CE class by June 30
- If your department has provided goods and services to external customers, but not received payment by June 30, send email to General Accounting requesting that the revenue and accounts receivable be established.
  - Include invoice, cost object, G/L account, description of services/goods, customer and any other relevant information
Accruals (cont’d)

Deferred revenue

- Examples of when deferred revenue required
  - Payment received for tickets sold for an event in August
  - Tuition received for continuing education class taught in July

- If your department has received payment for goods or services from external customers that will not be provided until after June 30, send an email to General Accounting requesting that any revenue received be moved to deferred revenue.

- Include cost object, G/L account, description of services/goods, customer and any other relevant information
Accruals (cont’d)

➤ What happens if we don’t do accruals correctly
  o Year end management letter comment from external auditors
    • Internal control deficiency

  Other Control Deficiencies

Unrecorded Misstatements – University, UKRF, the Fund and UKHF

During the audit, BKD proposed passed adjustments related to unrecorded accounts payable and certain related accounts receivable and the deferred loss on bond defeasance as reflected on the attachments to this letter. The adjustments were not deemed to be material to the financial statements individually or taken in the aggregate and as a result, they were not recorded in the financial statements.

  o Management comment letter is addressed to the University’s Board of Trustees, Audit Subcommittee and discussed when the Audit Subcommittee recommends the board to accept the financial statements.
Payroll

- Meet final deadlines for all payrolls, including monthly.
- Use SAP transaction ZCCWBS to check payroll accounting information.
- Process all monthly corrections and retroactivity related to old year in SAP-HR June payrolls.
- If a journal voucher is approved after payroll processes, do not correct through SAP-HR.
- No payroll corrections by JV will be allowed after accounting period 13.
Payroll (cont’d)

➢ Accrual for biweekly payroll #15
  o Because payroll #15 includes the period June 28 through July 11, campus personnel area will have a payroll accrual posted for the dates of June 29 and June 30th
  o Hospital personnel area biweekly payroll #15 including June 28 through July 11, will have a payroll accrual posted for the days of June 28th - 30th

➢ Vacation and TDL leave
  o IMPORTANT - All leave taken prior to July 1 must be recorded in SAP by 5:00 pm, June 30

More vacation balances

= More expense to UK
Purchasing

- **Receiving**
  - July 2 - cutoff for purchases received by June 30. Be sure to have personnel available to receive in SAP!
  - Z_MMEBAN can assist in managing requisitions

- **Encumbrances**
  - Z_MMOOPEN identifies open purchase orders.
  - Contact Purchasing to release encumbrances on open orders
  - Open regular encumbrances will carry forward to new year
  - Contact your business officer if you have general questions about encumbrances

- **Invoices for purchase orders**
  - Forward to Accounts Payable immediately if department receives
Accounting Periods

- Period 12
  - June documents posted through July 6
  - Asset and liability balances are carried forward to new year when period 12 closes
  - Grants effectively closed to old year at end of period

- Period 13
  - July 7 - through July 10
  - Corrections should be parked as complete with a posting date of June 30 by July 9, 3 pm
  - Approved documents will be posted by July 10

- Period 14
  - Only certain authorized Office of the Treasurer accounting personnel may park or post documents after July 10
  - Final endowment processing August 3, accounting estimates, accruals found when auditing paying documents, correction of errors found during financial statement preparation
  - Check cost objects continuously for postings that occur during this period to avoid surprises
Other Information

- Clearly mark documents as OLD YEAR or NEW YEAR
- All old year documents MUST have June 30 as posting date
- Don’t put old year and new year transactions on the same journal voucher or PRD
- Use SAP transaction KSB1 to review transactions on cost centers
- To review transactions on grants, use the BW ledger report “PI summary - GL account detail” with drilldown capability or the SAP transaction S_ALN_01000003
- Be patient with new year transactions - they may not be processed as promptly as usual while old year is open
- A full list of SAP transactions is available at http://myhelp.uky.edu/rwd/HTML/TCodes.htm
Other Information (cont’d)

- New capital project establishment forms must be received in General Accounting by June 24
- Non-recurring budget transfers must be posted by appropriate budget officer by July 10
- Overdrafted restricted gift cost centers will be cleared to central area cost centers by GA on July 20. Your dean will appreciate it if you clear them before that date.
- Cost center balances through period 13 for restricted gifts, renewal and replacements, etc. will be carried forward on July 17 and period 14 balance will be carried forward on August 14
- July close tentatively scheduled for August 5
- More information is available for each OT department on the Office of Treasurer web site: http://www.uky.edu/EVPFA/Controller
And did we mention deadlines?

- Plan ahead
- Do everything possible to meet deadlines
- If, despite all efforts, you miss a deadline, contact General Accounting IMMEDIATELY for all cost objects (including grants)
Getting through year end is a pyramid effort - and you’re the foundation.

Thank you for your help from the entire OT staff!
<table>
<thead>
<tr>
<th>Name</th>
<th>Responsibilities</th>
<th>Extension</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lora Dials</td>
<td>Accounts Receivable Accruals, Miscellaneous Accruals</td>
<td>7-6604</td>
<td><a href="mailto:lkdia13@email.uky.edu">lkdia13@email.uky.edu</a></td>
</tr>
<tr>
<td>Joe Faulkner</td>
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<td>7-3453</td>
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</tr>
<tr>
<td>Cherri Wallace</td>
<td>Sponsored Projects Accounting /FES/Faculty JV’s</td>
<td>7-1747</td>
<td><a href="mailto:cwallac@email.uky.edu">cwallac@email.uky.edu</a></td>
</tr>
<tr>
<td>Sarah Rodrigues</td>
<td>Sponsored Projects Accounting JV’s (non-Faculty), WBS Elements 304xxxxxxx</td>
<td>7-1748</td>
<td><a href="mailto:Sarah.Rodrigues@uky.edu">Sarah.Rodrigues@uky.edu</a></td>
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<tr>
<td>Bill Coleman</td>
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<td>Zoe Morley</td>
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<tr>
<td>Missy Wilson</td>
<td>Payroll Accruals</td>
<td>7-1158</td>
<td><a href="mailto:mdila1@email.uky.edu">mdila1@email.uky.edu</a></td>
</tr>
<tr>
<td>Cara Nelson</td>
<td>Accounts Payable Accruals, DAV’s, Vendor invoices and Travel Vouchers</td>
<td>7-5251</td>
<td><a href="mailto:cjnels0@email.uky.edu">cjnels0@email.uky.edu</a></td>
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<tr>
<td>Laura Payton</td>
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<td>3-4404</td>
<td><a href="mailto:lcsala2@email.uky.edu">lcsala2@email.uky.edu</a></td>
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<tr>
<td>Naomi Emmons</td>
<td>Purchasing/Purchase Order Encumbrances</td>
<td>7-1555</td>
<td><a href="mailto:nemmo2@email.uky.edu">nemmo2@email.uky.edu</a></td>
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<tr>
<td>James Younce</td>
<td>Procurement card issues</td>
<td>7-1024</td>
<td><a href="mailto:jmwrig0@email.uky.edu">jmwrig0@email.uky.edu</a></td>
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<tr>
<td>Sharon Klock</td>
<td>Endowments</td>
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<td>Jennifer Miles</td>
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<tr>
<td>Sarah Rodrigues</td>
<td>Year-end sponsored project subaward/subcontract invoice submissions</td>
<td>7-1748</td>
<td><a href="mailto:Sarah.Rodrigues@uky.edu">Sarah.Rodrigues@uky.edu</a></td>
</tr>
<tr>
<td>Shan Wang</td>
<td>Other</td>
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<tr>
<td>Gwen Conley</td>
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<td>7-6235</td>
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Questions?

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(859)257-1001