AN OVERVIEW OF THE ACCOUNTING FUNCTIONS AT WESTERN MICHIGAN UNIVERSITY

Presented by:
Carrie Puckett, Senior Accountant
Lori Prichard, Assistant Director of Accounting Services

http://www.obf.wmich.edu/accounting-services/
ACCOUNTING SERVICES
A DIVISION OF BUSINESS & FINANCE

Accounts Receivable
- Responsible for University billing and collections
- Administers the University’s student payment plan and Perkins Loan program

Cashiering
- Manages the University’s centralized cashiering systems
- Oversees the e-commerce system for departmental stores and sales

Bank Reconciliations
- Reconciles all University and Foundation bank accounts
- Monitors and reconciles cash-vault balances

Payroll
- Responsible to pay faculty, staff, and student payroll on a bi-weekly basis.
- Issues annual W-2’s and other payroll forms and reports

Corporate Reporting and Taxation
- Prepares the University and Foundation tax returns and other corporate reports
- Provides advice to University departments in complying with current tax law

Plant Accounting
- Responsible for recording and physically inventorying of capital assets
- Manages the University debt.
GENERAL ACCOUNTING

- Ensure the University’s financial transactions are reported accurately, completely, and in a timely manner
- Responsible for the financial reporting for the University as a whole
- Provide monthly, quarterly, and annual financial reports
- Responsible for the financial reporting systems, PeopleSoft and GLOW, and the online journal entry system (JES) for the University.
- Assure compliance for federal, state, and all other accounting and audit principles and standards as well as establishing policies and procedures for the University to adhere to these standards
- Responsible for the University’s annual external audit and the audited published financial statements
- Provide reporting for the State of Michigan and various other constituents
- Provide accounting training and support to University departments
FISCAL YEAR VS. CALENDAR YEAR

- Fiscal year refers to the timeframe a business or industry uses for their financial recording
- Some corporations/companies use the calendar year as their fiscal year (January 1 – December 31)
- Most universities and school districts use July 1 – June 30 as their fiscal year
- The State of Michigan uses October 1 – September 30 as their fiscal year
ACCOUNTING PERIODS

- An accounting period refers to a month in the fiscal year
  - Period 1 = July
  - Period 2 = August
  - Period 3 = September
  - Period 4 = October
  - Period 5 = November
  - Period 6 = December
  - Period 7 = January
  - Period 8 = February
  - Period 9 = March
  - Period 10 = April
  - Period 11 = May
  - Period 12 = June

- Period 998 – Year-end adjusting entries for Accounting Services use only
- Period 000 – Carry-forward totals from one year to the next
ACCOUNTING STRUCTURE

- **FUND**
  - Two digit number
  - Specific types

- **Department/Cost Center**
  - Seven digit number
  - This is the number that identifies your department
  - Where departments post revenues & expenditures

- **Account/Object code**
  - Four digit number
  - Revenue, expense, asset, liability, and equity
  - Most commonly used by individual departments are revenue and expense
FUNDS

- General Fund – 11
- Designated Funds – 23
- Designated Gifts – 24
- Scholarships – 21
- Grants – 25-30
- Student Loan Fund – 31
- Annuity and Life Income Fund – 32
- Auxiliary Activities – 41 through 46
  + 41 – Self-Liquidating
  + 43 – Auxiliary other (Health Center, West Hills)
  + 44 – Bookstore
  + 45 – Auditorium Operations
  + 46 – Physical Plant
- Agency and Trust – 51 and 52
- WMU Research Foundation – 53
- WMU Foundation – 54
- Insurance and Benefits – 55
- Paper Tech Foundation – 56
- Plant funds – 61, 63-65
ACCOUNTS/OBJECT CODES

- 1xxx – Asset
- 2xxx – Asset (CIP – Construction in progress)
- 3xxx – Payroll expense
- 4xxx – Expenses other than payroll
- 6xxx – Liabilities
- 7xxx – Long-term Liabilities
- 8xxx – Revenues (income)
- 9xxx – Fund balance
  - Carry-forward account is 9200
  - Journals should never be posted against 9200

A complete list of accounts can be found on GLOW from the main page under “list accounts”. 
ACCOUNTS

- **Assets**
  - Something the university owns that has economic value
  - Can be tangible or intangible
  - Cash, accounts receivable, land

- **Liabilities**
  - What the university owes
  - Accounts payable
  - Long-term debt

- An example of an asset and a liability for most of us is our home and mortgage. The home is our asset, the mortgage is our liability. The difference is our equity.
ACCOUNTS

- Expenses have a debit balance (3xxx, 4xxx)
  + An expense is an outflow of the university’s cash
  + Supplies, advertising, salaries, memberships, interest expense

- Revenues have a credit balance (8xxx)
  + Revenue is an inflow of cash to the university
  + Tuition, course fees, sales, interest income

- Monitoring account balances
  + Always be aware of the balances in your departments
  + If expenses are higher than revenues, this is a deficit
  + Deficits generally have to be funded by June 30 unless you have a special exception
  + Accounting Services monitors for deficits in all funds other than fund 11 and grants & contracts
JOURNAL ENTRY BASICS

- Debit is positive / Credit is negative
- Expenses have a debit balance / Revenues have a credit balance.
- Think about what the journal needs to accomplish.
- I have an expense in my department 23-0055000 that should be in my department 23-0066000. How do I correct this?

- The expense is showing up as follows:
  + 23-0055000-4570 $65.72
  + The expense amount is a positive number

- To move the expense, the following entry is needed:
  + 23-0055000-4570 $-65.72
  + 23-0066000-4570 $ 65.72
ACCOUNTING TRANSACTIONS

- Example: I sent through a voucher to pay for supplies totaling $249.00.
  - The transaction would be similar to a journal entry
  - The debit would be to your supply account (4570) for $249.00. You would see the transaction and voucher number in your department detail
  - The credit would be to the university’s accounts payable for $-249.00
  - Once a check is produced, accounts payable is debited and cash is credited for $249

- Example: I received a check for $355.00, so I sent it to cashiering for deposit.
  - If it’s a departmental deposit (versus an account payment, billed by accounts receivable). The debit is to cash for $355.00.
  - The credit is to your revenue account (8980) for $-355.00. You would see the transaction and IPAY number in your department detail.
Descriptions and Reference codes found in GLOW

- IPAY at the end of a description = posted by cashiering for departmental deposits
  - Generally only occur in revenue accounts
  - Will always be a credit (negative number)
- Revenue from Accounts Receivable billing list WIN number, last name of student, and the fee code.
- Example of a voucher number: “V01062605”
- Example of a purchase order: “P000025857”
- Example of a journal entry: “I000219507”
- Payroll transactions have a pay period included in the description such as “R04” (pay period 4)
JOURNALS AND OTHER TRANSACTIONS

- “ENDGTD” – Endowment distribution
- “PP3549” – Physical Plant billings
- “PROCARD” – Procurement card transactions/end of the month
- “2063757 SEP10 TELECOM CHARGES” – T-com feed
- “TRAVEL” – Transactions from the travel feed

- Batches are reconciled when fed to the general ledger.
- Journal errors must be corrected before they can post into the general ledger.
- Always be aware of the transactions posted to your departments. Reconcile all activity posted to your department.
TRANSFER/SUPPORT ACCOUNTS

- 4995/8995 is for transfers between funds (23 & 43)
- 4999/8999 is for transfers within the same fund (23 & 23)

These accounts should be used when a department is giving “support” or “funding” to another department.

+ There is not necessarily a specific expense involved.
+ A department decides to contribute funds toward the expenses of another department, perhaps for a special project.

In the case of an actual expense being reclassified, move the entire expense amount and use the original account code.
The wrong department was charged.

GLOW showed that the Grad College incurred printing costs in account 4482. Upon further investigation, you determined that the charge belonged to Internal Audit.

The correcting journal entry is a debit to 4482 in Internal Audit and a credit to 4482 in the Grad College.
EXAMPLE

- Assistance is promised from a department’s fund 23 to a fund 11 for expenses incurred. A journal entry would be used to move the funds.

- The fund 23 is debited in 4995 and the fund 11 is credited in 8995.
  - The original expense remains in the fund 11
  - The debit to 4995 represents a transfer of funds out of the fund 23 (expense)
  - The credit to 8995 represents a transfer of funds into the fund 11 (revenue)
WMU DESIGNATED FUND 23 & 24 TRANSFER POLICY

- **Funds with no Limitations, Stipulations, or Donor Restrictions**
  - Designated dollars in fund 23 or gifts in fund 24 that have no limitations or stipulations placed on them by external agencies or donors may be used to support general fund operations. Expenses can either be paid directly from the designated department/cost center or transferred as support to a general fund operation to offset an operating deficit.

- **Funds with Limitations, Stipulations, or Donor Restrictions**
  - For designated dollars in fund 23 or gifts in fund 24 received by the University for a specific purpose or gifts that have donor restrictions, expenses related to those activities should be paid directly out of the designated department/cost center. Specific examples might be guest lecturers, travel abroad, or training where the funds were designated for some specific intent on behalf of the donor.

  - Transfers from the General Fund (fund 11) to the Designated fund (fund 23 and 24) department/cost center are not allowed unless otherwise approved on an exception basis by the budget office or business and finance.
PREPAID EXPENSES

- Payments for goods/services that span more than one fiscal year
  - Voucher/Invoice is paid up front, but expensed over the term of the agreement
  - Accounts Payable uses “Prepaid Expense” account 1790 and journals the appropriate portion of the expense each year

- Example: Software license $180,000 for 2 year term
  - January 1, 2010 through December 31, 2011
    - Fiscal year 2010 (July 1, 2009 through June 30, 2010)
    - 6 months of expenses (January through June)
    - $180,000 / 24 months = $7500 per month X 6 months = $45,000 in FY2010

    - Fiscal year 2011 (July 1, 2010 through June 30, 2011)
    - 12 months of expenses
    - $90,000 in FY2011

    - Fiscal year 2012 (July 1, 2011 through June 30, 2012)
    - 6 months of expenses (July through December)
    - $45,000 in FY2012
ALLOWABLE/DISALLOWABLE TRANSACTIONS

- May I transfer money from fund 11 to fund 23?
  - Only in specific circumstances.
  - You may if you determine that a specific expense has erroneously been charged to the wrong department at which point the expense can be moved between the two.
  - Generally fund 11 money has to be spent on fund 11 expenditures, you wouldn’t transfer to other funds for other purposes

- When may I deposit money into fund 24?
  - Fund 24 is designated gifts to the university. All gifts should always go through the WMU Foundation, in-kind and cash. The Foundation transfers gifts to the departments in August and February.
  - Gifts in-kind are gifts other than cash, such as goods or services.
  - The donor designates the university department.
  - Gifts to the university generally have a specific purpose and can only be used for that purpose.
PLANT ACCOUNTING

- Capitalize and physically inventory equipment costing more than $5,000.

- Software that is purchased or licensed and modified using more than minimal incremental effort before being put into operation should be capitalized if the amount exceeds $250,000.

- Software developed internally should be capitalized if the cost of development and implementation exceeds $250,000.

- Capitalized equipment and software amounted to almost $70 million at June 30, 2010.
PLANT ACCOUNTING

- General ledger accounts for asset purchases necessary for capitalization and or physical inventory:
  - 4452 Computer Software
  - 4850 Equipment over $5000
  - 2xxx accounts are used for construction in progress. Construction and remodeling projects over $25,000 have a department set up for tracking purposes. These projects must have a funding source.
YEAR END CLOSE AND ROLLFORWARD

- Fiscal year end is closed and amounts rolled forward after external auditors complete annual audit of financial information (Late August or early September)

- The carryforward is the ending balance that rolls from the end of one fiscal year to beginning of next fiscal year

- Some departments keep balance intact from one year to the next, and this amount is kept in account 9200
  - Scholarships, Designated, Student loan
  - Annuity and Life Income, some Auxiliary, Agency and Trust, Foundations, Insurance & Benefits

- For other departments, balance gets swept clean at beginning of each fiscal year
  - General
  - Some Auxiliary

- Other departments not closed – these are project to date
  - Grants
  - Plant
HELPFUL HINTS

❖ JES to JEG process – due to federal grant requirements, any journal entry that has a grant fund (25 – 30), requires the grants and contracts department to approve this entry. Your journal entry will post as a JEG versus JES.

❖ Don’t forget to use the “post to prior period” option when preparing a JES where applicable.

❖ Moving payroll and related fringes – when a JES is used to reclassify payroll expenses, any related fringe benefit account is automatically adjusted.
ACCOUNTING SERVICES CONTACT AND OTHER INFORMATION

- Main Phone Line 387-4230
- Located 1\textsuperscript{st} floor Seibert Administration Building
- Websites
  - Main \url{http://www.obf.wmich.edu/accounting-services/}
  - Glow Users Guide \url{http://www.obf.wmich.edu/accounting-services/docs/glow.pdf}
  - JES Users Guide \url{http://www.obf.wmich.edu/accounting-services/docs/JES_Guide.pdf}
  - Accounts Receivable \url{http://www.obf.wmich.edu/accounting-services/busfin_ar.html}
  - Corporate Reporting & Taxation \url{http://www.obf.wmich.edu/accounting-services/busfin_corporate_tax.html}
  - Payroll \url{http://www.wmich.edu/payroll/}
ACCOUNTING SERVICES CONTACT AND OTHER INFORMATION - CONTINUED

- Related Links
  - Purchasing [http://www.obf.wmich.edu/logistical-services/purchasing/index.html](http://www.obf.wmich.edu/logistical-services/purchasing/index.html)
  - Ask Lowell [http://www.obf.wmich.edu/ask-lowell.html](http://www.obf.wmich.edu/ask-lowell.html)
  - Office of Business and Finance [http://www.obf.wmich.edu](http://www.obf.wmich.edu)