

Account Management and Transaction Review

General Account Management and Transaction Review

The use of “Account” within this document refers to what in Peoplesoft are projects, chart-strings, or Project/grant Numbers. While this is not the official way that they are categorized, it is how they are used in practice around the university. Business Managers are responsible for the management of the accounts in their Department and the individual transactions (Journal Entries) which post to them. Accounts should be reviewed at least monthly at a high level to monitor the difference between revenue and expenses which post to a project. This review is to insure that all appropriate revenue earned through the project is posting to the account and that all efforts and resources expended to perform the obligations outlined in the contract are properly charged to the contract. A difference in revenue and expenses is a likely indicator that a contract needs to be executed, an executed contract needs to be invoiced or expenses are misapplied to a project. This review should include a joint review at a high level by the Business Manager and the Department Head at least monthly.

As a recipient of Federal funds, the university is governed by OMB (Office of Management and Budget) A-21 http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html. The most important concept contained in this circular is that expenses must be charged to the account on whose behalf the efforts were expended. In plain English, that means that if an employee spends half their time working on a Federal grant and half of their time teaching, in the official records of the university (PeopleSoft) that employee must be charged 50% to the Federal grant and 50% to a Departmental funding source appropriate for funding instruction. Federal audits of other universities have resulted in findings that revealed that efforts (salaries) were charged to Federal grants inappropriately. This led to these institutions being fined and/or completely ineligible for Federal funding. The consequences of such a penalty would be devastating to LSUHSC.

The University must uniformly insure that controls are in place for the proper matching of revenue and expenses to the appropriate accounts. It is not possible to have controls that apply only to Federal projects. Therefore, these controls must be strictly adhered to for all transactions regardless of the source of funding. Staff must be charged to projects only for the amount of effort that is actually expended on their behalf. The Business Manager must communicate with the Department Chair, section chiefs, and principal investigator (PI) to insure that employee’s efforts are appropriately charged to the accounts on whose behalf efforts are expended. Pers are the tool that the Business Manager uses to reflect these efforts. Supplies and equipment must also be charged to the projects on whose behalf they are expended, not just where funds are available.

In the event that a Business Manager becomes aware of misapplied expenses, he or she must take timely, corrective action. In the case of misapplied salary a retroactive change in source of funds must be prepared (see Chapter 5). If the change is for efforts that occurred more than 30 days prior to submission of the form, a cost transfer form must

accompany the Per 3. If the misapplied expenses are non-salary related expenses, Journal Entries should be prepared to correct the erroneous entries.

If, in the course of reviewing transactions, it is discovered that an employee has been overpaid, the Department should immediately make the Dean's Office aware of the overpayment and follow the procedures outlined in CM-57. At no time should the Department attempt to recoup the monies on their own; human resources and compliance must be consulted in every instance. (See <http://www.lsuhs.edu/no/administration/cm/cm-57.aspx>).

At LSUHSC, accounts are credited for revenue when an invoice is generated, not when the cash is received. In looking at transactions in the PeopleSoft General Ledger, there is no way to distinguish receipt of cash from an invoice. Revenue posted to contracts needs to be compared to the amounts specified in all contracts. In the case of fixed price contracts, the amounts posted should be identical to the amounts outlined in the contract. In the case of fee for service contracts, the Business Manager should use schedules or logs as is appropriate to verify the amounts of invoices. In the case of cost reimbursement contracts, invoices should equal the expenses charged to the account for each respective period.

Since revenue is credited when invoiced, Business Managers are also responsible for reviewing their outstanding Accounts Receivable (A/R). Departments should review the invoice report generated by the dean's office for individual invoices on the U drive. The Department also must work with Accounting Services to assist in obtaining payment of outstanding accounts receivable. The Department has the primary contact with the contracting entity and first hand knowledge of what services are being provided to that entity. As it is statutorily prohibited for LSUHSC to make a donation, the Department should be prepared to stop providing services if the contracting entity is extremely delinquent in making payments and/or if at any point payment appears to be questionable. Timely payments are critical to the cash flow of the University and every effort should be made to aid in the timeliness of payments.

Periodically, Departments will be asked to provide an explanation of transactions to auditors or granting agencies. These requests may come from LSUHSC internal audit, LSU System's Office Auditors, and or Legislative Auditors working for the state of Louisiana. As a state agency, all transactions inside of LSUHSC are subject to review by these auditors and every reasonable effort must be made to accommodate their requests. In contrast to requests from appropriate and authorized internal parties, requests for HR information, financial transactions, or financial statements of any kind by external requestors are not to be released by Departments. Departments are not permitted to issue financial statements of any kind to external parties. All such information requests from external parties should be communicated to the Dean's Office.

State General Fund Management and their use (SGF's)

Allocation

State General Funds are monies allocated to the LSU Health Sciences Center through the Louisiana State Legislature in House Bill 1 each year (HB 1) from the State of Louisiana's General Fund. They are given to the School to support the School's primary mission of education, research, and patient care. The Health Sciences Center allocates the funds that it receives to its schools. The School of Medicine in turn allocates its portion of the State General Funds (Fund 111) to each of the Departments and Centers within the School according to mission based budgeting (MBB). In addition to the funds allocated to Departments through mission based budgeting, the legislature occasionally will have line item projects that it funds through the School. An example of this is the Louisiana Cancer Research Consortium (LCRC). LSUHSC receives these funds and passes them through to the LCRC via contract.

Mission Based Budgeting (MBB) was implemented to replace the previous method employed by the school which was an allocation based on the previous year's allocation. MBB attempts to more fairly distribute SGF's by using formulas. The two primary drivers of the formulas are hours spent by faculty teaching medical students and the number of researchers who have research funding to support their own salaries. This data is converted to FTE's along with appropriate administrative FTE's. These FTE's are multiplied by AAMC average for faculty compensation and average support salaries to determine the amount of support given in MBB. Additional support is also provided for departmental support staff, such as Business Managers.

SGF Usage

Beyond being given to the School in support of its mission, there are few restrictions on the specific use of the SGF allocated to each Department or center. While mission based budgeting allocates funds to Departments based on their teaching responsibilities and the number of funded researchers, Departments have the latitude to spend their allocation as needed to support the Department. They are not bound to utilize the funds on the individuals or in the categories in which they were allocated in mission based budgeting.

Four uses of State General Funds are always prohibited: the purchase of alcohol, food, flowers, and plaques and awards. Alcohol and Flowers cannot be purchased with any university funds, regardless of source. Other uses may be prohibited at times, such as the Governor issuing an executive order after Katrina banning all travel on SGF. Plaques and awards for **STUDENTS** can be made with non-sgf's (Fund 113). For faculty and staff plaques and awards can only be purchased with foundation funds.

The "Budget" System

What LSUHSC refers to as "the budget" is a mainframe application that serves three basic purposes. First, it allows Departments to change the sources (accounts) from which employees are paid without submitting any paperwork. Second, the application provides a mechanism to implement increases in base pay for faculty and staff. Periodically the legislature will give additional SGF to the school for cost of living increases and/or a

pool of funds to be used for merit increases to be effective July 1 of that year. Changes effected by the budget file are always effective on July 1 without exception. The third purpose is to budget the State General Funds (Fund 111) and Inter-Agency Transfer Funds (Fund 114).

The Dean's Office will give each Department the figure to tie out to SGF for each year as part of their final MBB. The Department is responsible for budgeting funds to employee compensation or other categories as they anticipate being used by the Department. The mainframe budget system totals the amount budgeted to each Department and that figure is verified by the Dean's Office for each Department. Once this process is complete, the Departments are locked out of the budget system and the Dean's Office insures that the school ties out to the figures provided to it by Central Administration. In turn, the School is locked out of the budget system and the Health Sciences Center ties out to its figures. A Business Managers' meeting is held each year prior to budget time to update all users on how to use the budget system and give information on any potential pay increases or changes in budget.

Calling the mainframe application the LSUHSC uses a "budget system" is a bit of misnomer. The system only accounts for the budgeting of SGF. Its secondary purpose is to make changes in sources of pay previously mentioned. As SGF only account for about 25% of the School's revenues, Mission Based Budgeting is the only comprehensive budget that the school employs.

Increases in base pay effected through input into the budget system are effective July 1, but are not implemented until approved by the LSU Board of Supervisors in August. However, the funding sources and percent effort per account input into the budget file are used to process the July payroll. Any inaccuracies in the budget file will be loaded into PeopleSoft and in turn, used to feed payroll. LSUHSC Central Administration applies the new distribution by account and percentage allocated to each account to the OLD rate of pay to process July payroll.

Revenue Transfer Policy

As per LSUHSC Accounting's policy, revenue that is classified as discretionary may be transferred among like accounts. For the purposes of this policy, "account" is defined as the chartstring that LSUHSC establishes for sponsored agreements. "Discretionary Revenue" is defined as revenue received by LSUHSC that is not for a specific sponsored activity. The primary examples of discretionary revenue within the school are Health Care Network revenue, Indirect Cost Recoveries, Departmental Indirect Cost Recoveries (sometimes referred to as Improvement, 8223, 8220 accounts), and unrestricted donations. It is the responsibility of any individual requesting a revenue transfer to verify that revenue is indeed discretionary before any request to move revenue is submitted. Revenue from sponsored activity can never be transferred from one account to another. Federal projects must be closed out following all federal and LSUHSC Sponsored Projects' guidelines. Non-Federal grants and contracts should be closed out in accordance with LSUHSC's policy which can be found at the following location:

<http://www.lsuhs.edu/no/administration/accounting/cost/policyandprocedure/policyproceduredefault.aspx>

Revenue must be transferred via journal entries (JE) using the standard LSUHSC JE template. Revenue must be transferred using the same PS Acct Code (Legacy Object Code) that the account was originally credited with and can only be transferred to a like account, e.g. from one Indirect Cost account to another Indirect Cost Account. JEs should be submitted to SOM Fiscal Affairs office for review and once approved, will be forwarded to Accounting for processing.

Account Closeout

During monthly review of account transactions Business Managers should be aware of the accounts that are eligible to be closed out. The close out procedure should start 90 days after the termination of a contract or grant.

If a grant or contract is complete you may transfer the balance if:

- Sponsor does not have any restrictions on the use of residual balances
- Deliverables have been completed
- All financial obligations have been met
- Reconciliation of all revenue and expenses and all costs charged that are allowable under terms of the grant or contract
- All subcontracts are paid and complete
- All encumbrances are liquidated

Grants or contracts that are funded with federal flow through dollars are not eligible for closeout. Before attempting to closeout any account, it is the responsibility of the Business Manager to verify that the funds in question are not Federal. To verify this, refer to the SOM Fund Balance Report in the account header information. If there is a number behind CFDA, then the funds are Federal in source.

110100067A	410-11-5191	NLM - LM07591-01
ENHANCEMENTS TO A HUMAN EMBRYO, SERIAL-SECTION DATABASE		
Cork,Robert J	CFDA: 93.879	Begin Date: 9/1/2002 End Date: 8/31/2009

The following steps must be done in order to prepare your entry for submission:

- Reconcile revenues and expenses and verify that appropriate indirect costs and Fringe Benefits have been posted to the expenses posted to the account
- Close out all associated requisitions, purchase orders, pre-encumbrances and encumbrances
- Complete Non-Federal Grant and Contract Close out request form
- Complete Closeout Certification form if applicable

Forward the following information in your packet to SOM Office of Fiscal Affairs for review:

- Accounting Services Closeout Request form
- Close out Certification if applicable
 - Letter from sponsor if needed
- Paper copy of journal entry (also submit electronically to SOM Office of Fiscal Affairs)
 - One account close out per journal entry spreadsheet
 - Name the electronic journal entry the PeopleSoft project number

Guidelines for Preparation of Closing Entry:

Make sure you are utilizing the proper close out account for your journal entry. Residual balances must be transferred to residual balance accounts that are alike, i.e. a clinical trial account must have its residual balance transferred to a clinical trial residual balance account. The entry that closes the account appears to be a transfer of revenue; however the entry is actually classified as a “transfer.” It is neither revenue nor an expense. The following chart can be used as a guide to determine the proper Chartstring to use on the transfer:

Type of account	Class code of your Project being closed	Class code of residual account
Local account	30xxx	30900
State account	25xxx	25900
Private Account	35xxx	35900
Drug Studies	35xxx	35910

Sample journal entry:

MISCELLANEOUS JOURNAL ENTRY															
Batch Description 149600022a close out										Debit = positive		JUDITH ARSENEAUX			
DATE 03/14/2007										Credit = negative					
JOURNAL SOURCE ONL															
JOURNAL ID														Info Only	
BUSINESS UNIT	LEDGER	ACCOUNT	FUND	DEPT	PROGRAM	CLASS	YEAR	PROJECT	CURR	AMOUNT	DESCRIPTION Characters)	(30 JOURNAL LINE REFERENCE	OPEN ITEM REFERENCE	LSU #	OBJ
LSUNO	ACTUALS	495130	113	1494500	10001	35200	FY2007	149450022A	USD	14,943.74	GCRBT 14976802ai				
LSUNO	ACTUALS	495130	113	1494500	00001	35900	FY2007	14976802AI	USD	-14,943.74	GCRBT149450022a				