R·I·T

Rochester Institute of Technology

Controller's Division
Accounting Office
Eastman Hall, 6th floor

To: University Managers
From: Andrea Napoli, Manager of Accounting
Date: June 1, 2012

Subject: **Fiscal Year 2012: Year–End Closing Procedures**

The end of RIT's 2011-2012 fiscal year is rapidly approaching. We have prepared the information in this memo to familiarize or reacquaint you with RIT's year-end processes.

We will need your help in order to process year-end work according to the dates specified in this memo. In order to prepare the University's financial records for the annual audit, Accounting will strictly adhere to the dates and cutoffs detailed in Section A. Please share this information with individuals in your department who are involved in the year-end closing process. The information in this memo is also located on the Controller's Office web page: http://finweb.rit.edu/controller/; click on "Accounting" and then on "RIT Fiscal Year-End 2012 Closing Process and Procedures".

A. Significant Year End Processing Dates:

Deadline	Transaction Type	Notes
Friday June 29th ***12:30 pm***	**Cash receipt deposits and Petty Cash receipts**	In order for cash receipt deposits and Petty Cash receipts to be reflected on your FY 2012 June final department statements, take all transactions to Student Financial Services, in the USC building, by 12:30 p.m.
Tuesday July 3rd ***4:30 pm***	**Purchase Order invoices, Invoice Payment Forms, Travel Expense Reports NEW: RIT Employee Expense Reimbursements through Oracle ***	The last day that FY 2012 Purchase Order invoices, Invoice Payment Forms (IPFs) and Travel Expense Reports (TERs) will be accepted by Accounts Payable for processing for the preliminary statements. Please do not hold PO Invoices, IPFs or TERs until the last moment; processing is more efficient when there's an even flow of paperwork to the Accounts Payable Office throughout June. *These must have completed supervisory approval in order to be included on preliminary statements
Thursday July 5th to Tuesday July 17th	**Purchase Order invoices, Invoice Payment Forms, Travel Expense Reports**	Invoices received in Accounts Payable between July 5th and July 17th, for goods and services received on or before June 30th, will be automatically accrued by Accounts Payable.

Deadline	Transaction Type	Notes
Thursday July 5th to Tuesday July 17th	**NEW: RIT Employee Expense Reimbursements through Oracle**	*These must have completed supervisory approval in order to be included on final statements
Tuesday July 3rd ***4:30 pm***	**Journal Entries**	The last day for departments to enter June journal entries on-line in order for them to appear on preliminary department statements.
Thursday July 5th ***4:30 pm***	**Additional Payment requests**	All Additional Payment requests for work performed during fiscal year 2012 must be received in Payroll by July 5th to be reflected on June preliminary department statements.
Thursday July 5th ***4:30 pm***	**Accounts Receivable**	The last day that FY 2012 invoices may be entered into the accounts receivable system or cash received on or before June 30th may be applied to invoices.
Friday July 6th ***4:30 pm***	**Purchase Order Accruals**	Procurement Services will automatically accrue items received on purchase orders in Oracle by Central Receiving on or before June 30th, 2012 (i.e., PO's received without approved invoices in the accounts payable system). Verify your open PO's to ensure that quantities received and dates received are correct and should be accrued.
Tuesday July 10th	**Preliminary Department Statements**	Preliminary June 2012 department statements and other standard reports will be available for printing by departments. Accounting will notify departments via email. Please do not print your financial reports for June in advance since they may not contain complete information. ***Review information on your preliminary department statements carefully to determine if any FY 2012 adjustments are required.***
Monday July 16th ***4:30 pm***	**Journal Entries**	The **last** day for departments to enter June final journal entries on-line in order for them to appear on the final June 2012 department statements.
Friday July 20th	**Final Department Statements**	Final June 2012 department statements and other financial information will be available for printing by departments. Accounting will notify departments via email. Please do not print your final financial reports for June in advance of this date since they may not contain complete information.

B. Assistance with Year-End Processes

If you have questions or require assistance with year-end processes, you may contact the following individuals:

Subject	Name	Extension
Agency Accounts (Projects beginning with a 9XXXX)	Kelly Metz	5-2375
Budget Entries	Chris Monaco	5-5982
Capital Equipment Statements (Project 84200)	Kerry Phillips	5-2297
Department Statements, Encumbrances	Gary Maccarone	5-2237
Fixed Assets & Plant Project Accounts	Jane McGrath-Briggs	5-4933
Gift & Endowment Projects (2, 6 & 7 XXXX)	Pricilla Schiffhauer	5-7872
Grants & Contracts (3XXXX projects)	Sponsored Programs Accounting	See SPA directory: http://finweb.rit.edu/controller/sponsored/assignments.html
Invoice Payment Forms	Jackie Hughes Peg Murrer Catrina Sapp	5-7679 5-4900 5-2885
Journal Entries, Petty Cash, Deposits, Internal File Feeds	Gary Maccarone or Kelly Metz	5-2237 5-2375
Payroll Expenses	Kitty Stappenbeck Christa Abugasea	5-5580 5-2418
Procurement Card Purchases including BTA & GTA Accounts	Valerie Russell	5-4491
Purchase Order Invoices	Janet Bristol Peg Murrer	5-2372 5-4900
Special & Designated Projects (1XXXX)	Gary Maccarone	5-2237
Travel Expense Reports I-Expenses	Mary Kay Tyner Kitty Stappenbeck	5-7221 5-5580
RIT Employee Expense Reimbursements through Oracle	Mary Kay Tyner Kimberly Jenkins	5-7221 5-4905
Vendor System Contracts/External File Feeds	Kelly Metz	5-2375

C. Fiscal Year 2012 Expenses

RIT accounts for expenditures on an accrual basis. This means that **expenditures are recognized in the year in which goods are received or services are rendered**, not necessarily the year in which they are ordered or the year in which payment is made.

Accounts Payable – Your department's FY 2012 budget will be charged for all invoices for services or merchandise received on or before June 30th, 2012. Your department's FY 2013 (next year's) budget will be charged for services or merchandise received on or after July 1st, 2012.

Examples:

1. In April 2012, your department issued a purchase order for 12 boxes of toner, which is received in August 2012. The cost of the toner is a FY 2013 (next year's) expense because the toner was received in FY 2013 (after June 30th, 2012).

2. In July 2012, your department receives an invoice for a reference textbook received in May 2012. The cost of the textbook will be charged to your FY 2012 (this year's) budget since the textbook was received in FY 2012 (prior to July 1, 2012). Fax Central Receiving documentation as evidence of receipt (i.e. packing slip or invoice): fax 5-6815, ext. 5-2119; email: snlpre@rit.edu immediately if items ordered on a purchase order are delivered directly to your department so that Central Receiving can update receiving information in the Oracle purchasing system.

Payroll – Your department's FY 2012 budget will be charged for all salaries and wages earned on or before June 30th, 2012. Your department's FY 2013 (next year's) budget will be charged for all salaries and wages earned on or after July 1st, 2012. Wages earned in the bi-weekly pay period beginning on June 1st and ending on June 14th will be paid on June 22nd. ***The payroll distribution report for June 2012 will reflect these charges.***

Accounting will process an accrual for June 15h through June 28th (the whole pay period June 15th – June 28th, earned in FY 2012 and paid in FY 2013) prior to the preliminary June closing. Additionally, accounting will process an accrual for June 29h and June 30th (the 2 remaining days in June using the actual payroll dollars from payroll period ending on June 28th) prior to the preliminary June closing. The accruals will be automatically reversed in FY 2013.

Regular salaries for faculty and staff who are paid semi-monthly are not accrued since they will be paid on June 30th, 2012 for the period June 16th – 30th.

All Additional Payment requests for work performed in FY 2012 must be received in the Payroll Office by July 5th to be reflected on your June preliminary department statements. Additional Payment requests for work performed in FY 2012 received up to July 17th will be reflected on your final June department statements.

Examples:

1. A student in your department worked 40 hours during the pay period June 15th – June 28th. The student will be paid $300 (40 X $7.50) on Friday July 6th, in FY 2013. Prior to the preliminary June closing, Accounting will charge the whole $300 to your department's FY 2012 budget on the student salary line (71250). In July (FY 2013), Accounting will reverse the accrual and a credit of $300 will be reflected on the student salary line. The impact on your FY 2013 budget will be $0 ($300 actual payroll expense paid on July 6th less $300 accrual reversal).

2. A student in your department worked 40 hours during the pay period June 29th – July 12th. The student will be paid $300 (40 X $7.50) on Friday July 27th, in FY 2013. Prior to the preliminary June closing, Accounting will charge $43 (2/14 of $300) to your department's FY 2012 budget on the student salary line (71250). In July (FY 2013), Accounting will reverse the accrual and a credit of $43 will be reflected on the student salary line. The impact on your FY 2013 budget will be $0 ($43 actual payroll expense paid on July 27th less $43 accrual reversal).

3. On June 25th, your department processes an exempt Additional Payment request for a staff person for extra work performed during the pay period June 1st – 15th. The Payroll Office will process the Additional Payment and the amount will be included in the employee's pay on July 15th. This amount will be charged to your department's FY 2012 budget through an accrual and will be reflected on your June preliminary and final department statements.

D. Prepaid Expenses

Sometimes, especially during the latter part of the fiscal year, it is necessary to prepay expenses relating to the following year's (FY 2013) budget. This often occurs with maintenance and service contracts, fees for seminars, membership dues, and subscriptions. Accounts Payable, after verifying dates of service, will charge these expenses to a prepaid general ledger account in FY 2012. These payments **will not** be reflected on your FY 2012 budget.

In July 2012, Accounts Payable will prepare the journal entry (Oracle category = Prepaid) to charge these expenses to the appropriate departments. The payments will be reflected on your FY 2013 budget.

Examples:

1. In June 2012, your department issues a purchase order for an annual copier maintenance contract and prepays for the service for the period July 1st, 2012 through June 30th, 2013. Accounts Payable will charge the expense to your department's FY 2013 budget.

2. In May 2012, it is necessary to pay in advance for a business trip you will take in July 2012 (e.g., hotel reservations, conference registration, etc.), and you prepare an Invoice Payment Form. Accounts Payable will charge these expenses to your department's FY 2013 budget.

3. In May 2012, you charge a conference registration fee for a conference being held in August 2012 on your procurement card. Prepare a journal entry (Oracle category = Prepaid) and forward documentation to Accounting, indicating the batch name, journal name, and date prepared (fax ext. 5-5583). Debit the prepaid account 01.15199.09000.00.00000.00000 and credit the appropriate expense account for your department. This entry will be automatically reversed in July 2012, charging the expense to your FY 2013 budget.

E. Accounts Receivable

All income for goods or services provided to an organization outside of RIT during FY 2012 should be recorded by June 30th, ***even if the payment has not yet been received from the customer***. If your department is not yet using the Oracle Accounts Receivable system to prepare invoices, prepare a journal entry in FY 2012 to debit your department's accounts receivable account: XX.XXXXX.04000.00.XXXXX.00000 and credit the appropriate income account for your department: XX.XXXXX.XXXXX.00.XXXXX.00000.

Example:

1. IPI provides research testing for 3M Corporation on May 17th, 2012. During May, a journal entry was recorded to debit accounts receivable 01.66500.04000.00.00000.00000 and credit corporate contracts income 01.66500.52100.00.00000.00000. When the payment is received by IPI, they will prepare a Deposit ID Form to credit the accounts receivable account listed above (01.66500.04000.00.00000.00000). The accounts receivable will clear as a result of the deposit. If at the end of June, the invoice amount remains unpaid, it will remain in accounts receivable. A reconciliation of the balance sheet account will be required. Refer to the Account Reconciliation document located on the Controller's web page for more information: http://finweb.rit.edu/controller/accounting/docs/reconciliations.pdf

F. Deferred Income

When RIT receives income in advance of providing the service it is considered Deferred Income. The income is recorded in the year the service is rendered, not when it is received. If you receive a payment in FY 2012 for services to be provided in FY 2013, record the income in your department's deferred income account: XX.XXXXX.36280.00.XXXXX.00000. When the service

is rendered in FY 2013, prepare a journal entry to debit deferred income and credit your department's income account.

Examples:

1. In April 2012, Gates-Chili High School made a deposit to reserve the Field House for their high school graduations for 2013 through 2015. In 2012, the Field House will record the deposit in their deferred income account. In 2013, after the first graduation ceremony, they will debit their deferred income account and credit their income account for the amount of the deposit received for year 1. They will continue this process for each of the subsequent years until FY 2015 at which time all revenue will be recognized.

2. In June 2012, several alumni made reservations and paid the fee to attend the FY 2012 Brick City Weekend. In June 2012, Alumni Relations will record the fee in their department's deferred account 01.XXXXX.36280.00.XXXXX.00000. In October 2012, after Brick City Weekend, Alumni Relations will prepare a journal entry to debit the deferred income account and credit revenue.

G. Processing Year-End Invoices, Invoice Payment & Travel Forms

Although FY 2012 officially ends on June 30th, 2012, Accounts Payable will continue to enter PO invoices, Invoice Payment Forms, and Travel Expense Reports for goods and services received on or before June 30th, 2012 to FY 2012 budgets.

Accounts Payable will process invoices for Purchase Orders, Invoice Payment Forms, and Travel Expense Reports for FY 2012 and FY 2013 simultaneously until Thursday, July 5th at 4:30 p.m. **The date the goods are received or the services are rendered will determine which fiscal year the payment is charged to.**

At the close of business on Friday, July 6th Procurement Services will run a process to accrue purchase orders, received in Oracle by Central Receiving on or before June 30th, and not yet invoiced. This means that these items will be charged to your department's FY 2012 budget through the accrual process and will be reversed automatically in FY 2013. When the invoice arrives, it will be processed and paid in FY 2013, with no impact to your FY 2013 budget. If items were delivered directly to your department, bypassing Central Receiving, fax a copy of the packing slip or invoice to Receiving at ext. 5-6815. Receiving will update the purchasing system and the item will be accrued automatically.

July 6th – July 17th - Accounts Payable will process accrual entries for FY 2012 Invoice Payment Forms and Travel Expense Reports, for goods and services received on or before June 30th.

H. Invoices to be Accrued by Departments

Departmental Action Required – For all goods and/or services received on or before June 30th for which the vendor **has not** provided an invoice, departments should prepare an accrual journal entry (Oracle category = Year-End Accrual). Debit the appropriate expense account for your department and credit the following accounts payable accrual account: 01.15199.32900.00.00000.00000. Forward documentation, such as a packing slip, to Accounting indicating the batch name, journal name, and date prepared (fax to ext. 5-5583). When the actual invoice is received, indicate on the face of the invoice "Accrued FY 2012". This is an important step – it will prevent Accounts Payable from accruing the invoice a second time; Accounts Payable will process the payment with no impact to your FY 2013 budget.

Example:

1. Your department contracted for consulting services provided during April and May 2012. The consultant has not sent an invoice, and cannot be reached in July. Prepare a "Year-End Accrual" journal entry with the anticipated amount due to the consultant. This amount will be charged to your FY 2012 budget through the accrual process and reversed in FY 2013. When the invoice arrives, mark it prominently with "Accrued FY 2012" prior to sending to Accounts Payable. The invoice will be paid in FY 2013.

I. Procurement Card Purchases

The closing date for items to appear on your June procurement card statement from JPMorgan Chase is June 30th. If you make last minute purchases and charge them to your procurement card, the transactions may not be charged against your FY 2012 budget. Accounting will prepare an accrual journal entry (Oracle category = Year-End Accrual). Accounting will download from Paymentnet all entries with a transaction date of June and a post date of July. This should eliminate the individual departments from preparing JEs. For preliminary statements, Accounting will debit the expense account on the Paymentnet transaction and credit the accounts payable accrual account: 01.15199.32900.00.00000.00000.

Example:

1. You purchased a desktop printer at Best Buy on your procurement card for $324.92 on June 30th. The charge does not appear on your JPMorgan Chase statement but it does appear on-line (Paymentnet) on July 2nd. Accounting will prepare a year-end "Year-End Accrual" journal entry for $324.92. The amount will be charged against your FY 2012 budget through the accrual process and be reversed in FY 2013. When July billing information is received from Paymentnet, the printer will be charged to your department in FY 2013, with no impact to your FY 2013 budget.

J. Encumbrances

When an item is purchased on a purchase order, encumbrance entries are made automatically in the general ledger to record the anticipated expenditure. A requisition encumbrance, or commitment, is generated when a requisition is entered. A purchase order encumbrance, or obligation, is recorded when a purchase order is created. ***An encumbrance is not an expense; it is for information and budget planning purposes only. The actual expense is not charged to your department's budget until the merchandise or service has been received and the invoice is approved for payment.***

Examples:

1. In June 2012 you ordered two cases of toner for your copier. When the requisition was placed in the purchasing system, a commitment encumbrance was recorded on your department supply line. When the purchase order was generated, the commitment encumbrance was reversed and an obligation encumbrance was created. The toner was delivered on June 22nd, and the invoice was approved for payment in Accounts Payable on June 28th. At that time, the encumbrance will be reversed and the actual expense will be recorded on the ledger.

2. In June 2012 you ordered special forms to be delivered in August 2012. This expense will be charged to your FY 2013 budget since the order will be received after June 30th, 2012. The amount of the order will be encumbered at the time the order is placed and it will be reflected on your June department statement in the encumbrance column. The actual expense will be recorded in FY 2013 when the special forms are received and the invoice is approved for payment in Accounts Payable. Open encumbrances at June 30th will be carried over into FY 2013.

K. Special Format for June Preliminary and Final Department Statements

There is a special year-end department statement with an "Available Balance Column" that does not include encumbrances (Working Budget – YTD Actual = Available Balance). ***Use this column to determine the actual balance remaining on each line of your budget.*** The column for Permanent Budget has been removed. For planning purposes only, there is a second available balance column that does include encumbrances (Working Budget – Encumbrances – YTD Actual = Available Balance w/ Enc.). The report is called "RIT FY 2012 Dept Stmt".

If you have questions about information in this memo, please contact me at ext. 5-2911. We recognize that year-end closing procedures, particularly the charging of year-end invoices and year-end accrual entries, can be confusing. We will be happy to answer any questions you may have or to clarify any processes referenced in the memo.

Thank you for your assistance as we wrap up another fiscal year.